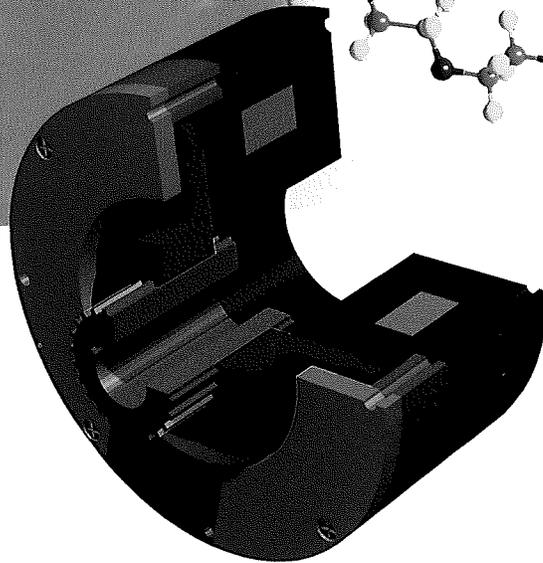
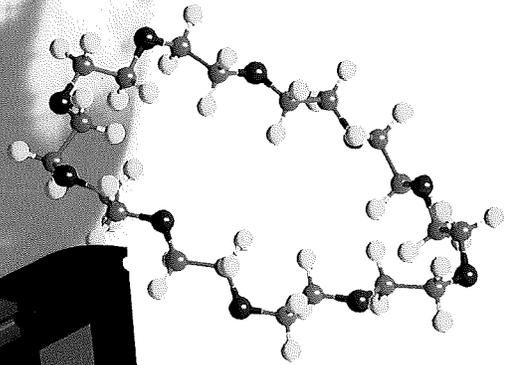
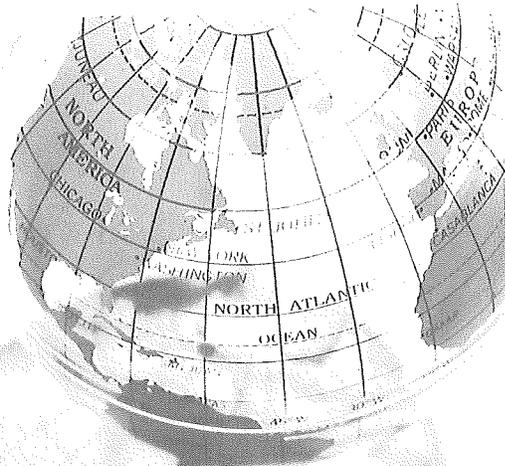
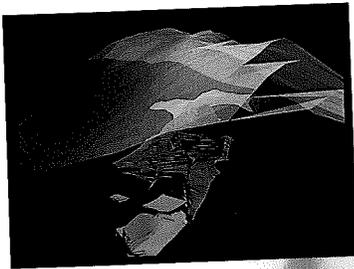


Autodesk Annual Report 1 9 9 2



Autodesk develops, markets and supports a family of computer-aided design, engineering, scientific and multimedia software products for use on desktop computers and workstations.

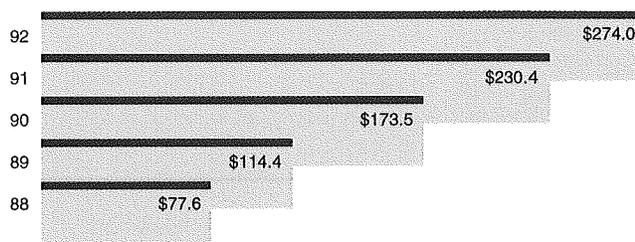
An international company since our founding a decade ago, we focus on the needs of a diverse customer base that spans nearly every industry imaginable. Our most popular products include AutoCAD®, the international standard for computer-aided drafting and design; AutoSketch®, a precision drawing program; Generic CADD®, the low-cost 2D drafting and design market leader; and Autodesk® 3D Studio™, an award-winning 3D modeling, rendering and animation product for video production, AutoCAD presentation and animation.

Selected Financial Data

Fiscal year ended January 31,	1992	1991	Percentage change
<i>(In thousands, except per share data, percentages and employees)</i>			
Revenues	\$ 284,903	\$ 237,850	+19.8%
Direct commissions	\$ 10,929	\$ 7,447	+46.8%
Net revenues	\$ 273,974	\$ 230,403	+18.9%
Net income	\$ 57,794	\$ 56,755	+1.8%
Net income per share	\$ 2.31	\$ 2.30	+0.4%
Return on net revenues	21.1%	24.6%	-14.2%
Working capital	\$ 190,554	\$ 143,858	+32.5%
Shareholders' equity	\$ 267,305	\$ 218,285	+22.5%
Return on average shareholders' equity	23.8%	30.1%	-20.9%
Shares used in computing net income per share	24,990	24,684	+1.2%
Number of employees	1,272	1,102	+15.4%

Net Revenues

(In millions)

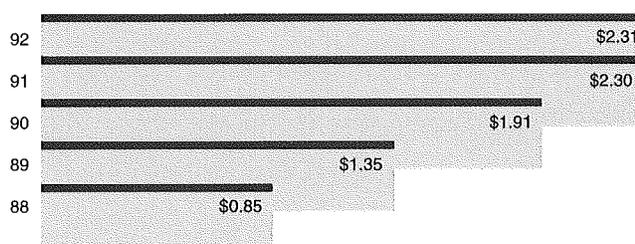


Net Income

(In millions)



Net Income Per Share



To Our Shareholders

Autodesk's worldwide net revenues grew approximately 19 percent in fiscal year 1992, despite uncertain economic conditions around the world. This growth was due primarily to increased sales of our flagship product, AutoCAD. In fact, at a time when most of our major U.S. competitors experienced declines in market share, AutoCAD maintained its worldwide share in the PC-based (MS-DOS) CAD (computer-aided design) market.

Positioned for Growth

Looking ahead, we see substantial room for growth within the CAD market. Most two-dimensional (2D) drafting is still done with pencil and paper.

Computer-aided design is just now making forays into small and mid-sized architectural and engineering firms. At the same time, designers are becoming more aware of the benefits of three-dimensional (3D) CAD.

Continued advances in chip design and workstation capabilities have made CAD technology more accessible and affordable to customers in the facilities management, architecture, engineering and construction (AEC), geographic information systems (GIS), and mechanical computer-aided engineering (MCAE) markets. Our Company's CAD products are well suited to the needs of these markets. In addition, the expansion of our CAD customer base provides us with growth potential in other Autodesk product lines, since many CAD customers use multiple Autodesk products.

To help us capture such opportunities, we have undertaken a number of strategic actions. Most notably, we have successfully decentralized our European operations and are already seeing the bene-

fits. The European region experienced a 32 percent increase in revenues for the past fiscal year and represented approximately 38 percent of our consolidated revenues. We are now creating a similar organizational structure in the Asia/Pacific region. Today, our customer-related operations around the world are structured into three geographical regions: the Americas, Europe and Asia/Pacific.

At the same time, we have organized our product development and strategic marketing functions within five divisions: AutoCAD, Autodesk Retail Products, Multimedia, Scientific Modeling and Information Systems. This structure focuses Autodesk's marketing and technical activities, providing a foundation for further diversification and product innovation.

New and Emerging Products

Our product development efforts are expected to result in a significant number of new product introductions, updates and new releases during fiscal year 1993. Among them are products running under Microsoft Windows™, a popular operating environment that has been rapidly accepted by PC users. We intend to offer all our major products on this platform.

The successful launch of our new product offerings and the extension of our existing products to the Windows environment are critical steps in the long-term growth plans for Autodesk.

AutoCAD Division In line with our strategic focus on Windows, AutoCAD Release 11 Extension for Windows was shipped on March 5, 1992. This product combines the ease of use of one of the world's most

popular PC graphical user interfaces with the power of AutoCAD.

To reach additional CAD marketplaces, we will continue to port AutoCAD to new hardware platforms. AutoCAD Release 11 for the SGI IRIS/Indigo™ was released on February 24, 1992; AutoCAD Release 11 for the HP-UX Series 700™ began shipping on March 25, 1992; and AutoCAD Release 11 for the IBM RISC System/6000™, the first AutoCAD port developed entirely in Europe, is expected to be released in the second quarter of fiscal year 1993.

