

1 9 9 4 A N N U A L R E P O R T



translating

ideas ...

SELECTED FINANCIAL DATA

(In thousands, except per share data, percentages and employees)	Fiscal year ended January 31,		
	1994	1993	Percentage Change
Net revenues	\$ 405,596	\$ 353,154	14.8%
Net income	\$ 62,166	\$ 43,873	41.7%
Net income per share	\$ 2.50	\$ 1.76	42.0%
Return on net revenues	15.3%	12.4%	23.4%
Working capital	\$ 177,241	\$ 165,261	7.2%
Shareholders' equity	\$ 296,879	\$ 267,833	10.8%
Return on average shareholders' equity	22.0%	16.4%	34.1%
Shares used in computing net income per share	24,870	24,900	(0.1%)
Number of employees	1,788	1,565	14.2%

TRANSLATING IDEAS INTO
REALITY: This vision shapes the
Autodesk® software family. From archi-
tecture to manufacturing, from facilities
management to geographic information
systems, from videography to CAD
visualization—Autodesk software fosters
creativity and enhances productivity
in education and in industries using
computer-aided design and multimedia
technology. Supported by a global net-
work—a virtual corporation of Autodesk
distributors, dealers, independent appli-
cation developers, Autodesk Training
Centers and an installed base of more
than two million users—Autodesk main-
tains a worldwide presence as the leader
in design automation and multimedia
solutions.

...into
reality



To our
shareholders



I'M PLEASED to report that in fiscal year 1994 Autodesk made significant progress in meeting its goals and became the leading, worldwide supplier of design automation software solutions.¹ This leadership was achieved, in part, because we anticipated and responded to a significant shift within the computer-aided design (CAD) industry toward integration of all phases of the design continuum—from design concept to visualization to final production. Consequently, our strategy for fiscal year 1994 was to diversify and enhance the Autodesk software family to deliver the design automation and multimedia solutions our customers need to successfully implement this design-process integration.

But we faced the same challenge that our customers face: to translate business and technological ideas into reality. Part of our answer was to revitalize our business model to meet our objectives and our customers' evolving CAD and multimedia needs.

After examining our business model's key components, and their importance to our growth, we reinforced our core business, enhanced our product and market diversity, strengthened our infrastructure to accommodate changing customer and employee needs, and leveraged the strength of our virtual corporation. We explore each of these areas later in this report, but fiscal year 1994 financial results reveal the effectiveness of these measures.

FINANCIAL RESULTS

We reported total net revenues for the year of \$405.6 million, an increase of nearly 15 percent, compared to a worldwide increase for all CAD suppliers of only 2.4 percent.² The 24 percent AutoCAD® unit growth—due in part to the continued success of AutoCAD Release 12, new AutoCAD-based and adjacent software products, and the expansion of our worldwide sales offices—resulted in all-time-high sales of more than 200,000 units. The AutoCAD installed base increased to nearly one million seats.

Autodesk revenues grew 37 percent in Asia/Pacific, 1 percent in Europe and 17 percent in the Americas, including significant growth in Canada and Latin America. These revenues would have been even more impressive were it not for the changes in

¹ Based on 1993 CAD/CAM/CAE/GIS worldwide software revenue. *Dataquest Alert*, January 1994.

² *Dataquest Alert*, January 1994.

foreign currency exchange rates, particularly in Europe, that reduced consolidated net revenues by more than \$13 million. In the US market, we credit our growth to the introduction of new products, stronger major-accounts penetration and an expanded regional office presence. Internationally, we succeeded because we expanded our field organization, improved technical support, worked toward stronger independent application developer relationships and made more software translations available.

Net revenue from design automation, including AutoCAD, low-cost CAD products and AutoCAD-based software tools, totaled \$385.5 million. Emerging Businesses, which oversees multimedia products, posted revenues of \$20.1 million, up 22 percent from \$16.5 million last year. In the last two quarters of the year, AutoVision™ software sales, added to sales and upgrades of 3D Studio® Release 3, led to record multimedia revenues.

Product diversification, represented by our multimedia products and other new products such as AutoCAD® LT for Windows, AutoSketch® Release 2 for Windows, AutoCAD Data Extension™ (ADE™) and AutoSurf™ Release 2, contributed to a

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27 percent increase in non-AutoCAD revenue. This revenue shift, reflecting our emphasis on solutions across the entire design continuum, was one of our most important achievements. Our focus on broad-based solutions also helped bring about major accomplishments, including a share in the \$550-million Naval Facilities CAD 2 contract, and international sales successes such as those with ENEL (Italy's electric company), Malaysia's Sepang Airport and others highlighted elsewhere in this report. And to concentrate on products that best support this design process, we divested ourselves of scientific and certain low-end graphics products.

These results were achieved despite a lackluster global economy. For example, European revenue was negatively affected by a soft European economy and a relatively strong US dollar. Sales were below expectation in Japan due, in part, to a weak Japanese economy. But we laid a foundation for future growth in Japan by strengthening our management team and increasing the number of software translations.

Gross margin improved to just over 84 percent, in part because we standardized packaging and reduced costs for disk duplication, documentation, product assembly and shipping. Fiscal year 1994 net income totaled \$62.2 million, with earnings per share of \$2.50, a gain of 42 percent over last year.

INVESTMENTS

We believe our financial success this last year resulted from basic investments we made in Autodesk and its infrastructure. We expanded worldwide offices to position resources closer to customers, and we began implementing System/2000 to streamline business systems applications. We also established the Core Technology Group to manage and develop new technologies and to evaluate and refine product architecture.

But we believe our investments in people, in their work environment, and in the training necessary to keep them performing at their peak will pay even higher dividends. We continue to work toward more responsive employee support and to provide competitive benefits within a framework of performance-driven compensation. These investments help us attract and keep quality employees—from creative product development and support staff to hands-on marketing professionals and seasoned management.

To help offset dilution of earnings per share resulting from our employee stock plans, we spent more than \$70 million on common stock repurchases in fiscal year 1994.

We believe our financial success this last year
resulted from **basic investments** we made
in Autodesk
and its infrastructure.

A SOLID MODEL FOR GROWTH

I believe we have the right business model for Autodesk. We continue to fine-tune our focus and to explore what we must do to enhance our market position. We see tremendous potential, and although we have some distance yet to travel, this year's results have taken us a long way toward validating our model. We thank our more than two million Autodesk customers, our shareholders, employees and partners for helping us attain leadership in the design automation and multimedia software industries.



