

AUTODESK, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AUTODESK, INC.
CONDENSED CONSOLIDATED STATEMENT OF INCOME
(In thousands, except per share data)
(Unaudited)

	Three months ended April 30,	
	1994	1993
Revenues	\$109,550	\$105,398
Direct commissions	2,972	3,733
Net revenues	106,578	101,665
Costs and expenses:		
Cost of revenues	15,099	17,004
Marketing and sales	36,560	35,004
Research and development	15,583	13,188
General and administrative	14,996	14,639
	82,238	79,835
Income from operations	24,340	21,830
Interest and other income, net	1,559	2,122
Income before income taxes	25,899	23,952
Provision for income taxes	9,453	8,510
Net income	\$ 16,446	\$ 15,442
Net income per share	\$ 0.65	\$ 0.62
Shares used in computing net income per share	25,120	24,890

See accompanying notes.

AUTODESK, INC.
CONDENSED CONSOLIDATED BALANCE SHEET
ASSETS
(In thousands)

	April 30, 1994 ----- (Unaudited)	January 31, 1994 ----- (Audited)
Current assets:		
Cash and cash equivalents	\$109,485	\$ 85,604
Marketable securities	58,422	92,004
Accounts receivable, net	76,035	71,245
Inventories	5,452	8,803
Deferred income taxes	16,238	14,052
Prepaid expenses and other current assets	8,929	7,849
	-----	-----
Total current assets	274,561	279,557
	-----	-----
Marketable securities	48,864	39,403
Computer equipment, furniture and leasehold improvements, at cost:		
Computer equipment and furniture	79,633	76,165
Leasehold improvements	17,270	16,787
Less accumulated depreciation	(54,933)	(51,003)
	-----	-----
Net computer equipment, furniture and leasehold improvements	41,970	41,949
Capitalized software	26,243	28,046
Other assets	14,601	15,919
	-----	-----
	\$406,239	\$404,874
	=====	=====

See Accompanying Notes

AUTODESK, INC.
CONDENSED CONSOLIDATED BALANCE SHEET
LIABILITIES AND SHAREHOLDERS' EQUITY
(In thousands)

	April 30, 1994	January 31, 1994
	(Unaudited)	(Audited)
Current liabilities:		
Accounts payable	\$15,490	\$ 17,206
Accrued compensation	12,768	12,931
Accrued income taxes	38,657	45,136
Other accrued liabilities	26,427	27,043
	-----	-----
Total current liabilities	93,342	102,316
	-----	-----
Deferred income taxes	3,139	5,096
Other liabilities	663	583
Shareholders' equity:		
Common stock	68,221	43,769
Retained earnings	240,890	257,052
Foreign currency translation adjustment	(16)	(3,942)
	-----	-----
Total shareholders' equity	309,095	296,879
	-----	-----
	\$406,239	\$404,874
	=====	=====

See accompanying notes.

AUTODESK, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands)
(Unaudited)

	Three months ended April 30,	
	1994	1993
Operating activities		
Net income	\$ 16,446	\$ 15,442
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,673	5,369
Changes in operating assets and liabilities	(8,748)	(9,315)
Net cash provided by operating activities	13,371	11,496
Investing activities		
Sales (purchases) of marketable securities, net	24,121	(16,137)
Purchases of computer equipment, furniture and leasehold improvements	(3,186)	(4,356)
Capitalization of software costs and purchases of software technologies	(92)	(317)
Other	2,242	3,297
Net cash provided (used) by investing activities	23,085	(17,513)
Financing activities		
Proceeds from issuance of common shares	21,024	5,782
Repurchase of common shares	(30,743)	(23,530)
Dividends paid	(2,856)	(2,786)
Net cash used in financing activities	(12,575)	(20,534)
Net increase (decrease) in cash and cash equivalents	23,881	(26,551)
Cash and cash equivalents at beginning of quarter	85,604	73,107
Cash and cash equivalents at end of quarter	\$109,485	\$ 46,556

See accompanying notes.

AUTODESK, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. The condensed consolidated financial statements for the three month periods ended April 30, 1994 and April 30, 1993 are unaudited and 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 period. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto, together with management's discussion and analysis of financial condition and results of operations, contained in the Company's Annual Report to Shareholders incorporated by reference in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1994. The results of operations for the three months ended April 30, 1994 are not necessarily indicative of the results for the entire fiscal year ending January 31, 1995.
2. Effective February 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS No. 115"). SFAS No. 115 has been adopted on a prospective basis and the financial statements of prior years have not been restated. The cumulative effect as of February 1, 1994 of adopting SFAS No. 115 is immaterial.