Advanced Modeling Extension™ (AME™), which integrates sophisticated solid modeling into AutoCAD, also has been updated. The newest version – AME Release 2 – began shipping on February 13, 1992.

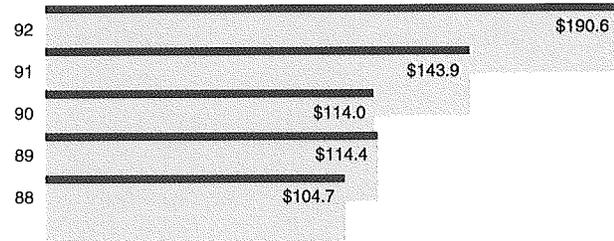
In addition, fiscal year 1993 will see the introduction of AutoCAD Release 12. This product incorporates an enhanced graphical user interface and major speed enhancements along with a number of new customer-requested features.

Autodesk Retail Products Division Formerly Generic Software, our Autodesk Retail Products Division has announced plans to strengthen and broaden its development and publishing efforts in software for the mass market.

During fiscal year 1992, Autodesk Retail Products introduced nine new products. Among them are The Home Series™, a group of programs created for do-it-yourself designers, including HOME™, KITCHEN™, BATHROOM™ and LANDSCAPE™. Further releases in this series are planned for fiscal year 1993.

Working Capital

(In millions)



We intend to invest in new opportunities that address the retail sector. Our current plans call for the launch of at least four new retail products in addition to Generic CADD 6.0, which began shipping in January 1992 and whose previous version was named *Info World's* “PC CAD Product of the Year.” During the second quarter of fiscal year 1993, we expect to begin shipping AutoSketch for Windows, which builds on the popularity of the original AutoSketch and Generic CADD – two best-selling, entry-level drawing packages.

Multimedia Division In fiscal year 1992, our position in PC animation software was enhanced by our introduction of Autodesk Animator Pro™, a 2D high resolution animation and paint package. We also introduced one of the first products for the Multimedia PC – Autodesk Multimedia Explorer™.

On March 30, 1992, we began shipping Autodesk 3D Studio Release 2.0. This product contains 108 new features and a CD-ROM with over 500 megabytes of content. It also has seamless DXF™ file linkage to AutoCAD and markedly improved speed.

Scientific Modeling Division Our innovative HyperChem™ molecular modeling software began shipping on March 26, 1992, to run under Windows, and

we plan to introduce it for Silicon Graphics IRIS Indigo workstations in the second quarter of fiscal year 1993.

We hope this product will set the standard for computer-aided molecular design by providing bench chemists, biochemists and other researchers with a powerful, easy-to-use desktop software package.

Information Systems Division While the market-building phase has already begun, we have targeted the second quarter of fiscal year 1993 for introduction of the American Information Exchange (AMIX™), a unique on-line information marketplace for buying and selling an array of electronic documents, software and expertise.

Addressing Our Markets

The Americas Our U.S.-based operations contributed 49 percent of Autodesk's consolidated revenues. Domestically, our major CAD markets continue to include architecture, engineering and construction as well as mechanical engineering. New opportunities are being developed in geographic information systems applications as well as the government and education markets.

In Canada, we have established a subsidiary in Toronto, with field offices in Calgary and Montreal. This improved infrastructure will help us gain closer ties with our customers and establish greater local market presence.

Latin America traditionally has been a challenging market, primarily due to copyright protection issues, but recent legislation has allowed us to make new inroads into this market. We are currently exploring

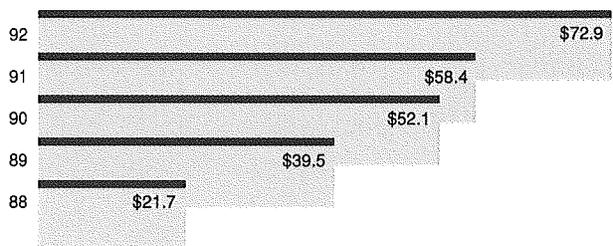
opportunities to develop a local market presence in Latin America.

Europe Europe has been an area of strength for us, even though several countries have experienced economic slowdowns. Fiscal year 1992 saw revenues nearly double in local currency in Germany, Spain and Italy. Looking ahead, Eastern Europe represents an emerging market, boosted by the presence of our Russian joint venture and our sales operations in Hungary and Czechoslovakia as well as distributor relationships in Poland and Yugoslavia.

To enhance our European position, we are centralizing product-related functions – including software development, localization, quality assurance, technical publications and production – in a new European Software Center in Neuchâtel, Switzerland. As one of our first projects, we are making AutoCAD language-independent in order to accelerate our localization and translation process. This will benefit our customers throughout the world.

Asia/Pacific Experience has shown us that our success in a market is strongly tied to our local presence in that market. We are therefore establishing a country-focused organization to build Autodesk's presence in this

Cash Provided By Operating Activities
(In millions)



region. Our intent is to create subsidiaries with local management teams in Korea, Taiwan, Hong Kong and Singapore, and to support distributors in other countries. To further expand our Asia/Pacific opportunities, we have introduced a Chinese version of AutoCAD and are working on a Korean translation.

In Japan, the weak architecture, engineering and construction sector has directly impacted AutoCAD sales. To help counteract this situation, we are increasing our emphasis in the mechanical engineering market and in major accounts. In addition, we plan to expand our dealer network during fiscal year 1993 to provide coverage beyond Tokyo and Osaka, our current locations in Japan.

Financial Picture

Autodesk's fiscal year 1992 net revenues increased to \$274.0 million compared to \$230.4 million for fiscal year 1991. Net income was \$57.8 million compared to \$56.8 million for the previous year, and net income per share was \$2.31 compared to \$2.30. Cash, cash equivalents and marketable securities totaled \$191.3 million at January 31, 1992.

Our fourth quarter results were disappointing, primarily due to sales shortfalls in the Americas and the Asia/Pacific region. Earnings were also impacted, to a lesser degree, by a ramp-up of expenses necessary to meet the Company's aggressive product release plans in fiscal year 1993.

The product expansion planned for fiscal year 1993 does not come without a cost. Associated expenses have lowered our operating margins.

However, these investments are critical to maintaining long-term sales growth.

In Conclusion

Last October, I announced my intention to pass leadership of Autodesk to a new Chief Executive. As this annual report goes to press, I am pleased to report that Carol A. Bartz will succeed me as President, Chief Executive Officer and Chairman of the Board. As a corporate executive officer at Sun Microsystems, Ms. Bartz played a key role in achieving that company's outstanding market performance and revenue growth to \$3.2 billion.

I am confident that Ms. Bartz will lead Autodesk to equally impressive accomplishments, and that she will maintain Autodesk's resolve to dedicate significant effort to technology development, deliver new products that raise market expectations, and use aggressive marketing efforts to seize our opportunities in fiscal year 1993.

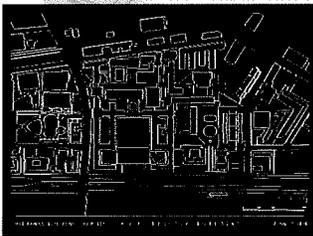
I will remain an active advisor to Autodesk as a director. I am very proud to have been a part of the Company's many accomplishments during its first decade.



Alvar J. Green
*Chairman of the Board,
President and Chief Executive Officer*
April 7, 1992

MIT Biology Building — The new headquarters for the Massachusetts Institute of Technology biology department will contain 250,000 sq. ft. of research laboratories and associated teaching and administrative facilities. In developing the design for this dramatic structure, the architectural firm chose to take full advantage of the 3D capabilities of AutoCAD — working in a 3D format throughout the architectural process, rather than using traditional 2D design. As a result, the design-

ers and consulting engineers were able to gain a reliable, practical understanding of every part of the building as it was developed. They could quickly make design changes and construct a variety of views of not only the broad aesthetic effects but also the relationships between building materials. The result is an exceptional new laboratory design and mechanical system that is expected to be completed in late 1993.