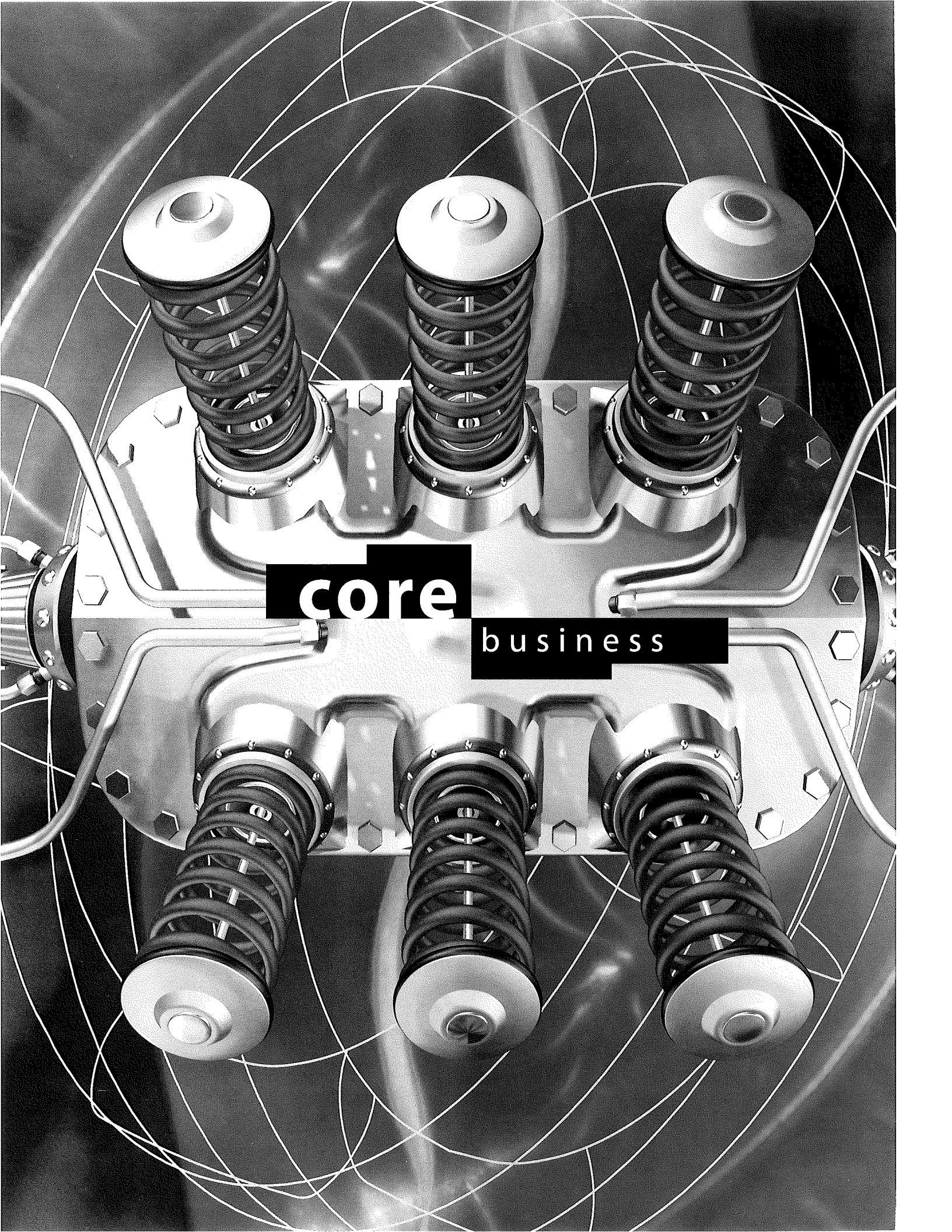
Carol Bartz, President,
Chief Executive Officer and Chairman of the Board

The Autodesk business model supports the efficient delivery of design automation and multimedia solutions to strategic, international markets.

A solid model for growth

THE AUTODESK business model draws on core Autodesk strengths, the advantages of a virtual corporation and the value of our large installed customer base. Continually tested and refined, this model drives all our decisions, from developing business strategy to analyzing products. It's the framework for our quick response to the rapidly evolving needs of the design automation and multimedia markets. It helps us identify industry and technology trends, and to enhance the Autodesk software family to meet these advanced demands. Above all, it clarifies the path for Autodesk's future growth and creates value for customers, business partners and shareholders.

**CUSTOMERS
TELL THE
AUTODESK
STORY** Across a range of disciplines, around the world, people use Autodesk software to translate ideas into reality: building refineries; managing land, leases and facilities; manufacturing fixtures and mining equipment; or designing Olympic medals. The customer stories on the following pages depict not only the breadth of our core CAD business, but also how Autodesk's diverse design automation and multimedia products are used to solve complex design, management and visualization problems. These brief stories also suggest the extent to which our strengthened global infrastructure opens new markets, and how our virtual corporation associations make Autodesk-based solutions among the most innovative and cost-effective on the market.



core

business

Autodesk's design automation solutions build on our core AutoCAD business.

AUTOCAD SOFTWARE is the world's leading CAD software because it is desktop-based, competitively priced, has an open-system architecture that supports custom applications, and incorporates most of the 2D and 3D functionality design professionals require. Autodesk has worked vigorously to expand the AutoCAD user base by extending AutoCAD software's applications, power and functionality. In the process, we've also succeeded in broadening AutoCAD software's influence on CAD-industry standards. The tremendous pool of customers and developers using AutoCAD-based software tools creates a valuable potential market for all Autodesk products. ○ So, while Autodesk has expanded its product line, the Company remains committed to enhancing AutoCAD core technology for these customers and to extending AutoCAD software's reach with complementary products of varying price and functionality. For example, AutoSketch Release 2 for Windows, Generic CADD® 6.1 and AutoCAD LT for Windows are Autodesk's low-cost CAD options. These products bring easy-to-use CAD capabilities and AutoCAD interoperability to new CAD users, and to CAD managers, designers and illustrators who don't require the comprehensive toolset offered by AutoCAD software. At the other end of the technology spectrum, designers using some mainframe-based CAD systems can use Autodesk Aemulus™ and Aemulusmf™ software as a bridge to AutoCAD software's superior flexibility and lower costs.

CHEVRON

To manage its extensive geographical assets and leases in the United States, the Gulf of Mexico and offshore, the Chevron Production Company created a system that incorporates AutoCAD Release 12, ADE software and Spatial Analyst, a GIS toolkit. The Chevron solution integrates maps, graphics and nongraphic data, and will eventually serve 200 users at nine networked sites. A cost-benefit analysis conducted by Chevron's Land Management Department has found that the system has improved productivity and reduced staffing needs significantly. "We chose AutoCAD because of its reputation," says project manager Linda Sarandrea. "We wanted an affordable PC solution, and Autodesk is working with us to develop one based on AutoCAD."

The Material Resources Department (MRD) of the Bolsa Mexicana de Valores, Mexico's national stock exchange, uses AutoCAD Release 12 with ARCHIBUS/FM to handle facilities management for the 45,000-square-meter building. Before adopting AutoCAD in 1993, the Bolsa MRD relied on manual methods, which were inefficient and inaccurate. Officials credit Autodesk's Latin American representatives with the successful migration to AutoCAD software. "Today, our work is completed more rapidly and our drawings are more accurate," says architect Miguel Angel Carpinteyro, vice president of the Bolsa MRD. "A project that might have taken two months to complete now takes only two weeks and the amount of replanning has been halved."

MEXICO
STOCK
EXCHANGE



diversification

Focused diversification and adjacent marketing help us reach our target markets.

AUTODESK no longer markets just one product, but a suite of design automation and multimedia solutions across many disciplines. Professionals in AEC (architecture, engineering and construction), process and power, GIS (geographic information systems), and mechanical design, as well as videography, CAD visualization and computer-based titling use Autodesk solutions. ● Product diversification and marketing to AutoCAD adjacent users allow Autodesk and our dealers to tap into a large installed base. Adjacent users—CAD managers, engineers and document reviewers who work with AutoCAD designers and drafters—directly benefit from products such as AutoCAD LT for Windows, which provides easy, low-cost access to AutoCAD drawings. Adjacent applications within existing accounts also expand dealer sales opportunities. Photorealistic still rendering with AutoVision software and advanced rendering and animation with 3D Studio Release 3 bring exciting new capabilities to design visualization professionals. ADE software, with the capability to create multiple-drawing databases and simplify drawing data access within AutoCAD, brings information-management solutions to all key Autodesk markets. And a complete mechanical design solution can be found in the combination of AutoCAD with AutoCAD® Designer software's parametric, solid-modeling technology (acquired through the purchase of Woodbourne, Inc.) and AutoSurf Release 2 surface-modeling software. ● Autodesk's diversified products also appeal to new customers because they can purchase complete solutions from one supplier. These solutions enhance user creativity and design efficiency, increase productivity—and diversify revenue for Autodesk and our dealers.

K O H L E R Kohler, the leading manufacturer of plumbing and bathroom fixtures in the United States, uses networked AutoCAD with AME®, AutoSurf and AutoMill™ software to design and manufacture everything from whirlpool baths and toilets to faucets and sinks. Kohler designers use AutoCAD software's 2D and 3D capabilities to refine their initial sketches and AutoSurf and AutoMill to prepare designs for the manufacturing floor. In addition, Kohler's Generator Division does its entire 2D and 3D design with AutoCAD Release 12.

At Sony Pictures Imageworks (SPI), 3D Studio software is being used to "previsualize" films before they go into production. Previsualizations are animated film sequences that allow filmmakers to test alternative shots and camera angles. Along with faster takes, fewer retakes and reduced postproduction fixes, previsualizations promote realism and continuity in filmmaking. "We spent a year evaluating all the best PC, Mac and Silicon Graphics software," says Frank Foster, SPI vice president of previsualization. "3D Studio came out on top because it's fast, feature-rich and the documentation is good. We just couldn't get this kind of real-time playback on other systems at anywhere near the price."