Under SFAS No. 115, management is required to determine the appropriate classification of its securities at the time of purchase and reevaluate such designation as of each balance sheet date. The Company has classified all of its marketable securities as available-for-sale. Available-for-sale securities are carried at fair value, with unrealized gains and losses, net of tax, reported as a separate component of shareholders' equity until disposition. Realized gains and losses and declines in value judged to be other than temporary on available-for-sale securities are included in interest and other income. The cost of securities sold is based on the specific identification method.

Marketable securities include the following available-for-sale debt securities as of April 30, 1994 (in thousands):

Short-term:

Municipal bonds	\$ 49,327
Time deposits	9,095

	58,422

Long-term:

Municipal bonds	48,864

	\$107,286
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The market value of the above available-for-sale securities approximates cost as of April 30, 1994. Gross realized gains and losses on sales of securities for the quarter ended April 30, 1994 were not material.

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

RESULTS OF OPERATIONS

Net revenues. The Company's first quarter worldwide net revenues of \$106.6 million increased 5 percent over first quarter net revenues in the prior fiscal year resulting principally from sales growth in Asia/Pacific. Also contributing to the increase were incremental revenues from newer design automation products such as AutoCAD LT, AutoCAD Data Extension, AutoCAD Designer and product offerings from the Company's Emerging Businesses including AutoVision and HOOPS developed by Ithaca Software, which was acquired by the Company in August 1993. Compared to the same period in the prior fiscal year, net revenues in Asia/Pacific increased approximately 36 percent due to sales of new AutoCAD licenses, while net revenues in the Americas and Europe decreased by 1 and 2 percent, respectively. These decreases primarily resulted from a decline in AutoCAD update revenues as AutoCAD Release 12 nears the end of its product life. Consolidated revenues derived from AutoCAD and AutoCAD updates decreased from prior periods to approximately 80 percent of net revenues for the quarter ended April 30, 1994. International sales, including exports from the U.S., accounted for approximately 63 percent of the Company's revenues in the first quarter of fiscal year 1994 as compared to 58 percent for the first quarter of fiscal year 1994. Net revenues in the first quarter of fiscal year 1995, when compared to the same period in the prior fiscal year, were not materially impacted by changes in foreign exchange rates.

The Company believes that net revenues in the coming quarters 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 commencement of shipping of AutoCAD Release 13, currently anticipated for release late in the fiscal quarter ending October 31, 1994, will increase AutoCAD sales as a percentage of consolidated revenues. While the Company expects that new products introduced in recent quarters as well as products expected to be introduced during 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. Consequently, the Company does not expect revenue growth during the coming quarters. Moreover, delays in the introduction of AutoCAD Release 13, as well as the release of other new or enhanced products or failure to achieve significant customer acceptance for these new products may have an adverse effect on the Company's 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 new products and product enhancements 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. Cost of revenues as a percentage of net revenues decreased in the first quarter of fiscal 1995 to 14 percent from 17 percent in the first quarter of the prior fiscal year. The improved gross margin in the current quarter resulted from a change in the mix of product sales, on-going cost control measures and operating efficiencies. Sales of AutoCAD updates, which have a lower gross margin than commercial versions of AutoCAD, represented a lower percentage of total net revenues in the first quarter of the current fiscal year than update sales in the first quarter of the prior fiscal year. The Company's gross margin was also favorably impacted by 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 product sales including the level of AutoCAD updates.

Marketing and sales. Marketing and sales expenses were 34 percent of net revenues in the first quarter of both fiscal years 1995 and 1994. While remaining consistent as a percentage of net revenues, marketing and sales expenses increased in absolute dollars by approximately \$1.6 million, or 4 percent, due to higher personnel costs, partially offset by lower promotional activities throughout the world. 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. Research and development expenses as a percentage of net revenues for the first quarter of fiscal year 1995 increased to 15 percent from 13 percent in the first quarter of the prior fiscal year. Actual research and development spending increased by 18 percent in absolute dollars on a year over year basis due to increased personnel costs to support ongoing research and development and incremental costs associated with two business combinations completed in the last half of the prior fiscal year. The Company anticipates that research and development expenses in the second quarter will increase from those recorded in the first quarter to support continued development efforts and the translation and localization of foreign-language versions of the Company's products. Additionally, the Company expects to continue recruiting and hiring experienced software developers while at the same time considering the acquisition of software businesses and technologies.