Architecture, Engineering, Construction UNITED STATES



Capturing Our Market Opportunities

While Autodesk is very proud of the worldwide success of AutoCAD, our future requires diversification. Toward this end, Autodesk product development and strategic marketing functions have been reorganized within five divisions. From this base, we can more effectively leverage our technological leadership and PC software expertise to build our presence in existing markets, as well as to open up entirely new markets.

In computer-aided design, Autodesk has opportunities for market growth. CAD technology is applicable to a wide range of professions and industries. Although AutoCAD is used most commonly for architectural and mechanical drafting, it also has application in space planning, mechanical design and manufacturing, graphical design, surveying, mapping and a variety of other areas.

Importantly, many potential AutoCAD customers remain to be tapped. Worldwide penetration of the potential CAD market (mainframe to desktop) is estimated at less than 25 percent. This means three out of every four prospective CAD customers are not using a

computer-aided design package. Autodesk's goal is to convert many of them to AutoCAD.

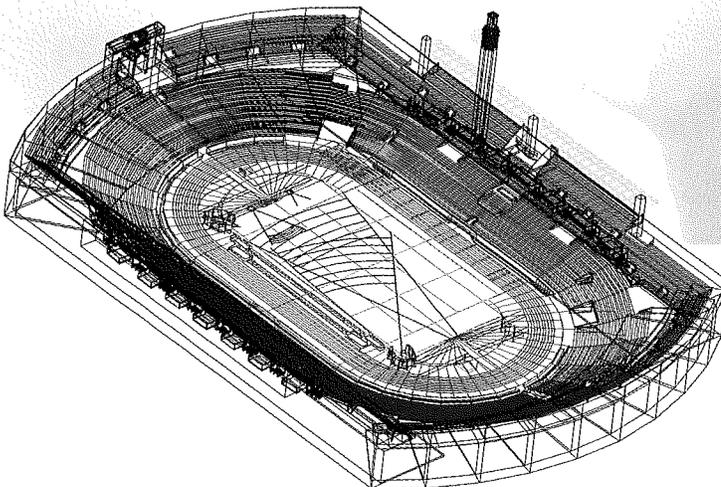
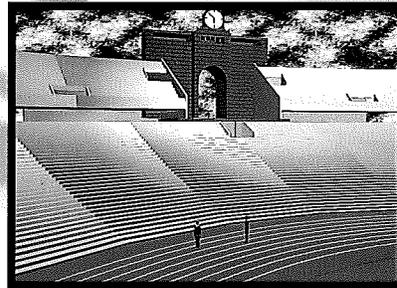
Beyond the CAD market, we see a number of additional opportunities for Autodesk. Product areas of particular interest include consumer and business software for the mass markets, multimedia products for professional markets, scientifically-oriented software for technical applications, and new systems to allow better access to the vast amounts of information now available to individuals, academia, government and industry.

AutoCAD Division

More people know how to use AutoCAD than any other PC-CAD system in the world. Available in 80 countries and 17 languages, AutoCAD is the *de facto* standard, with a customer base now totaling well over 600,000. Another estimated 250,000 students annually learn to work with this product at educational institutions and authorized AutoCAD Training Centers® in the U.S. alone.

Olympic Stadium — When the TV company responsible for broadcasting the XXV Olympic Games in Barcelona began its preliminary planning, AutoCAD and AutoShade took on active roles. The company's objective was to ensure that TV audiences would receive the best possible views during the 1992 Summer Olympic Games. Using AutoLISP® and other AutoCAD open architecture tools, a team of five university students built an AutoCAD 3D model of the Montjuïc Olympic Stadium. They then developed an AutoCAD application which provided an easy and quick method for finding the best positions for more than 40 cameras needed to cover the Olympic events. With AutoCAD, they also provided 3D images of what would be seen through each camera. The result was a faster, more efficient facilities planning process at the TV company, with savings in both time and money.

Facilities Management SPAIN



AutoCAD is an application program, but it also serves as a graphics engine. As such, it enables independent software developers and customers to create customized programs. Worldwide, over 2,000 third-party programs are sold independently for use with AutoCAD. The open architecture of AutoCAD helps to ensure that third-party applications will continue to be developed for virtually every industry.

The role of our AutoCAD Division is to ensure that Autodesk continues to provide the quality, flexibility and precision customers demand in a CAD package. Our current CAD products include:

AutoCAD Offering comprehensive 2D design and 3D visualization tools, AutoCAD is used every day in an array of applications, varying from project management and facilities management to architecture, engineering and construction, process plant design, geographic information systems, mechanical engineering and many other fields. Furthermore, these applications are spread throughout the world.

Because AutoCAD is so widely used, customers can share drawings and data across work sites, disciplines and companies. Mixed hardware environments do not present a problem: AutoCAD files are completely portable across operating systems and hardware platforms.

AutoCAD Release 11 Extension for Windows

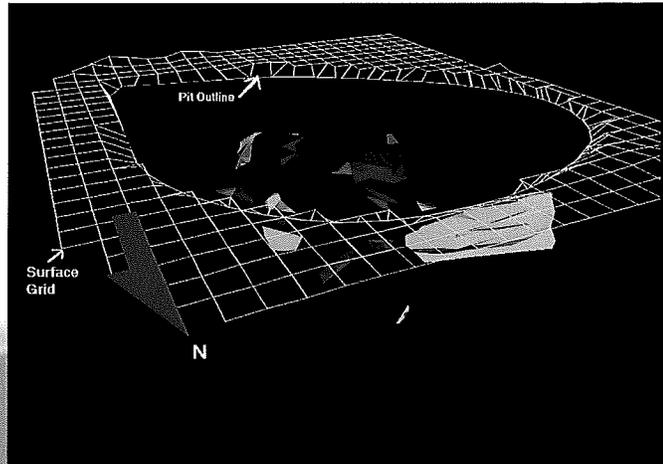
A major step toward creating and defining the Windows CAD market, this AutoCAD companion product was shipped on March 5, 1992. It provides our AutoCAD customers with the option to run AutoCAD in DOS, under Windows, or in both environments interchangeably. Our Extension for Windows is positioned to establish AutoCAD as the market share leader on one of the standard application platforms of the 1990s.

Advanced Modeling Extension (AME) To integrate sophisticated solid modeling into AutoCAD, we offer this optional companion product. AME enables designers to create, manipulate and analyze computer-generated models of solid objects.

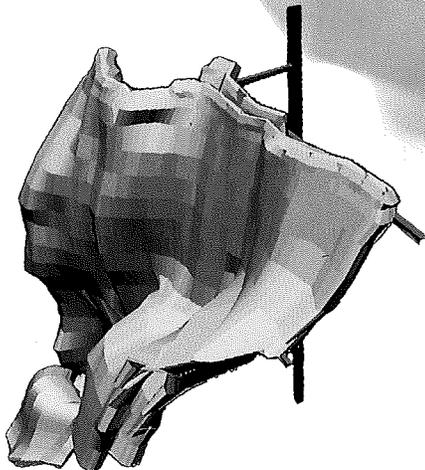
Noranda Minerals/Exploration —

Modern-day mining operations take advantage of the power of computer technology to define potential deposits of copper, gold and other minerals. Working with AutoCAD and Autodesk 3D Studio, geologists at Noranda build 3D computer models of potential ore zones based on data obtained from test drilling.

These models provide accurate representations of ore bodies hundreds of feet below ground and serve as a tool for guiding efficient, productive mining operations. The image shown here is a geological interpretation of one mining site and shows the layers of ore zones hidden underground. When information is needed about a specific section, the geologist can quickly generate a 2D slice through the model for use in ore reserve calculations or in the design of underground workings.



Geographic Information Systems CANADA



AutoShade® with Autodesk Renderman® For sophisticated color rendering, this AutoCAD companion product turns 3D models into computer images so realistic they resemble photographs.

Autodesk Retail Products Division

The mission of our Autodesk Retail Products Division is to expand the Company's market position in mass market software for professional, educational and home use. Key retail products include:

Generic CADD For precision design and drafting, this award-winning program is used wherever the high-end capabilities of AutoCAD are not required. Generic CADD is the best-selling, low-cost 2D CAD software available on PCs, laptops and portables. Offered in several languages, it enables sales people, engineers, field technicians and others to sketch initial concepts, create entire drawings and link with AutoCAD.