S O N Y
P I C T U R E S
I M A G E W O R K S



global infrastructure



Autodesk's worldwide sales and product development efforts are framed within a responsive, customer-oriented infrastructure.

AUTODESK'S growing business and diversified product line call for an infrastructure that supports global sales, and is accessible to customers and prospects worldwide. To this end, Autodesk has placed resources for sales, technical support, training, and localized product research and development in cities and countries we believe have the greatest sales potential. These infrastructure enhancements improved sales in Asia/Pacific and Latin America, and yielded significant results in largely untapped areas such as Eastern Europe. Major-accounts sales in the United States increased as a result of expanded regional offices, staffed with major account representatives, industry specialists and application engineers. ● Dealer training, vital to successful diversification, forms another aspect of infrastructure. Autodesk has expanded technical, sales, marketing and business training to help dealers keep up with fast-changing technologies and markets. For example, during the three months following ADE software's introduction, Autodesk conducted ADE training for 375 dealers. During the same period, Autodesk also conducted workshops for 55 dealerships on profitability, value-added marketing and related business issues. ● System/2000, another infrastructure enhancement now being implemented, represents Autodesk's new approach to business systems applications. It will enable us to quickly analyze all aspects of worldwide business operations—and make it easier for customers to do business with Autodesk. Using universal product part numbers, System/2000 will track order entry, sales, revenue, profitability, manufacturing and distribution, and report that information on demand.

LUCKY
ENGINEERING

Korea's Lucky Engineering Company designs and builds refineries, polypropylene facilities and other process plants in the Middle East, Southeast Asia and North America. To do this complex work, Lucky relies on AutoCAD Release 12 and AutoPLANT, from Engineering Design Automation. The ability to model and view a project in 3D helps Lucky designers quickly detect possible piping interference and other problems. With AutoCAD and AutoPLANT software, Lucky has "halved the time needed to produce typical piping sections," says Choi Yong Byung, general manager of Lucky's Piping Department. "Our increased accuracy, minimal design rework and improved constructability have led to a 5 percent reduction in installation plant costs."

Japan's Nippon Telegraph and Telephone (NTT) is planning telecommunications systems now to meet future demand. To automate the process and increase efficiency, NTT has turned to AutoCAD Release 12 and a specialized application called UNDESS (UNderground outside plant DESign System) in its Saitama office. AutoCAD-based AutoLISP® and ADS (AutoCAD Development System™) programs handle calculations and cable design. With UNDESS, NTT can predict future demand, run simulations, check cable connections and issue warnings when cable space is running out or a network is reaching capacity. "We wanted a system that was inexpensive and efficient," says Hitoshi Tajima, vice president and general manager of NTT's Saitama District Headquarters. "This one reduces drawing production time by more than 70 percent."

NTT



virtual
corporation

The Autodesk
virtual corporation **joins people and companies**
in a mutually beneficial and resource-rich
association.

AUTODESK'S growth and the broad industry acceptance of AutoCAD software rely on a far-reaching virtual corporation. The business relationships and technology resources that comprise the Autodesk virtual corporation bring us a significant competitive advantage, seen in the variety, quality and cost-effectiveness of Autodesk-based solutions. More than 2,000 independent application developers offer some 4,000 specialized applications for Autodesk products. Market-leading developers such as Softdesk, Inc. (US), Kozo Keikaku (Japan) and Genius CAD-Software GmbH (Germany) exemplify the unparalleled application support available for Autodesk's design automation and multimedia solutions. ● The virtual corporation's large pool of application developers and extensive dealer base also reduce Autodesk's product development and distribution costs. Over 4,100 distributors and dealers worldwide provide value-added services to a growing customer base. And to support all of our customers, we offer in-depth education and training at more than 760 Autodesk Training Center locations worldwide. ● In another business association, Autodesk and the Business Software Alliance (BSA) have worked to curb software piracy, particularly in Asia/Pacific and Europe. Through the BSA, government agencies and our own aggressive antipiracy program, Autodesk has recovered more than \$13 million since 1988.

ALYESKA Keeping crude oil flowing through the Trans-Alaska Pipeline System means paying constant attention to the design of terminal facilities, tank yards, piping, mechanical parts, wiring and other components. To meet the challenge, engineers with Alyeska Pipeline Service Co., operators of the pipeline, have moved from a high-end mainframe system to AutoCAD Release 12, ADE and software from Softdesk, Inc. AutoCAD analyst Brent Kirk created an ADE application for Alyeska that allows engineers to access multiple drawings simultaneously and flexibly regroup them with no loss of original attributes. "I created this application in only four hours," says Kirk, "resulting in tremendous development cost savings."

With the acquisition of Simmons-Rand, Long-Airdox became the only manufacturer of mining equipment to do it all, from "face to load out." The firm saved \$160,000 a month by moving off Simmons's hard-to-access mainframe system to AutoCAD software. "We cut costs significantly and got a better return on investment," says Wayne Moreau, manager of Industrial Engineering for Long-Airdox. To quickly and accurately convert the mainframe drawings to AutoCAD format, Long-Airdox implemented Aemulus software, with the help of Autodesk reseller CADD Microsystems. Today, drawing conversion takes only minutes, and the process has been fully automated.

LONG-AIRD OX

Autodesk provides
the software tools to translate ideas into
reality for a broad range of users.