General and administrative. General and administrative expense were 14 percent of net revenues in the first quarter of both fiscal years 1995 and 1994. Expenses increased approximately 2 percent in absolute dollars over the same period in the prior fiscal year resulting primarily from higher personnel costs to support the Company's increased operations and infrastructure. As discussed below in Part II, Item 1, "Legal Proceedings," the Company is party to two lawsuits which include allegations of copyright and patent infringement. Autodesk intends to vigorously oppose these claims. As a result, defense in these matters may require the expenditure of financial resources which may result in increased general and administrative expenses in future periods.

Interest and other income. Interest and other income in the first quarter was \$1.6 million, including foreign currency losses of approximately \$150,000, compared to \$2.1 million in the same quarter of the prior fiscal year, net of foreign exchanges gains of approximately \$10,000. Interest income decreased by approximately \$280,000 from the same period in the prior fiscal year due to lower interest rates throughout the world while other income decreased approximately \$110,000.

Provision for income taxes. The Company's effective income tax rate in the first quarter was 36.5 percent compared to 35.5 percent in the first quarter of the prior fiscal year. The increase is principally the result of a change in the U.S. federal statutory rate from 34 percent to 35 percent resulting from legislation that was enacted in August 1993.

Quarterly results. The Company's consolidated results of operations to date have not been materially affected by seasonal trends. However, the Company believes that in the future its results may reflect quarterly fluctuations resulting from 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 and industry conditions in any of the countries in which the Company does business. In addition, with a significant portion of net revenues and net income contributed by international operations, fluctuations of the U.S. dollar against foreign currencies and the seasonality of the European, Asia/Pacific and other international markets could impact the Company's 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 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 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, accounts receivable and marketable securities, was \$181.2 million at April 30, 1994, compared to \$177.2 million at January 31, 1994. Cash, cash equivalents and marketable securities, which consist primarily of high-quality municipal bonds and tax-advantaged money market instruments, totaled \$216.8 million at April 30, 1994 compared to \$217.0 million at January 31, 1994. Significant changes to cash, cash equivalents and marketable securities resulted from cash generated from operations (\$13.4 million) and cash proceeds from the issuance of shares through employee stock option and stock purchase programs (\$21.0 million). These increases were offset by cash used to repurchase 525,000 shares of the Company's common stock under an ongoing systematic repurchase program (\$30.7 million), to purchase computer equipment, furniture and leasehold improvements (\$3.2 million) and payment of dividends on the Company's common stock (\$2.9 million).

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 line of credit will be sufficient to satisfy its currently anticipated cash requirements for fiscal year 1995.

The Company's principal commitments at April 30, 1994, consisted of obligations under operating leases for facilities.

PART II. OTHER INFORMATION

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ITEM 1. LEGAL PROCEEDINGS

On October 8, 1992, Vermont Microsystems, Inc. ("VMI") filed a complaint against the Company in the United States District Court for the District of Vermont, alleging copyright infringement, misappropriation of trade secrets, interference with contractual relations and breach of contract. Management believes these claims are without merit and intends to vigorously defend against each allegation. VMI has filed a motion for a preliminary injunction against the Company pending final resolution of the lawsuit. Management believes the ultimate resolution of this matter will not have a material effect on the Company's consolidated financial condition.

On August 9, 1993, Preco Industries, Inc. filed a complaint against the Company in the United States District Court for the District of Kansas alleging patent infringement and unfair competition. The complaint does not specify the amount of damages sought. The Company intends to defend these actions vigorously and management does not believe the outcome of this matter will have a material impact on the Company's consolidated financial condition.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

No reports on Form 8-K were filed during the quarter ended April 30, 1994.

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: June 14 1994

AUTODESK, INC.
(Registrant)

/S/ Carol A. Bartz

Carol A. Bartz
President and Chief Executive Officer

/S/ Eric B. Herr

Eric B. Herr
Vice President, Chief Financial Officer
(Principal Financial and Accounting Officer)