AutoSketch This popular entry-level drawing program for PCs is suitable for virtually any drawing application. AutoSketch combines the

power and precision of CAD with an easy-to-use, natural approach to drawing.

GenCADD™ Series These 2D CAD packages serve as companion programs to Generic CADD, offering precision design and drawing solutions that are customized to meet the needs of the architecture, engineering and construction industries.

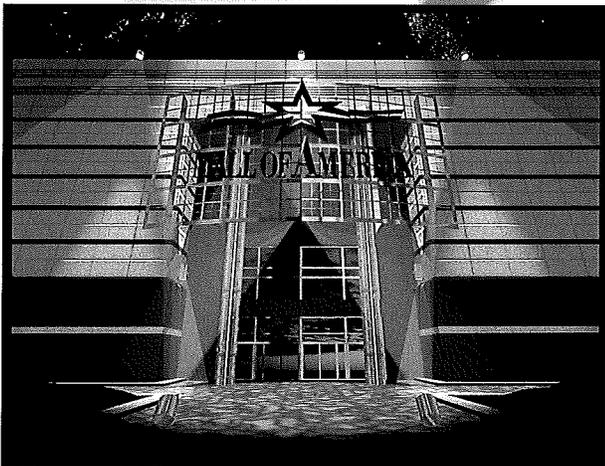
Home Series Autodesk Retail Products also offers competitively priced drawing programs for do-it-yourself designers. During fiscal year 1992, *HOME, KITCHEN, BATHROOM* and *LANDSCAPE* software products were introduced for personal use in planning and designing home projects. *DECK™* is expected to be released in the first quarter of fiscal year 1993, coinciding with the spring home improvement season.

AutoCAD Simulator™ An on-line tutorial for AutoCAD Release 11, this product is designed to provide an easy, inexpensive way to gain both training and hands-on experience – even before purchasing AutoCAD.

Mall of America — This 4.2 million sq. ft. retail and entertainment complex is being built in the Twin Cities area of Minneapolis and St. Paul, Minnesota. It will have over 400 stores and restaurants, a four-story, seven-acre indoor amusement park; a walk-through aquarium, a 14-screen movie theatre, and other attractions. Such a monumental project requires a unique collaboration of talents and tools, and AutoCAD is playing a central role. Instead of working in offices scattered around the country, the design and con-

struction team is working together in one office near the site. Here, approximately 80 people are using AutoCAD on a network of personal computers to create the designs and building specifications, to manage the development process and to maintain fast, efficient communications. According to the project leader, the management capabilities afforded by AutoCAD will save an entire year of design and construction time, cutting development costs by more than 30 percent.

Project Management UNITED STATES



Multimedia Division

The multimedia market offers exciting, long-term potential for Autodesk.

Combining still images, text, sound and animation, this emerging field has been the domain of dedicated studio workstations and high-cost systems. Today, Autodesk is bringing professional-quality multimedia technology to PCs.

Our Multimedia Division focuses on the needs of professionals, from the AutoCAD customer to the video animator. Prospective multimedia customers include corporate audio/video departments who want to produce inexpensive, high-quality videos. Computer-aided designers are also prospective customers. Among them are architects who want to guide clients through animated "tours" of building designs, and industrial designers who want to experiment freely with ideas before building models. Autodesk multimedia products include:

Autodesk 3D Studio Winner of *PC Magazine's* "Technical Excellence Award for 1991" in the application software category and *BYTE Magazine's* "Award of Distinction," Autodesk

3D Studio is designed for use in video production and 3D animation. It is a studio-quality modeling, rendering and animation program. With Autodesk 3D Studio, our customers can quickly produce professional animations and photorealistic still images for use in corporate presentations, broadcast, education, training and industrial design.

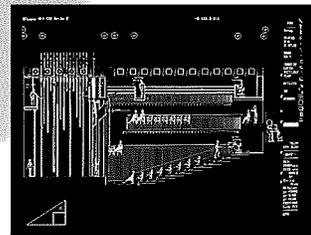
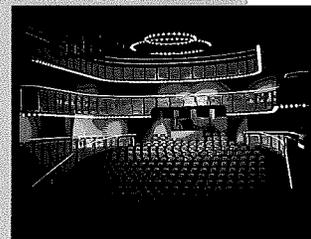
Autodesk Animator Pro This 2D paint and animation package is the successor to Autodesk Animator®. It provides stunning screen resolution and remarkable new imaging and animation capabilities for on-screen playback and desktop video applications. Autodesk Animator Pro can also work in concert with Autodesk 3D Studio, creating special effects and adding realism to 3D images.

Autodesk Multimedia Explorer This new product is used to create animation and sound on the PC. It includes three comprehensive multimedia tools: Autodesk Animator, which helps choreograph brilliant color graphics and text into 2D computer animations; Autodesk Animator Clips™, which provides a library of

Bet Gabriel Cultural Center — This town-like oasis under construction at Lake Genezareth, Israel, includes dining, library, entertainment, theatre and art exhibit areas. It was designed in Denmark, with the aid of project consultants in Israel. Throughout the design process, AutoCAD, AutoShade Version 2 with Autodesk Renderman, and Autodesk 3D Studio all played important roles. These software packages allowed the architectural firm to generate realistic 3D images of building exteriors and interiors, eliminating the need for most physical models and allowing productive long-distance communications with both the customer and builder. The 3D capabilities also enabled the designers to visualize and solve complicated design problems associated with creating an all-in-one traditional theatre, cinema, concert hall and conference room.



Architecture, Engineering, Construction ISRAEL



ready-made art; and Autodesk Animation Player™ for Windows, an effortless way to orchestrate presentations.

Scientific Modeling Division

Many potential applications exist for scientific modeling products in the biotechnology, chemistry, scientific materials, pharmaceutical and consumer products markets. Our Scientific Modeling Division is currently focused on the development and marketing of software products to increase the productivity of scientific professionals.

HyperChem The division's first product, HyperChem, was shipped on March 26, 1992. This powerful, Windows-based software package offers chemists the opportunity to use research-grade molecular modeling technology on a desktop computer. HyperChem features a graphical user interface for building and manipulating molecular structures. It also provides fast, easy-to-use capabilities for performing integrated molecular mechanics and quantum mechanics computations.

Information Systems Division

Industry, educational institutions, government agencies and individuals have all seen exponential increases in the amount of information available to them; but accessing this growing base of knowledge can be difficult and time-consuming. Autodesk established its Information Systems Division to provide products which will enhance both the management and sharing of information from multiple sources and a variety of formats.