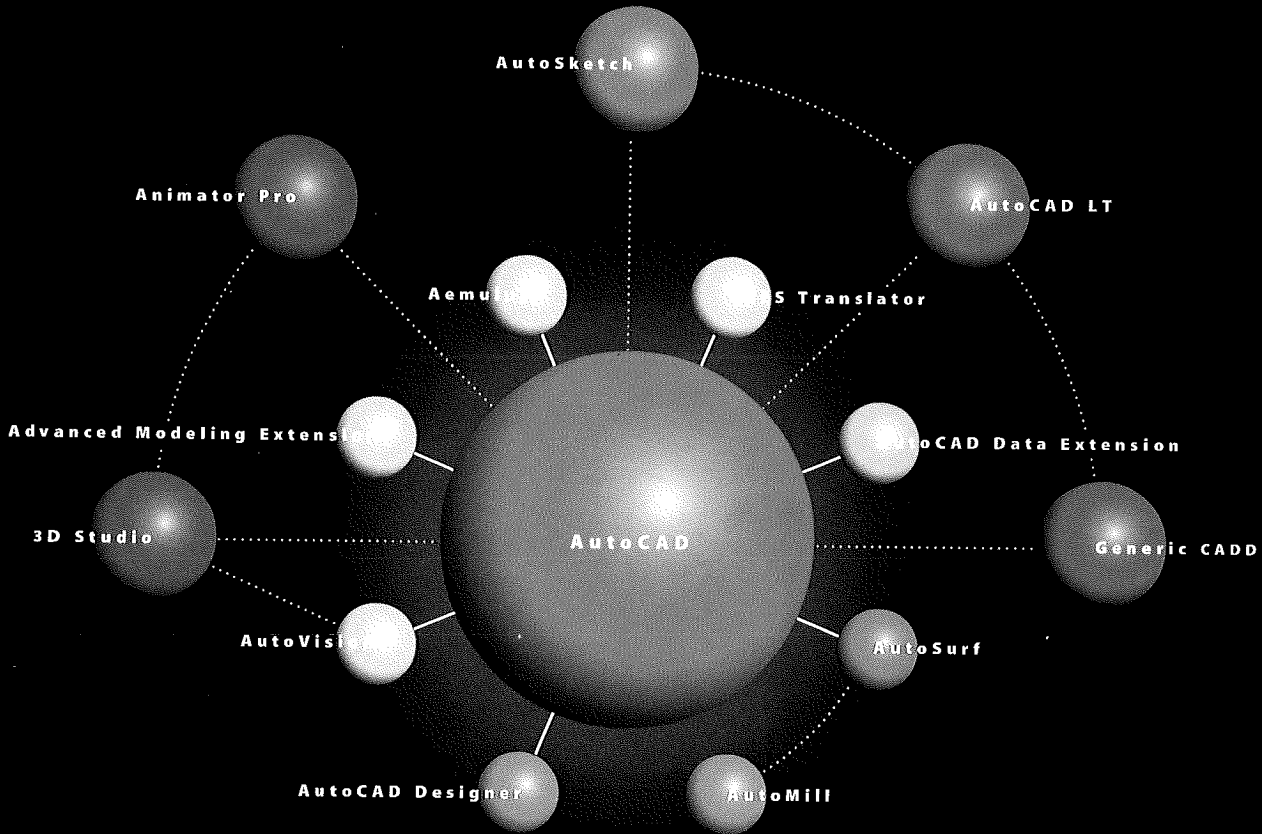
translating ideas into reality

FOR EXPERIENCED professionals and beginners alike, Autodesk software provides the tools that enable them to translate their ideas into reality. The stories in this annual report illustrate how some of these ideas have taken shape through the use of Autodesk software—from land and lease management at Chevron to previsualization film techniques at Sony to refinery design at Lucky Engineering. Whether an architect is designing a unique new high rise, or an engineer is visualizing stress points on a prototype camshaft, or a student archaeologist is reconstructing the city plan of ancient Corinth, there's an Autodesk solution to complete the task. ● Comprehensive solutions of the kind presented here exemplify Autodesk's strategy to translate our design automation vision into reality. We have capitalized on the strengths of our organization—from the exceptional talent and loyalty of Autodesk employees to the breadth and power of our virtual corporation—to deliver practical and inspired software solutions across the design automation and multimedia continuum. In doing so, we have positioned Autodesk for continued global growth.

The designs for medals awarded at the 1994 Winter Olympics in Lillehammer, Norway, were inspired by ancient rock carvings and created using AutoCAD Release 12 for Windows. After scanning designer Ingjerd Hanevold's sketches into a drawing program, the manufacturer then imported the drawing files into AutoCAD to further develop and prepare them for milling using NC Polaris CAM software. The Windows™ environment was particularly useful in moving between the drawing program and AutoCAD, according to manufacturer TH Martinsen Sølvsfabrikk. "We now have two AutoCAD stations," says Frank Bechman, a Martinsen fabricator, "one for production and one for documentation. We regard AutoCAD as indispensable."

TH MARTINSEN
S Ø L V V A R E F A B R I K K

The Autodesk Family of Products



CAD Products ●

AutoCAD Enhancements ●

Mechanical Design Products ●

Multimedia and Visualization Products ●

..... Indicates Data Compatibility Between Products

— An Extension of the AutoCAD Design Environment

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(In thousands, except per share data, percentages and employees)	Fiscal year ended January 31,				
	1994	1993	1992	1991	1990
For the fiscal year					
Revenues	\$ 418,720	\$ 367,721	\$ 284,903	\$ 237,850	\$ 178,591
Direct commissions	13,124	14,567	10,929	7,447	5,079
Net revenues	405,596	353,154	273,974	230,403	173,512
Cost of revenues	63,338	63,652	39,173	27,645	22,487
Marketing and sales	137,788	119,871	82,520	67,993	41,769
Research and development	56,231	51,481	34,782	24,384	21,308
General and administrative	58,536	59,953	37,268	29,427	20,922
Income from operations	89,703	58,197	80,231	80,954	67,026
Interest and other income, net	7,055	11,566	12,063	11,023	9,390
Income before income taxes	96,758	69,763	92,294	91,977	76,416
Net income	62,166	43,873	57,794	56,755	46,378
Net cash provided by operating activities	88,853	68,608	72,858	58,446	52,080
At year end					
Cash, cash equivalents and marketable securities	\$ 217,011	\$ 192,277	\$ 191,330	\$ 149,732	\$ 117,725
Current assets	279,557	249,341	247,538	187,631	145,016
Total assets	404,874	358,283	328,026	265,234	194,314
Current liabilities	102,316	84,080	56,984	43,773	31,065
Total liabilities	107,995	90,450	60,721	46,949	35,193
Shareholders' equity	296,879	267,833	267,305	218,285	159,121
Working capital	177,241	165,261	190,554	143,858	113,951
Number of employees	1,788	1,565	1,272	1,102	905
Common stock data					
Net income per share	\$ 2.50	\$ 1.76	\$ 2.31	\$ 2.30	\$ 1.91
Book value per share	\$ 12.51	\$ 11.15	\$ 10.87	\$ 8.94	\$ 6.56
Dividends paid per share	\$ 0.48	\$ 0.48	\$ 0.46	\$ 0.40	\$ 1.70
Shares used in computing net income per share	24,870	24,900	24,990	24,684	24,325
Shares outstanding at year end	23,740	24,011	24,588	24,412	24,245
Financial ratios					
Current ratio	2.7	3.0	4.3	4.3	4.7
Return on net revenues	15.3%	12.4%	21.1%	24.6%	26.7%
Return on average assets	16.3%	12.8%	19.5%	24.7%	25.5%
Return on average shareholders' equity	22.0%	16.4%	23.8%	30.1%	30.2%
Growth percentages					
Net revenues	14.8%	28.9%	18.9%	32.8%	51.7%
Net income	41.7%	(24.1%)	1.8%	22.4%	41.9%
Net income per share	42.0%	(23.8%)	0.4%	20.4%	41.5%

NET REVENUES

(In millions)	1994	Percentage Change	1993	Percentage Change	1992
Revenues	\$ 418.7	14%	\$ 367.7	29%	\$ 284.9
Direct commissions	13.1	(10%)	14.5	33%	10.9
Net revenues	\$ 405.6	15%	\$ 353.2	29%	\$ 274.0

Autodesk's fiscal year 1994 worldwide net revenues, after deducting direct commissions paid to dealers, increased 15 percent over the previous fiscal year. Net revenue growth primarily resulted from strong worldwide sales of AutoCAD® software, the Company's principal product. For the fiscal year, revenues from new AutoCAD licenses increased approximately 20 percent, while update revenues decreased approximately 27 percent as AutoCAD Release 12 nears the end of its product life cycle. Sales of AutoCAD and AutoCAD updates accounted for approximately 85 percent, 86 percent and 90 percent of the Company's revenues in fiscal years 1994, 1993 and 1992, respectively. Revenues from the Company's Emerging Businesses, which primarily consists of multimedia products, increased to \$20.1 million for the fiscal year. This increase was attributable to new and update sales of Autodesk 3D Studio® Release 3 and sales of AutoVision™ software, which began shipping late in the third fiscal quarter.

Fiscal year 1994 revenues increased in all of the Company's major markets over the prior fiscal year. Revenues increased by 37 percent, 17 percent and 1 percent in Asia/Pacific, the Americas and Europe, respectively, compared to fiscal year 1993 growth in these regions of 17 percent, 37 percent and 25 percent. When compared to fiscal year 1993, the stronger value of the US dollar relative to international currencies reduced fiscal year 1994 net revenues by approximately \$13 million and significantly impacted European revenue growth. Similarly, the stronger value of the US dollar negatively impacted fiscal year 1993 revenues compared to those of fiscal year 1992. Foreign revenues, including export sales from the United States to foreign customers, accounted for approximately 58 percent, 57 percent and 59 percent of revenues in fiscal years 1994, 1993 and 1992, respectively.

Substantially all of the Company's European, Asia/Pacific and US export sales are made to dealers and distributors; sales to dealers and distributors accounted for approximately 59 percent of US revenues in fiscal years 1994 and 1993 and 56 percent in fiscal year 1992. Revenue growth was achieved in all domestic sales channels, most notably in the dealer sales channel and the educational sales channel.

Direct commissions paid to dealers decreased from \$14.5 million in fiscal year 1993 to \$13.1 million in fiscal year 1994 due to a reduction in the domestic commission rate, partially offset by increased sales to major national accounts and educational institutions.

A summary of revenues by geographic area is presented in Note 8 to the consolidated financial statements contained on page 36.