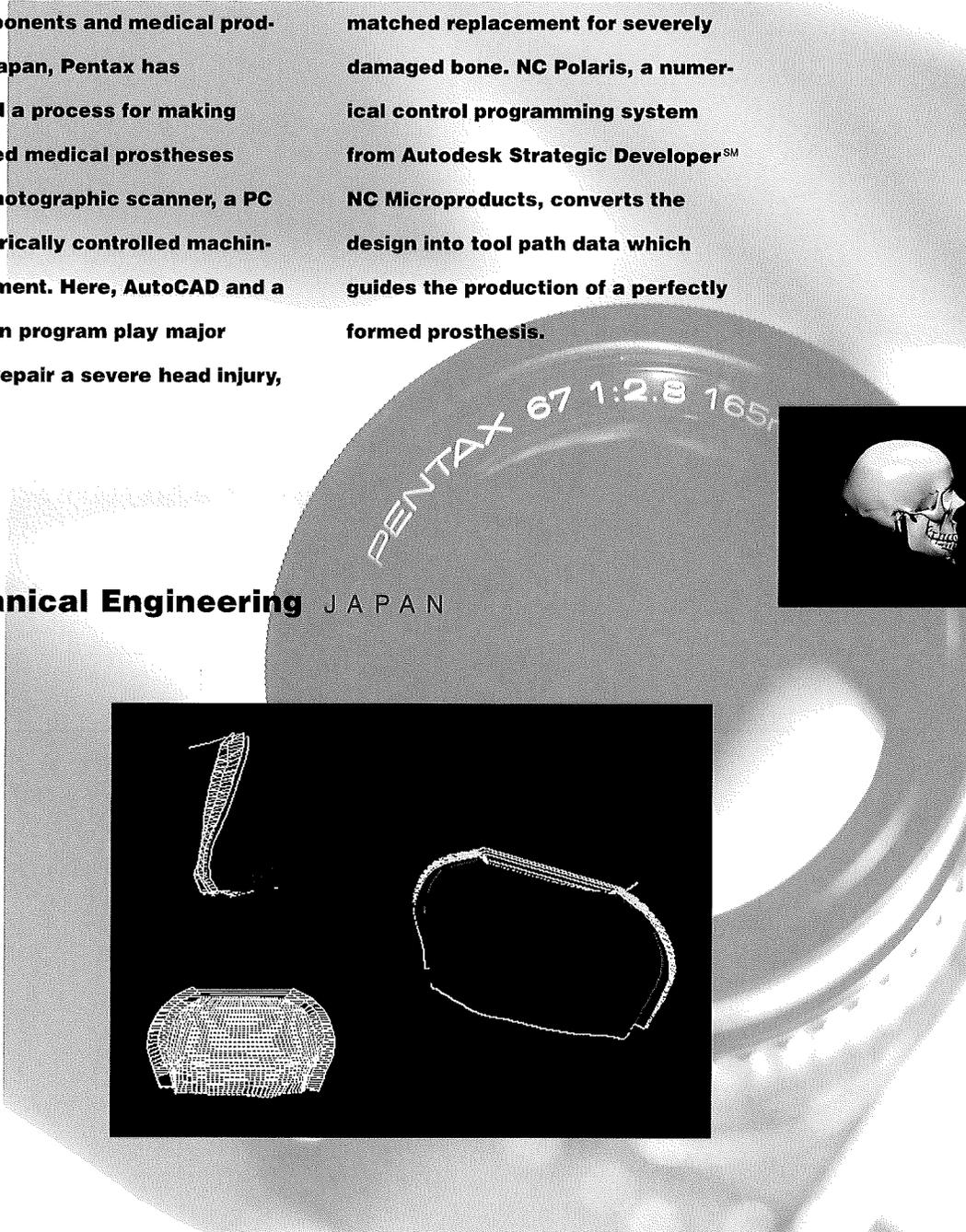
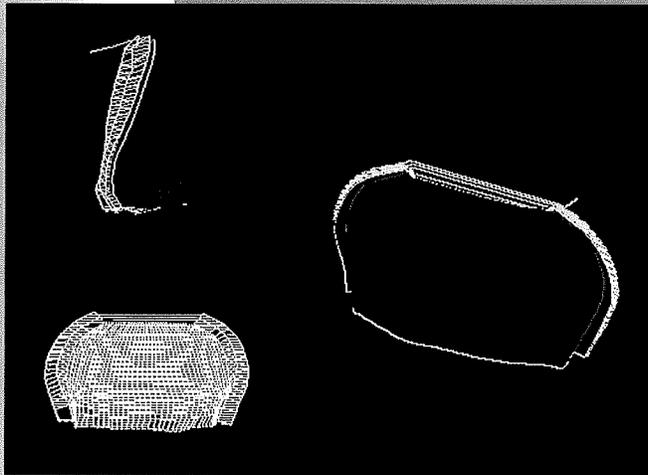
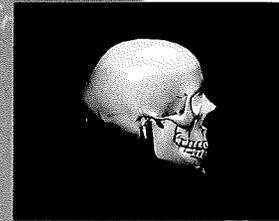
American Information Exchange (AMIX)

Opened to a limited audience in January 1992, AMIX is a unique on-line information marketplace, where businesses and individuals can buy and sell an array of electronic documents, software and expertise through their PCs. Target opportunities include the field of market research and the emerging software components industry as well as the business and technical information needs of the corporate, office automation and telecommunications industries.

Pentax — Desktop computers are increasingly used in combination with other equipment to ensure quality manufacturing of products as diverse as airplane parts, industrial components and medical products. In Japan, Pentax has developed a process for making customized medical prostheses using a photographic scanner, a PC and numerically controlled machining equipment. Here, AutoCAD and a companion program play major roles. To repair a severe head injury,

for example, AutoCAD is used to construct a geometric model of the patient's skull from electronically scanned images, and a mold is designed to create a precisely matched replacement for severely damaged bone. NC Polaris, a numerical control programming system from Autodesk Strategic DeveloperSM NC Microproducts, converts the design into tool path data which guides the production of a perfectly formed prosthesis.

Mechanical Engineering JAPAN



Xanadu[™] Under development, this hypertext-based system is designed to enable a network of individuals to access multiple sources and share information as varied as memos, CAD drawings and video clips.

Advanced Technology Department

 Our Advanced Technology Department is chartered to address a wealth of other opportunities. Its mission is to function as a source for new technology business opportunities and incubate projects until they are ready to become products.

Products developed by this department and currently being marketed include Rudy Rucker's Cellular Automata Laboratory (CA Lab[™]) and James Gleick's CHAOS: The Software.[™] These retail-priced products allow home computer enthusiasts, educators, research scientists and computer graphics designers to explore exciting new scientific theories and interact with simulations of mathematical, physical and biological phenomena. With sound, motion and visually stunning graphics,

CA Lab and CHAOS aid in the understanding and use of complex new concepts ranging from the formation of snowflakes to worldwide weather systems, and from the interaction of atoms to geological forces that shape the landscape.

In fiscal year 1993, the Advanced Technology Department's Cyberspace Project is expected to launch its first product—a virtual-reality construction system. This is a hardware-independent software components kit, which will allow programmers to develop simulated 3D environments and powerful, new high-bandwidth user interfaces for CAD, multimedia, scientific modeling, information presentation, entertainment, business and many other applications.

Looking ahead, the Advanced Technology Department will be responding to the many new and interesting leading-edge technologies emerging for use on desktop computers in the 1990s.

Financial Information

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Selected Five Year Financial Data

Fiscal year ended January 31,	1992	1991	1990	1989	1988
<i>(In thousands, except per share data, percentages and employees)</i>					
For the fiscal year					
Revenues	\$ 284,903	\$ 237,850	\$ 178,591	\$ 117,302	\$ 79,257
Direct commissions	10,929	7,447	5,079	2,937	1,619
Net revenues	273,974	230,403	173,512	114,365	77,638
Cost of revenues	39,173	27,645	22,487	14,507	10,552
Marketing and sales	82,520	67,993	41,769	28,922	18,022
Research and development	34,782	24,384	21,308	10,921	7,206
General and administrative	37,268	29,427	20,922	13,098	10,649
Income from operations	80,231	80,954	67,026	46,917	31,209
Interest and other income, net	12,063	11,023	9,390	7,248	3,838
Income before income taxes	92,294	91,977	76,416	54,165	35,047
Net income	57,794	56,755	46,378	32,695	20,541
Net cash provided by operating activities	72,858	58,446	52,080	39,532	21,731
At year end					
Cash, cash equivalents and marketable securities	\$ 191,330	\$ 149,732	\$ 117,725	\$ 124,015	\$ 96,631
Current assets	247,538	187,631	145,016	133,055	113,576
Total assets	328,026	265,234	194,314	169,893	125,451
Current liabilities	56,984	43,773	31,065	18,608	8,858
Total liabilities	60,721	46,949	35,193	22,159	10,686
Shareholders' equity	267,305	218,285	159,121	147,734	114,765
Working capital	190,554	143,858	113,951	114,447	104,718
Number of employees	1,272	1,102	905	576	414
Common stock data					
Net income per share	\$ 2.31	\$ 2.30	\$ 1.91	\$ 1.35	\$ 0.89
Book value per share	10.87	8.94	6.56	6.15	4.82
Dividends paid per share	0.46	0.40	1.70		
Shares used in computing net income per share	24,990	24,684	24,325	24,140	23,180
Shares outstanding at year end	24,588	24,412	24,245	24,005	23,824
Key financial ratios					
Current ratio	4.34	4.29	4.67	7.15	12.82
Return on net revenues	21.1%	24.6%	26.7%	28.6%	26.5%
Return on average assets	19.5%	24.7%	25.5%	22.1%	24.8%
Return on average shareholders' equity	23.8%	30.1%	30.2%	24.9%	27.6%
Growth percentages					
Revenues	19.8%	33.2%	52.2%	48.0%	51.3%
Net revenues	18.9%	32.8%	51.7%	47.3%	50.3%
Net income	1.8%	22.4%	41.9%	59.2%	76.8%
Net income per share	0.4%	20.4%	41.5%	51.7%	61.8%

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

Net Revenues

<i>(In millions)</i>	1992	Increase	1991	Increase	1990
Revenues	\$284.9	20%	\$237.9	33%	\$178.6
Direct					
Commissions	10.9	47%	7.5	47%	5.1
Net Revenues	\$274.0	19%	\$230.4	33%	\$173.5

Autodesk's fiscal year 1992 worldwide net revenues, after deducting direct commissions paid to dealers, increased 19 percent over the previous fiscal year. Net revenue growth was primarily due to increased sales of new units and updates of AutoCAD, the Company's principal product. While there continues to be expansion in the personal computer CAD software market, the growth rate has slowed from prior years due to uncertain economic conditions in many areas of the world. Despite this environment, Autodesk continued to maintain its market share while most other U.S. personal computer CAD software companies lost market share in fiscal year 1992. Sales of AutoCAD accounted for approximately 90 percent of the Company's revenues in fiscal year 1992 and approximately 88 percent of the Company's revenues in fiscal years 1991 and 1990. Revenue growth also continued in retail products and multimedia, primarily as a result of new product introductions.

The Company's European and Asia/Pacific regions experienced solid growth. In fiscal years 1992 and 1991, European revenues increased approximately 32 percent and 39 percent, respectively. Likewise, the Asia/Pacific region showed growth percentages of 28 percent and 31 percent in fiscal years 1992 and 1991, respectively. Management believes that a substantial portion of the growth in Europe is attributable to the establishment of local market presence and intends to establish a similar structure in the Asia/Pacific region in fiscal year 1993. Foreign revenues, including export sales from the United States to foreign customers, accounted for approximately 59 percent, 56 percent and 55 percent of revenues in fiscal years 1992, 1991 and 1990, respectively. Consolidated results were nega-

tively impacted during fiscal year 1992 by a stronger dollar relative to international currencies. Conversely, the weaker value of the dollar favorably impacted fiscal year 1991 revenues compared to those of fiscal year 1990. Almost all of the Company's international sales are made to dealers and distributors.

Domestically, Autodesk experienced growth in sales to major national accounts, federal and state governmental entities and educational institutions. This growth resulted in the establishment of new sales offices in several states and further increased the Company's U.S. presence. Sales to dealers and distributors accounted for approximately 56 percent, 59 percent and 68 percent of domestic revenues in fiscal years 1992, 1991 and 1990, respectively.

A summary of revenues by geographic area can be found in Note 8 to the consolidated financial statements contained on page 33.

The continued growth in sales to major national accounts resulted in an increase in direct commissions to \$10.9 million in fiscal year 1992 from \$7.5 million in fiscal year 1991. Management expects direct commissions paid to dealers, as a percentage of revenues, to increase as national account programs are developed in Europe and the Asia/Pacific region. Commencing with fiscal year 1992, direct commissions paid to dealers have been reclassified on the Company's consolidated statement of income from marketing and sales expense to a deduction from revenues.

Cost of Revenues

<i>(In millions)</i>	1992	Increase	1991	Increase	1990
Cost of Revenues	\$39.2	42%	\$27.6	23%	\$22.5
Percentage of net revenues	14%		12%		13%

Cost of revenues includes the purchase and duplication of disks, production of technical manuals and associated materials, royalty payments, the amortization of capitalized software development costs and, in foreign markets, software protection locks. Fiscal year 1992

cost of revenues increased at a higher rate than the revenue growth due to increased royalties on licensed software and higher sales of AutoCAD updates. Product updates sell at a lower price than new packages but contain the same material components.

Management expects cost of revenues as a percentage of net revenues to increase in fiscal year 1993 as a result of higher material costs associated with AutoCAD Release 12 and an anticipated shift in the sales mix to products which historically have lower gross margins than AutoCAD, including multimedia and retail products. Additionally, the Company is centralizing its European production in Neuchâtel, Switzerland, and expects increased cost of revenues in the near term while hoping to achieve certain efficiencies and economies of scale in the long term.

Operating Expenses

<i>(In millions)</i>	1992	Increase	1991	Increase	1990
Marketing and					
Sales	\$82.5	21%	\$68.0	63%	\$41.8
Percentage of net revenues	30%		30%		24%
Research and					
Development	\$34.8	43%	\$24.4	14%	\$21.3
Percentage of net revenues	13%		11%		12%
General and					
Administrative	\$37.3	27%	\$29.4	41%	\$20.9
Percentage of net revenues	14%		13%		12%

Marketing and sales expenses include salaries, sales commissions, travel and facility costs for the Company's marketing, sales, dealer training and product support personnel. Marketing and sales expense also includes programs aimed at increasing revenues, such as advertising, trade shows and expositions as well as various sales and promotional programs designed for specific sales channels. In fiscal year 1992, marketing and sales expenses increased primarily due to the expansion of international marketing and sales activi-

ties in an effort to create a greater local presence throughout the world and an increase in marketing activities domestically. The Company expects future marketing and sales expenses, as a percentage of net revenues, to increase in order to promote Autodesk's competitive position and to support sales and marketing of new products.

Research and development expenses consist principally of salaries for software developers, facilities costs and expenses associated with computer equipment used in software development. In fiscal year 1992, Autodesk made investments in research and development intended to enhance the Company's long-term success and competitiveness. The increased research and development expenses in fiscal years 1992 and 1991 were primarily due to the addition of personnel intended for the development of new products and product enhancements. Total research and development costs, including capitalized software development costs, were \$34.8 million, \$27.8 million and \$22.6 million, amounting to 13 percent, 12 percent and 13 percent of net revenues in fiscal years 1992, 1991 and 1990, respectively. In fiscal year 1992, the Company opened a research and software development center in Neuchâtel, Switzerland, which will support product development and localization of Autodesk's products for the European market. The Company intends to recruit and hire experienced software developers while at the same time considering the acquisition of complementary software technologies.

General and administrative expenses include the finance, legal, purchasing and administrative operations of the Company. These expenses increased in absolute dollars and as a percentage of net revenues in both fiscal years 1992 and 1991 due to higher personnel and facilities costs both domestically and abroad. The Company recorded a one-time charge of \$1.0 million in fiscal year 1991 associated with the reduction of redundant functions and facilities related to the expansion in Europe, and a \$1.0 million charge in fiscal year 1990 related to the consolidation of the MCAE Development Group from Atlanta, Georgia, to Northern California.

As discussed in Note 4 to the consolidated financial statements, the Company is a party to a lawsuit alleging violations of federal securities laws. Autodesk intends to vigorously oppose this claim. As a result, defense in this matter may require the expenditure of management time and financial resources and may result in increased general and administrative expenses in future periods.

Interest and Other Income

<i>(In millions)</i>	1992	Increase	1991	Increase	1990
Interest and Other					
Income	\$12.1	9%	\$11.0	17%	\$9.4
Percentage of net					
revenues	4%		5%		5%

Net interest income was \$11.0 million, \$10.7 million and \$8.8 million for fiscal years 1992, 1991 and 1990, respectively. The increase in interest income was attributable to a higher investment portfolio balance resulting from funds provided by operations, offset by declines in worldwide interest rates in fiscal year 1992. Other income consisted principally of gains and (losses) resulting from foreign currency transactions which were \$871,000, \$434,000 and (\$174,000) in fiscal years 1992, 1991 and 1990, respectively.

Provision for Income Taxes

<i>(In millions)</i>	1992	Increase (Decrease)	1991	Increase	1990
Provision for					
Income Taxes	\$34.5	(2%)	\$35.2	17%	\$30.0
Percentage of net					
revenues	13%		15%		17%
Effective income					
tax rate	37%		38%		39%

The Company's consolidated effective income tax rate for fiscal year 1992 decreased from the prior fiscal year primarily as a result of increased income from tax free municipal bonds and tax-advantaged money market instruments. The Company's consolidated effective

income tax rate for fiscal year 1991 decreased from fiscal year 1990 due to lower foreign tax rates and a tax benefit of \$1.1 million associated with the repatriation of foreign earnings. In February 1992, the Financial Accounting Standards Board issued Statement No. 109, "Accounting for Income Taxes," which the Company is not required to adopt until fiscal year 1994. This statement is not expected to have a material effect on the Company's consolidated financial statements.