The Company believes that net revenues in the first half of fiscal year 1995 will be negatively impacted by an anticipated slowdown in sales of AutoCAD and related updates as Release 12 nears the end of its product life cycle. As a result, AutoCAD revenues are expected to continue to decline as a percentage of consolidated revenues. The Company expects that the shipment of AutoCAD Release 13 will increase AutoCAD sales as a percentage of consolidated revenues. While the Company expects that new products introduced in fiscal year 1994 as well as products expected to be introduced in the first half of fiscal year 1995 will offset the decrease in AutoCAD revenues, delays in the introduction of these new products or lower-than-anticipated demand for these products could adversely affect future revenues. Moreover, delays in the introduction of AutoCAD Release 13, delays in the release of other new or enhanced products scheduled for release in fiscal year 1995, or failure to achieve significant customer acceptance for these products may have an adverse effect on the Company's consolidated revenues and results of operations in future periods. There can be no assurance that the Company will not experience difficulties that could delay or prevent the successful development, introduction and marketing of new products and product enhancements or that its products will adequately meet the requirements of the marketplace and achieve market acceptance. In addition, the Company's revenues in future periods could be impacted by the effect of changes in currency exchange rates or uncertainties in the global economic environment.

COST OF REVENUES

(In millions)	1994	Percentage Change	1993	Percentage Change	1992
Cost of revenues	\$ 63.3	0%	\$ 63.7	62%	\$ 39.2
Percentage of net revenues	16%		18%		14%

Cost of revenues includes the purchase and duplication of disks, production of technical manuals and associated materials, freight, royalties, the amortization of capitalized software development costs and, in certain foreign markets, software protection locks. The improved gross margin in fiscal year 1994 resulted from cost-control measures and a change in the mix of product sales, most notably lower sales of AutoCAD updates, which have a lower gross margin than commercial versions of AutoCAD. The Company's gross margin in fiscal year 1994 was also favorably impacted by ongoing cost-control efforts in production, particularly in the areas of disk duplication, assembly, packaging and shipping. In future periods, the Company expects that cost of revenues as a percentage of net revenues will continue to be impacted by the mix of sales of new products and sales of AutoCAD updates. Additionally, cost of revenues as a percentage of net revenues may be impacted by the geographic distribution of sales.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OPERATING EXPENSES

(In millions)	1994	Percentage Change	1993	Percentage Change	1992
Marketing and sales	\$ 137.8	15%	\$ 119.9	45%	\$ 82.5
Percentage of net revenues	34%		34%		30%
Research and development	\$ 56.2	9%	\$ 51.5	48%	\$ 34.8
Percentage of net revenues	14%		15%		13%
General and administrative	\$ 58.5	(2%)	\$ 60.0	61%	\$ 37.3
Percentage of net revenues	14%		17%		14%

Marketing and sales expenses include salaries, sales commissions, travel expenses and facility costs for the Company's marketing, sales, dealer training and customer support personnel. These expenses also include programs aimed at increasing revenues, such as advertising, trade shows and expositions and various sales and promotional programs designed for specific sales channels. The increase in expenses resulted from launch costs related to new products, increased headcount associated with the Company's expansion into new markets, most notably Asia/Pacific and Latin America, and an increase in corporate marketing activities. The Company expects to continue its emphasis on marketing and sales activities in the future to promote Autodesk's competitive position and to support sales and marketing of its products.

Research and development expenses consist principally of salaries and benefits for software developers, contracted development efforts, facility costs and expenses associated with computer equipment used in software development. During fiscal year 1994, research and development expenses decreased to 14 percent of net revenues compared to 15 percent in the prior fiscal year, although absolute spending increased 9 percent. The increase in research and development expenditures resulted from an increase in the number of domestic research and development personnel, a full year of operating results of the Company's Mechanical Division, which was formed following the acquisition of Micro Engineering Solutions, Inc., in October 1992, partially offset by the elimination of expenses upon the disposition of the Company's Information Systems Division in fiscal year 1993. The Company anticipates that research and development expenses will increase in fiscal year 1995 resulting from translation and localization of foreign-language versions of products released in fiscal year 1994 as well as products scheduled for release in fiscal year 1995. Additionally, the Company intends to continue recruiting and hiring experienced software developers while at the same time considering the acquisition of complementary software businesses and technologies.

General and administrative expenses include the financial, information systems, human resources, legal, purchasing and administrative operations of the Company. These expenses decreased in absolute dollars and as a percentage of net revenues in fiscal year 1994 due to nonrecurring expenses recorded in the prior fiscal year. One-time charges in fiscal year 1993 included \$5.0 million related to the settlement of a class-action lawsuit filed against the Company; a \$3.0-million charge associated with the divestiture of two companies that comprised

the Company's Information Systems Division; \$1.4 million to centralize its European production facility in Neuchâtel, Switzerland; and a charge of \$1.1 million resulting from the cancellation of an agreement to purchase land in northern California. Excluding the effects of these charges in fiscal year 1993, general and administrative expenses in fiscal year 1994 increased by approximately \$9.0 million. The increase resulted from higher personnel and occupancy costs to support overall increases in the Company's worldwide operations and greater spending to support infrastructure.

INTEREST AND OTHER INCOME

(In millions)	1994	Percentage Change	1993	Percentage Change	1992
Interest and other income	\$ 7.1	(39%)	\$ 11.6	(4%)	\$ 12.1
Percentage of net revenues	2%		3%		4%

Net interest income was \$7.9 million, \$11.1 million and \$11.0 million for fiscal years 1994, 1993 and 1992, respectively. The decrease in interest income in fiscal years 1994 and 1993 was attributable to lower average interest rates around the world. Other income, which includes gains and (losses) resulting from foreign currency transactions primarily in Europe and Asia/Pacific, was (\$861,000), \$445,000 and \$1,019,000 in fiscal years 1994, 1993 and 1992, respectively.

PROVISION FOR INCOME TAXES

(In millions)	1994	Percentage Change	1993	Percentage Change	1992
Provision for income taxes	\$ 34.6	34%	\$ 25.9	(25%)	\$ 34.5
Percentage of net revenues	9%		7%		13%
Effective tax rate	35.8%		37.1%		37.4%

An analysis of the differences between the US statutory and the effective income tax rates is presented in Note 3 to the consolidated financial statements beginning on page 32.

The Company adopted Financial Accounting Standards Board Statement No. 109, "Accounting for Income Taxes," in fiscal year 1993. Adoption of this standard did not have a material effect on the Company's consolidated financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NET INCOME AND NET INCOME PER SHARE

(In millions, except per share data)	1994	Percentage Change	1993	Percentage Change	1992
Net income	\$ 62.2	42%	\$ 43.9	(24%)	\$ 57.8
Percentage of net revenues	15%		12%		21%
Net income per share	\$ 2.50	42%	\$ 1.76	(24%)	\$ 2.31

The Company's consolidated results of operations to date have not been materially affected by seasonal trends. See Note 7 to the consolidated financial statements on page 35 for unaudited quarterly information for fiscal years 1994, 1993 and 1992. However, the Company believes that in the future its results may be impacted by factors such as order deferrals in anticipation of new product releases, delays in the shipment of new products, a slower growth rate in the personal computer CAD market or adverse general economic or industry conditions in any of the countries in which the Company does business. In addition, with a significant portion of net revenues and operating income contributed by international operations, fluctuations of the US dollar against foreign currencies and the seasonality of the European, Asia/Pacific and other international markets could impact the Company's consolidated results of operations and financial condition in a particular quarter. Rapid technological change and the Company's ability to develop, manufacture and market products that successfully adapt to that change may also have an impact on the consolidated results of operations. Further, increased competition in the market for design automation and multimedia software products could also have a negative impact on the Company's consolidated results of operations.

Due to the factors noted above, the Company's future earnings and stock price may be subject to significant volatility, particularly on a quarterly basis. Any shortfall in revenues or earnings from levels expected by securities analysts could have an immediate and significant adverse effect on the trading price of the Company's common stock. The Company typically receives and fulfills a majority of its orders within the quarter, with a substantial portion occurring in the third month of the fiscal quarter. As a result, the Company may not learn of revenue shortfalls until late in a fiscal quarter, which could result in an even more immediate and adverse effect on the trading price of the Company's common stock.