For an analysis of the differences between the statutory and the effective income tax rate, see Note 3 to the consolidated financial statements on page 29.

Net Income and Net Income Per Share

<i>(In millions, except per share data)</i>	1992	Increase	1991	Increase	1990
Net Income	\$57.8	2%	\$56.8	22%	\$46.4
Percentage of net					
revenues	21%		25%		27%
Net Income					
Per Share	\$2.31	-	\$2.30	20%	\$1.91

The Company's results of operations to date have not been measurably affected by seasonal trends. See Note 7 to the consolidated financial statements on page 32 for unaudited quarterly information for fiscal years 1992, 1991 and 1990. However, the Company believes that in the future its results of operations in a quarterly period could be impacted by factors such as order deferrals in anticipation of new product releases, delays in the shipment of new products, slower growth rate in the personal computer CAD market or adverse changes in general economic conditions in 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 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 computer-aided design and multimedia software products could have a negative impact on the Company's results of operations. The Company has announced that it intends to release a variety of new or upgraded products in fiscal year 1993. Delays in such introductions could also have an adverse effect on the Company's revenues, earnings or stock price.

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 in any given period. Additionally, the Company may not learn of such 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 \$190.6 million at January 31, 1992, compared to \$143.9 million at January 31, 1991. The ratio of current assets to current liabilities was 4.3:1 at January 31, 1992 and 1991.

Cash flows provided by operations during fiscal year 1992 totaled \$72.9 million, of which \$41.6 million was retained as cash, cash equivalents and marketable securities, \$11.9 million was paid to acquire the rights to certain components of the original AutoCAD package previously licensed from a developer, \$11.3 million was used to pay cash dividends, \$9.9 million was used to purchase computer equipment, furniture and leasehold improvements, and \$6.6 million was used to repurchase shares of the Company's common stock. Total cash, cash equivalents and marketable securities increased from \$149.7 million at January 31, 1991, to \$191.3 million at January 31, 1992.

The Company's principal commitments at January 31, 1992, consisted of obligations under operating leases for facilities. In the fourth quarter of fiscal year 1992, the Company entered into an agreement (the "Agreement") to purchase approximately 28.7 acres of undeveloped land in Novato, California, for the purpose of developing a single location for its Northern California operations, with an option to purchase additional undeveloped acreage. The purchase price, as defined in the Agreement, is not to exceed \$22.5 million and provides that either party has the conditional right to terminate the transaction in the event certain terms and conditions are not met. The Company believes that capital expenditures related to the development of this project will be financed from cash generated from operations, existing cash, cash equivalents and marketable securities, existing credit facilities or through debt financing.

In December 1991, the Company's Board of Directors approved a plan to repurchase up to one million shares of the Company's common stock in the open market. Through January 31, 1992, a total of 210,000 shares had been repurchased and retired at an aggregate purchase price of approximately \$6.6 million. Subsequently, an additional 752,000 shares were repurchased for approximately \$21.3 million.

Subsequent to fiscal year 1992, the Company successfully negotiated an unsecured \$10.0 million bank line of credit, which expires in September 1992, and will be used from time to time to facilitate short-term cash flow.

Long-term cash requirements, other than normal operating expenses and those discussed above, are anticipated for development of new software products and enhancement of existing products, financing anticipated growth, dividend payments, and the possible acquisition of software products or technologies complementary to the Company's business. The Company believes that its existing cash, cash equivalents, marketable securities, available bank borrowings and cash generated from operations will be sufficient to satisfy its currently anticipated cash requirements for fiscal year 1993 and the foreseeable future.

Consolidated Statement of Income

Fiscal year ended January 31,	1992	1991	1990
<i>(In thousands, except per share data)</i>			
Revenues	\$ 284,903	\$ 237,850	\$ 178,591
Direct commissions	10,929	7,447	5,079
Net revenues	<u>273,974</u>	<u>230,403</u>	<u>173,512</u>
Costs and expenses:			
Cost of revenues	39,173	27,645	22,487
Marketing and sales	82,520	67,993	41,769
Research and development	34,782	24,384	21,308
General and administrative	37,268	29,427	20,922
	<u>193,743</u>	<u>149,449</u>	<u>106,486</u>
Income from operations	<u>80,231</u>	<u>80,954</u>	<u>67,026</u>
Interest and other income, net	12,063	11,023	9,390
Income before income taxes	<u>92,294</u>	<u>91,977</u>	<u>76,416</u>
Provision for income taxes	34,500	35,222	30,038
Net income	<u>\$ 57,794</u>	<u>\$ 56,755</u>	<u>\$ 46,378</u>
Net income per share	<u>\$ 2.31</u>	<u>\$ 2.30</u>	<u>\$ 1.91</u>
Shares used in computing net income per share	<u>24,990</u>	<u>24,684</u>	<u>24,325</u>

See accompanying notes.

Consolidated Balance Sheet

January 31,	1992	1991
<i>(In thousands, except share data)</i>		
Assets		
Current assets:		
Cash and cash equivalents	\$ 73,059	\$ 52,198
Marketable securities	97,693	72,268
Accounts receivable, net of allowance for doubtful accounts of \$3,273 (\$3,008 in 1991)	50,526	40,354
Inventories	11,200	10,588
Deferred income taxes	4,471	3,251
Prepaid expenses and other current assets	10,589	8,972
Total current assets	<u>247,538</u>	<u>187,631</u>
Marketable securities	20,578	25,266
Computer equipment, furniture and leasehold improvements, at cost:		
Computer equipment and furniture	52,027	45,220
Leasehold improvements	11,401	10,368
Less accumulated depreciation	(31,247)	(22,428)
Net computer equipment, furniture and leasehold improvements	<u>32,181</u>	<u>33,160</u>
Capitalized software	15,728	5,841
Other assets	12,001	13,336
	<u>\$ 328,026</u>	<u>\$ 265,234</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 8,253	\$ 8,439
Accrued compensation	9,216	5,590
Other accrued liabilities	10,373	7,010
Accrued income taxes	29,142	22,734
Total current liabilities	<u>56,984</u>	<u>43,773</u>
Deferred income taxes	3,491	2,800
Other liabilities	246	376
Commitments and contingencies		
Shareholders' equity:		
Common stock, no par value; 50,000,000 shares authorized, 24,588,000 issued and outstanding (24,412,000 in 1991)	89,782	82,311
Retained earnings	173,939	127,490
Foreign currency translation adjustment	3,584	8,484
Total shareholders' equity	<u>267,305</u>	<u>218,285</u>
	<u>\$ 328,026</u>	<u>\$ 265,234</u>

See accompanying notes.

Consolidated Statement of Cash Flows

Fiscal year ended January 31,	1992	1991	1990
<i>(In thousands)</i>			
Operating activities			
Net income	\$ 57,794	\$ 56,755	\$ 46,378
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	14,783	13,533	7,873
Changes in operating assets and liabilities:			
Accounts receivable	(10,172)	(13,951)	(9,398)
Inventories	(612)	(6,544)	(1,361)
Deferred income taxes	(529)	(261)	(532)
Prepaid expenses and other current assets	(1,617)	(3,794)	(1,234)
Accounts payable and accrued liabilities	6,803	5,987	2,746
Accrued income taxes	6,408	6,721	7,608
Net cash provided by operating activities	<u>72,858</u>	<u>58,446</u>	<u>52,080</u>
Investing activities			
Purchases of marketable securities	(138,597)	(104,291)	(58,325)
Sales of marketable securities	117,860	64,934	74,530
Purchases of computer equipment, furniture and leasehold improvements	(9,863)	(21,053)	(13,437)
Acquisition of Generic Software, Inc.			(6,337)
Additions to capitalized software	(13,517)	(3,368)	(1,287)
Other	(4,006)	3,230	(1,789)
Net cash used in investing activities	<u>(48,123)</u>	<u>(60,548)</u>	<u>(6,645)</u>
Financing activities			
Proceeds from issuance of common shares	14,109	4,478	3,174
Repurchase of common shares	(6,638)		
Dividends paid	(11,345)	(9,726)	(38,694)
Net cash used in financing activities	<u>(3,874)</u>	<u>(5,248)</u>	<u>(35,520)</u>
Net increase (decrease) in cash and cash equivalents	20,861	(7,350)	9,915
Cash and cash equivalents at beginning of year	52,198	59,548	49,633
Cash and cash equivalents at end of year	<u>\$ 73,059</u>	<u>\$ 52,198</u>	<u>\$ 59,548</u>

See accompanying notes.