LIQUIDITY AND CAPITAL RESOURCES

Working capital, which consists principally of cash, cash equivalents and marketable securities, was \$177.2 million at January 31, 1994, compared to \$165.3 million at January 31, 1993. Cash, cash equivalents and marketable securities, which consist primarily of high-quality municipal bonds and tax-advantaged money market instruments, totaled \$217.0 million at January 31, 1994, compared to \$192.3 million at January 31, 1993. The increase in cash, cash equivalents and marketable securities was due primarily to cash generated from operations (\$88.9 million) and cash proceeds from the issuance of shares through employee stock option and stock purchase programs (\$47.9 million). This increase was partially offset by cash used to repurchase shares of the Company's common stock under an ongoing repurchase program (\$71.6 million), to purchase computer equipment, furniture and leasehold improvements (\$21.5 million), to pay dividends on

the Company's common stock (\$11.4 million) and to acquire complementary software businesses and technologies (\$9.0 million).

During fiscal years 1994, 1993 and 1992, the Company repurchased and retired 1,588,000, 1,202,000 and 210,000 shares of its common stock at average repurchase prices of \$45.08, \$35.89 and \$31.61, respectively, pursuant to a systematic repurchase program approved by its Board of Directors to reduce the dilutive effect of common shares to be issued under the Company's stock option plans. In December 1993, the Board of Directors continued the program by approving the repurchase of up to two million additional shares.

The Company has an unsecured \$40-million bank line of credit, which may be used from time to time to facilitate short-term cash flow. At January 31, 1994, there were no borrowings outstanding under this credit facility. The line of credit expires in June 1995.

The Company's principal commitments at January 31, 1994, consisted of obligations under operating leases for facilities.

Longer-term cash requirements, other than normal operating expenses, are anticipated for development of new software products and enhancement of existing products, financing anticipated growth, dividend payments, repurchases of the Company's common stock and the possible acquisition of software products or technologies complementary to the Company's business. The Company believes that its existing cash, cash equivalents, marketable securities, cash generated from operations and available bank line of credit will be sufficient to satisfy its currently anticipated cash requirements for fiscal year 1995.

(In thousands, except per share data)	Fiscal year ended January 31,		
	1994	1993	1992
Revenues	\$ 418,720	\$ 367,721	\$ 284,903
Direct commissions	13,124	14,567	10,929
Net revenues	405,596	353,154	273,974
Costs and expenses:			
Cost of revenues	63,338	63,652	39,173
Marketing and sales	137,788	119,871	82,520
Research and development	56,231	51,481	34,782
General and administrative	58,536	59,953	37,268
	315,893	294,957	193,743
Income from operations	89,703	58,197	80,231
Interest and other income, net	7,055	11,566	12,063
Income before income taxes	96,758	69,763	92,294
Provision for income taxes	34,592	25,890	34,500
Net income	\$ 62,166	\$ 43,873	\$ 57,794
Net income per share	\$ 2.50	\$ 1.76	\$ 2.31
Shares used in computing net income per share	24,870	24,900	24,990

See accompanying notes.

(In thousands)	January 31,	
	1994	1993
Assets		
Current assets:		
Cash and cash equivalents	\$ 85,604	\$ 73,107
Marketable securities	92,004	80,232
Accounts receivable, net of allowance for doubtful accounts of \$5,204 (\$4,138 in 1993)	71,245	62,685
Inventories	8,803	16,844
Deferred income taxes	14,052	7,734
Prepaid expenses and other current assets	7,849	8,739
Total current assets	279,557	249,341
Marketable securities	39,403	38,938
Computer equipment, furniture and leasehold improvements:		
Computer equipment and furniture	76,165	57,170
Leasehold improvements	16,787	14,071
Accumulated depreciation	(51,003)	(39,168)
Net computer equipment, furniture and leasehold improvements	41,949	32,073
Capitalized software	28,046	23,412
Other assets	15,919	14,519
	\$ 404,874	\$ 358,283
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 17,206	\$ 18,879
Accrued compensation	12,931	9,884
Accrued income taxes	45,136	35,592
Other accrued liabilities	27,043	19,725
Total current liabilities	102,316	84,080
Deferred income taxes	5,096	5,632
Other liabilities	583	738
Commitments and contingencies		
Shareholders' equity:		
Common stock, no par value; 50,000 shares authorized, 23,740 issued and outstanding (24,011 in 1993)	43,769	67,456
Retained earnings	257,052	206,274
Foreign currency translation adjustment	(3,942)	(5,897)
Total shareholders' equity	296,879	267,833
	\$ 404,874	\$ 358,283

See accompanying notes.

(In thousands)	Fiscal year ended January 31,		
	1994	1993	1992
Operating activities			
Net income	\$ 62,166	\$ 43,873	\$ 57,794
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	20,568	16,386	14,783
Changes in operating assets and liabilities, net of business combinations:			
Accounts receivable	(8,283)	(11,518)	(10,172)
Inventories	8,049	(5,644)	(612)
Deferred income taxes	(9,133)	(2,944)	(529)
Prepaid expenses and other current assets	923	1,910	(1,617)
Accounts payable and accrued liabilities	5,031	20,095	6,803
Accrued income taxes	9,532	6,450	6,408
Net cash provided by operating activities	88,853	68,608	72,858
Investing activities			
Purchases of marketable securities	(438,405)	(231,480)	(138,597)
Sales of marketable securities	426,168	230,581	117,860
Purchases of computer equipment, furniture and leasehold improvements	(21,503)	(11,008)	(9,863)
Business combinations, net of cash acquired	(6,536)	(15,037)	
Capitalization of software costs and purchases of software technologies	(2,479)	(2,782)	(13,517)
Other	1,474	(4,970)	(4,006)
Net cash used in investing activities	(41,281)	(34,696)	(48,123)
Financing activities			
Proceeds from issuance of common shares	47,899	20,819	14,109
Repurchase of common shares	(71,586)	(43,145)	(6,638)
Dividends paid	(11,388)	(11,538)	(11,345)
Net cash used in financing activities	(35,075)	(33,864)	(3,874)
Net increase in cash and cash equivalents	12,497	48	20,861
Cash and cash equivalents at beginning of year	73,107	73,059	52,198
Cash and cash equivalents at end of year	\$ 85,604	\$ 73,107	\$ 73,059

See accompanying notes.

(In thousands)	Three-year period ended January 31, 1994				
	Common stock		Retained earnings	Foreign currency translation adjustment	Total shareholders' equity
	Shares	Amount			
Balances, January 31, 1991	24,412	\$ 82,311	\$ 127,490	\$ 8,484	\$ 218,285
Common shares issued under stock option and stock purchase plans	386	12,383			12,383
Tax effect of stock options		1,726			1,726
Net income			57,794		57,794
Dividends paid			(11,345)		(11,345)
Repurchase of common shares	(210)	(6,638)			(6,638)
Foreign currency translation adjustment				(4,900)	(4,900)
Balances, January 31, 1992	24,588	89,782	173,939	3,584	267,305
Common shares issued under stock option and stock purchase plans	625	19,292			19,292
Tax effect of stock options		1,527			1,527
Net income			43,873		43,873
Dividends paid			(11,538)		(11,538)
Repurchase of common shares	(1,202)	(43,145)			(43,145)
Foreign currency translation adjustment				(9,481)	(9,481)
Balances, January 31, 1993	24,011	67,456	206,274	(5,897)	267,833
Common shares issued under stock option and stock purchase plans	1,317	41,875			41,875
Tax effect of stock options		6,024			6,024
Net income			62,166		62,166
Dividends paid			(11,388)		(11,388)
Repurchase of common shares	(1,588)	(71,586)			(71,586)
Foreign currency translation adjustment				1,955	1,955
Balances, January 31, 1994	23,740	\$ 43,769	\$ 257,052	\$ (3,942)	\$ 296,879

See accompanying notes.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations Autodesk, Inc. ("Autodesk" or the "Company") develops, markets and supports a family of design automation and multimedia software products for use on personal computers and workstations. The Company distributes its products primarily through a network of dealers and distributors and has operations in the Americas, Europe and Asia/Pacific.

Principles of consolidation The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

The asset and liability accounts of foreign subsidiaries are translated from their respective functional currencies at the rates in effect at the balance sheet date, and revenue and expense accounts are translated at weighted average rates during the period. Foreign currency translation adjustments are reflected as a separate component of shareholders' equity. Gains and (losses) resulting from foreign currency transactions, which are included in other income, were (\$969,000), (\$40,000) and \$871,000 in fiscal years 1994, 1993 and 1992, respectively. The Company hedges a portion of its exposure on certain intercompany receivables denominated in foreign currencies. The fair value of foreign currency contracts, based on current settlement prices, was not material at January 31, 1994 and 1993.

In August 1993, the Company acquired the remaining outstanding stock of Ithaca Software and, in November 1993, purchased the net assets of Woodbourne, Inc. The aggregate cash purchase price of these two transactions was approximately \$6.5 million. Additional consideration may be paid to the former Ithaca Software shareholders based on product milestones and future revenues. In October 1992, the Company acquired all of the outstanding stock of Micro Engineering Solutions, Inc. for approximately \$15 million in cash. All of these acquisitions were accounted for using the purchase method of accounting with the purchase prices being principally allocated to capitalized software and intangible assets. The results of the acquired entities, which have not been material in relation to those of the Company, have been included in the consolidated financial results from the respective dates of acquisition.

Revenue recognition Autodesk's revenue recognition policy is in compliance with the provisions of the American Institute of Certified Public Accountants' Statement of Position 91-1, "Software Revenue Recognition." The Company recognizes revenues when products are shipped. A portion of revenues related to certain customer consulting and training obligations is deferred, while costs associated with certain post-sales customer obligations are accrued. The Company periodically evaluates its customers' financial conditions and no collateral is required under normal sales terms.

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

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

Marketable securities Marketable securities, consisting principally of high-quality municipal bonds and tax-advantaged money market instruments, are stated at cost, which approxi-

mates fair value based on quoted market prices at January 31, 1994 and 1993. Marketable securities maturing within one year are classified as current assets.

In May 1993, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Autodesk will apply the new rules beginning in the first quarter of fiscal year 1995. The Company believes that under this statement, its marketable securities will be classified as available-for-sale and recorded at fair value, with unrealized holding gains and losses recorded as a separate component of shareholders' equity. The adoption of this statement is not expected to have a material effect on the Company's consolidated financial position.

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

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

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. Certain software technology rights acquired are also capitalized. Capitalized software is amortized ratably as revenues are recognized, but not less than on a straight-line basis over two- to ten-year periods. Amortization expense was \$7,478,000, \$5,098,000 and \$3,631,000 in fiscal years 1994, 1993 and 1992, respectively.

NOTE 2. ROYALTIES

The Company licenses software used to develop AutoCAD, 3D Studio, Animator Pro® software and certain other products. Royalties are payable to developers of the software at various rates and amounts generally based on unit sales or revenues. Royalty expense was \$5,128,000, \$3,390,000 and \$3,089,000 in fiscal years 1994, 1993 and 1992, respectively. Such costs are included as a component of cost of revenues.

In January 1992, the Company acquired the rights to certain components of the original AutoCAD package, which were previously licensed from the developer. Royalties under this license accounted for approximately one-third of the Company's royalty expense in fiscal year 1992. The purchase price of \$11,875,000 was recorded as capitalized software and is being amortized to cost of revenues ratably as revenues are recognized over a period not to exceed ten years.

NOTE 3. INCOME TAXES

The provision for income taxes consists of the following:

(In thousands)	Fiscal year ended January 31,		
	1994	1993	1992
Federal:			
Current	\$ 26,093	\$ 9,245	\$ 13,217
Deferred	(6,282)	(1,735)	(1,302)
State:			
Current	7,884	5,129	5,167
Deferred	(1,110)	(443)	(293)
Foreign:			
Current	9,748	14,460	16,645
Deferred	(1,741)	(766)	1,066
	\$ 34,592	\$ 25,890	\$ 34,500

The principal reasons that the aggregate income tax provisions differ from the US statutory rate of 35 percent (34 percent for fiscal years 1993 and 1992) are as follows:

(In thousands)	Fiscal year ended January 31,		
	1994	1993	1992
Income tax provision at statutory rate	\$ 33,865	\$ 23,719	\$ 31,380
Tax effect of earnings of foreign subsidiaries	(4,537)	(267)	745
State income taxes, net of federal benefit	5,277	3,093	3,217
Tax-exempt interest	(1,539)	(1,731)	(2,003)
Other	1,526	1,076	1,161
	\$ 34,592	\$ 25,890	\$ 34,500

The Company adopted Financial Accounting Standards Board Statement No. 109, "Accounting for Income Taxes," in fiscal year 1993. In accordance with this statement, deferred income taxes are provided for temporary differences between financial statement income and income for tax purposes using enacted tax laws and rates for the years in which the taxes are expected to be paid. Adoption of this statement did not have a material effect on the Company's consolidated financial statements because the Company had previously adopted the liability method of accounting for income taxes.

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

(In thousands)	January 31,	
	1994	1993
Net deferred tax assets:		
Accrued state income taxes	\$ 5,173	\$ 2,778
Expenses not currently deductible	6,740	3,705
Other, net	2,139	1,251
	14,052	7,734
Net deferred tax liabilities:		
Capitalized software	4,857	4,893
Other, net	239	739
	5,096	5,632
	\$ 8,956	\$ 2,102

No provision has been made for federal income taxes on unremitted earnings of the Company's foreign subsidiaries (cumulative \$83,436,000 at January 31, 1994) since the Company plans to indefinitely reinvest all such earnings. However, if such earnings were remitted, foreign tax credits of approximately \$30 million would be available to offset the anticipated US income tax of approximately \$40 million. Foreign pre-tax income was \$35,840,000, \$32,849,000 and \$44,570,000 in fiscal years 1994, 1993 and 1992, respectively.

Cash payments for income taxes were \$28,157,000, \$20,857,000 and \$28,621,000 for fiscal years 1994, 1993 and 1992, respectively.

NOTE 4. COMMITMENTS AND CONTINGENCIES

The Company leases office space and equipment under noncancelable lease agreements. The leases generally provide that the Company pay taxes, insurance and maintenance expenses related to the leased assets. Future minimum lease payments for fiscal years ending January 31, are as follows: \$13,915,000 in 1995, \$9,653,000 in 1996, \$7,370,000 in 1997, \$6,041,000 in 1998, \$5,383,000 in 1999 and \$25,869,000 thereafter.

Rent expense was \$14,806,000, \$14,097,000 and \$12,487,000 in fiscal years 1994, 1993 and 1992, respectively.

The Company has an unsecured \$40-million bank line of credit, which may be used from time to time to facilitate short-term cash flow. The line of credit expires in June 1995.

The Company is a party to various legal proceedings arising from the normal course of business activities, none of which, in management's opinion, is expected to have a material adverse impact on the Company's consolidated results of operations or its financial position.

NOTE 5. EMPLOYEE BENEFIT PLANS

Stock option plans Under the Company's stock option plans, incentive and non-qualified stock options may be granted to officers, employees, directors and consultants to purchase shares of the Company's common stock. A maximum of 8,070,000 common stock options have been authorized for issuance under the plans. The exercise price of the stock options is determined by the Company's Board of Directors on the date of grant. In the case of incentive stock options, the exercise price is at least equal to the fair market value of the stock on the grant date.

Stock option activity is as follows:

	Number of shares	Price per share
Options outstanding at January 31, 1992	2,237,000	\$ 8.67-\$ 34.25
Granted	3,435,000	\$ 26.75-\$ 50.75
Exercised	(523,000)	\$ 8.67-\$ 34.25
Canceled	(214,000)	\$ 10.58-\$ 46.75
Options outstanding at January 31, 1993	4,935,000	\$ 10.58-\$ 50.75
Granted	1,058,000	\$ 40.50-\$ 56.38
Exercised	(1,158,000)	\$ 10.58-\$ 50.75
Canceled	(480,000)	\$ 25.13-\$ 50.75
Options outstanding at January 31, 1994	4,355,000	\$ 25.13-\$ 56.38
Options exercisable at January 31, 1994	1,615,000	\$ 25.13-\$ 50.75
Options available for grant at January 31, 1994	1,502,000	

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

Employee stock purchase plan The Company has an employee stock purchase plan for all employees meeting certain eligibility criteria. Under the plan, employees may purchase shares of the Company's common stock, subject to certain limitations, at not less than 85 percent of fair market value as defined in the plan. A total of 550,000 shares have been reserved for issuance under the plan. In fiscal years 1994 and 1993, shares totaling 159,000 and 102,000, respectively, were issued under the plan at average prices of \$28.61 and \$26.81 per share. At January 31, 1994, a total of 129,000 shares were available for future issuance under the plan.

Pre-tax savings plans The Company has pre-tax savings plans covering nearly all US employees, which qualify under Section 401(k) of the Internal Revenue Code. Under one of these plans, eligible employees may contribute up to 15 percent of their pre-tax salary, subject to certain limitations. Commencing in fiscal year 1993, the Company made voluntary contributions and matched a portion of employee contributions. Company contributions, which can be terminated at the Company's discretion, were \$964,000 and \$788,000 in fiscal years 1994 and 1993, respectively.

NOTE 6. SHAREHOLDERS' EQUITY

Preferred stock The Company's Articles of Incorporation authorize two million shares of preferred stock, none of which are issued or outstanding. The Board of Directors has the authority to issue the preferred stock in one or more series and to fix rights, preferences, privileges and restrictions, including dividends, and the number of shares constituting any series or the designation of such series, without any further vote or action by the shareholders.

Common stock repurchase program During fiscal years 1994, 1993 and 1992, the Company repurchased and retired a total of 1,588,000, 1,202,000 and 210,000 shares of its common stock at average repurchase prices of \$45.08, \$35.89 and \$31.61, respectively, pursuant to a systematic repurchase plan approved by the Company's Board of Directors to reduce the dilutive effect of common shares to be issued under the Company's stock option plans. In December 1993, the Board of Directors continued the program by approving the repurchase of up to two million additional shares.

NOTE 7. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Summarized quarterly financial information for fiscal years 1994, 1993 and 1992 is as follows:

(In thousands, except per share data)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Fiscal Year
Fiscal year 1994					
Net revenues	\$ 101,665	\$ 103,613	\$ 98,176	\$ 102,142	\$ 405,596
Income from operations	21,830	23,935	21,298	22,640	89,703
Net income	15,442	16,471	14,928	15,325	62,166
Net income per share	0.62	0.65	0.60	0.63	2.50
Fiscal year 1993					
Net revenues	\$ 75,360	\$ 85,479	\$ 93,755	\$ 98,560	\$ 353,154
Income from operations	11,573	13,912	17,371	15,341	58,197
Net income	9,313	10,558	12,808	11,194	43,873
Net income per share	0.39	0.43	0.50	0.44	1.76
Fiscal year 1992					
Net revenues	\$ 67,114	\$ 70,079	\$ 70,255	\$ 66,526	\$ 273,974
Income from operations	22,440	23,368	22,521	11,902	80,231
Net income	15,666	16,372	16,242	9,514	57,794
Net income per share	0.63	0.65	0.65	0.38	2.31

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. INFORMATION BY GEOGRAPHIC AREA

Information regarding the Company's operations by geographic area at January 31, 1994, 1993 and 1992 and for the fiscal years then ended is as follows:

(In thousands)	1994	1993	1992
Revenues:			
The Americas			
Customers in the United States	\$ 177,833	\$ 159,431	\$ 118,138
Customers in Asia/Pacific	26,788	12,726	8,289
Customers in Canada	16,173	11,104	7,606
Other exports	11,492	7,450	4,314
Intercompany revenues	48,068	39,621	29,095
	280,354	230,332	167,442
Europe	138,317	134,983	107,899
Asia/Pacific	48,117	42,027	38,657
Consolidating eliminations	(48,068)	(39,621)	(29,095)
	\$ 418,720	\$ 367,721	\$ 284,903
Income from operations:			
The Americas	\$ 56,127	\$ 31,376	\$ 39,645
Europe	24,687	16,770	27,522
Asia/Pacific	8,889	10,051	13,064
	\$ 89,703	\$ 58,197	\$ 80,231
Cash, cash equivalents and marketable securities:			
The Americas	\$ 125,809	\$ 125,672	\$ 127,810
Europe	82,852	62,638	52,111
Asia/Pacific	8,350	3,967	11,409
	\$ 217,011	\$ 192,277	\$ 191,330
Accounts receivable, net:			
The Americas	\$ 33,835	\$ 26,512	\$ 19,713
Europe	30,380	30,452	26,068
Asia/Pacific	7,030	5,721	4,745
	\$ 71,245	\$ 62,685	\$ 50,526
Identifiable assets:			
The Americas	\$ 261,347	\$ 280,106	\$ 247,432
Europe	172,328	195,630	153,808
Asia/Pacific	45,555	15,780	21,372
Consolidating eliminations	(74,356)	(133,233)	(94,586)
	\$ 404,874	\$ 358,283	\$ 328,026

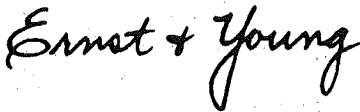
Intercompany revenues consist of royalties paid by the Company's subsidiaries under software license agreements with the US parent company. At January 31, 1994, 1993 and 1992, total foreign net equity was \$115,025,000, \$87,743,000 and \$85,581,000, respectively.

The Board of Directors and Shareholders
Autodesk, Inc.

We have audited the accompanying consolidated balance sheets of Autodesk, Inc. as of January 31, 1994 and 1993, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended January 31, 1994. 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, Inc. at January 31, 1994 and 1993, and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 31, 1994, in conformity with generally accepted accounting principles.

The logo for Ernst & Young, featuring the company name in a stylized, cursive script font.

San Francisco, California
February 23, 1994

MARKET INFORMATION AND DIVIDEND POLICY

MARKET INFORMATION AND DIVIDEND POLICY

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

	High	Low
Fiscal year 1994		
First quarter	\$ 48 ³ / ₄	\$ 38 ³ / ₄
Second quarter	56 ³ / ₄	39 ³ / ₄
Third quarter	51 ³ / ₄	39 ³ / ₄
Fourth quarter	52 ¹ / ₄	37
Fiscal year 1993		
First quarter	\$ 36	\$ 23 ¹ / ₄
Second quarter	42 ¹ / ₂	29 ³ / ₄
Third quarter	53	38 ⁵ / ₈
Fourth quarter	56 ¹ / ₂	44 ³ / ₄
Fiscal year 1992		
First quarter	\$ 59 ³ / ₄	\$ 42 ¹ / ₄
Second quarter	62 ¹ / ₄	46
Third quarter	57 ¹ / ₄	39 ³ / ₄
Fourth quarter	44	24 ⁷ / ₈

The Company paid quarterly dividends of \$0.12 per share in fiscal years 1994 and 1993. During fiscal year 1992, dividends of \$0.10 per share were paid in the first fiscal quarter and dividends of \$0.12 per share were paid in the second, third and fourth fiscal quarters. The Company currently intends to continue paying regular cash dividends on a quarterly basis.

As of March 4, 1994, the approximate number of common shareholders of record was 1,510.

ANNUAL MEETING

The Company's Annual Meeting of Shareholders will be held at 3:00 P.M. on June 30, 1994, at the Embassy Suites Hotel, 101 McInnis Parkway, San Rafael, California.

FORM 10-K

A copy of the Company's Annual Report on Form 10-K for fiscal year 1994 filed with the Securities and Exchange Commission may be obtained without charge by sending a written request to: Investor Relations, Autodesk, Inc., 2320 Marinship Way, Sausalito, CA 94965.

CORPORATE INFORMATION

DIRECTORS

Carol Bartz, Chairman
Mark Bertelsen
Crawford Beveridge
J. Hallam Dawson
Greg Lutz
Jim Warren

OFFICERS

Carol Bartz
President and
Chief Executive Officer

Eric Herr
Chief Financial Officer and
Vice President, Emerging Businesses

John Lynch
Vice President,
Product Development Group

Robert Carr
Vice President,
Core Technology

Godfrey Sullivan
Vice President, Americas

Michael Sutton
Vice President, Europe

Dominic Gallelo
Vice President, Asia/Pacific

James D'Arezzo
Vice President, Marketing

Steve McMahon
Vice President,
Human Resources

Sandra Marin
Vice President,
General Counsel and Secretary

Richard Cuneo
Vice President, US Sales

Christine Tsingos
Treasurer

John Calonic
Corporate Controller

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