Consolidated Statement of Shareholders' Equity

Three-year period ended January 31, 1992	Common stock		Retained earnings	Foreign currency translation adjustment	Total shareholders' equity
	Shares	Amount			
<i>(In thousands)</i>					
Balances, January 31, 1989	<u>24,005</u>	<u>\$74,364</u>	<u>\$ 72,777</u>	<u>\$ 593</u>	<u>\$ 147,734</u>
Common shares issued under stock option and stock purchase plans	240	3,171			3,171
Tax effect of stock options		298			298
Net income			46,378		46,378
Dividends paid			(38,694)		(38,694)
Foreign currency translation adjustment				234	234
Balances, January 31, 1990	<u>24,245</u>	<u>77,833</u>	<u>80,461</u>	<u>827</u>	<u>159,121</u>
Common shares issued under stock option and stock purchase plans	167	4,439			4,439
Tax effect of stock options		39			39
Net income			56,755		56,755
Dividends paid			(9,726)		(9,726)
Foreign currency translation adjustment				7,657	7,657
Balances, January 31, 1991	<u>24,412</u>	<u>82,311</u>	<u>127,490</u>	<u>8,484</u>	<u>218,285</u>
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	<u>24,588</u>	<u>\$89,782</u>	<u>\$ 173,939</u>	<u>\$ 3,584</u>	<u>\$ 267,305</u>

See accompanying notes.

Note 1. Summary of Significant Accounting Policies

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

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 are included in other income and were \$871,000, \$434,000 and (\$174,000) in fiscal years 1992, 1991 and 1990, respectively.

In May 1989, the Company acquired all of the outstanding stock of Generic Software, Inc. for approximately \$6,337,000 in cash, which was allocated principally to capitalized software and intangible assets. The acquisition was accounted for as a purchase.

Revenue recognition Revenue from sales to distributors and dealers is recognized when the products are shipped. The Company performs periodic credit evalua-

tions of its customers' financial conditions and, generally, no collateral is required under normal sales terms. Autodesk maintains reserves for potential credit losses and such losses, in the aggregate, have not exceeded management's expectations.

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.

Marketable securities Marketable securities, consisting principally of high quality municipal bonds, U.S. government securities and tax-advantaged money market instruments, are stated at cost, which approximates market value. Marketable securities maturing within one year are classified as current assets.

Inventories Inventories, consisting principally of diskettes, hardware locks 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 and amortized ratably as rev-

enues are recognized, but not less than on a straight-line basis over two to five year periods. Amortization expense was \$3,631,000, \$2,361,000 and \$2,477,000 in fiscal years 1992, 1991 and 1990, respectively.

Reclassifications Direct commissions paid to dealers for fiscal years 1991 and 1990 have been reclassified from marketing and sales expense to a deduction from revenues to conform to the fiscal year 1992 presentation.

Note 2. Royalties

The Company licenses certain software used to develop the basic AutoCAD package, Autodesk 3D Studio, Autodesk Animator Pro and other software. Royalties are payable to developers of the software at various rates and specified amounts on the basic packages, excluding enhancements developed by the Company. Royalty expense was \$3,089,000, \$1,599,000 and \$2,219,000 in fiscal years 1992, 1991 and 1990, 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 and substantially all of the expense in fiscal years 1991 and 1990. The purchase price of \$11,875,000 has been recorded as capitalized software and will be 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:

Fiscal year ended January 31,	1992	1991	1990
<i>(In thousands)</i>			
Federal:			
Current	\$13,217	\$16,511	\$13,577
Deferred	(1,302)	(346)	(1,270)
State:			
Current	5,167	6,348	4,926
Deferred	(293)	129	(217)
Foreign:			
Current	16,645	12,624	12,886
Deferred	1,066	(44)	136
	<u>\$34,500</u>	<u>\$35,222</u>	<u>\$30,038</u>

Deferred income taxes are provided for temporary differences between financial statement income and income for tax purposes. The principal differences relate to the timing of deductions for software development costs and the deferral of deductions of state taxes for federal income tax return purposes.

The principal reasons that the aggregate income tax provisions differ from the U.S. statutory rate of 34 percent are reflected below:

Fiscal year ended January 31,	1992	1991	1990
<i>(In thousands)</i>			
Income tax provision at statutory rate	\$31,380	\$31,272	\$25,981
Tax effect of earnings of foreign subsidiaries	745	542	2,659
State income taxes, net of federal benefit	3,217	4,275	3,108
Tax exempt interest	(2,003)	(1,330)	(1,481)
Other	1,161	463	(229)
	<u>\$34,500</u>	<u>\$35,222</u>	<u>\$30,038</u>

No provision has been made for federal income taxes on unremitted earnings of the Company's foreign subsidiaries (cumulative \$79,327,000 at January 31, 1992) since the Company plans to permanently reinvest all such earnings. However, if such earnings were remitted, foreign tax credits would be available to offset the resulting U.S. income tax.

In February 1992, the Financial Accounting Standards Board issued Statement No. 109, "Accounting for Income Taxes," which requires an asset and liability approach for financial accounting and reporting for income taxes. The Company will not be required to adopt this statement until fiscal year 1994. The Company has previously adopted the liability method of accounting for income taxes and believes that adoption of this standard will not have a material effect on its consolidated financial statements.

Cash payments for income taxes were \$28,621,000, \$28,762,000 and \$22,925,000 for fiscal years 1992, 1991 and 1990, 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 ended January 31, are as follows: \$12,017,000 in 1993, \$10,251,000 in 1994, \$7,294,000 in 1995, \$4,876,000 in 1996, \$3,259,000 in 1997 and \$28,071,000 thereafter.

Rent expense was \$12,487,000, \$9,433,000 and \$5,732,000 in fiscal years 1992, 1991 and 1990, respectively.

In the fourth quarter of fiscal year 1992, the Company entered into an agreement (the "Agreement") to purchase 28.7 acres of undeveloped land in Novato,

California, for the purpose of developing a single location for its Northern California operations. The purchase price, as defined in the Agreement, is not to exceed \$22,500,000. The Agreement provides that either party has the conditional right to terminate the transaction in the event certain terms and conditions are not met. Under the terms of the Agreement, the Company also has a three-year option to purchase an existing building for \$2,000,000 and up to 25.3 additional acres of undeveloped land at varying prices, as defined in the Agreement, subject to adjustments for price escalation.

In February 1992, the Company obtained an unsecured \$10,000,000 bank line of credit which will be used from time to time to facilitate short-term cash flow. The line of credit expires in September 1992.

Subsequent to January 31, 1992, a consolidated shareholder class-action complaint was filed in the United States District Court, Northern District of California, against the Company and certain of its officers. The complaint alleges violations under the Securities Exchange Act of 1934. Management believes that the suit is without merit and intends to oppose it vigorously.

Note 5. Employee Benefit Plans

Stock Option Plans Under the Company's stock option plans, incentive and nonqualified stock options may be granted to officers, employees, directors and consultants to purchase shares of the Company's common stock. A maximum of 4,020,000 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, 1989	424,000	\$ 0.17 - \$27.50
Granted	884,000	\$14.75 - \$36.75
Exercised	(200,000)	\$ 0.17 - \$27.50
Canceled	(11,000)	\$13.00 - \$36.75
Options outstanding at		
January 31, 1990	1,097,000	\$ 0.33 - \$36.75
Granted	1,537,000	\$32.50 - \$52.50
Exercised	(118,000)	\$ 0.33 - \$36.75
Canceled	(710,000)	\$ 7.42 - \$52.50
Options outstanding at		
January 31, 1991	1,806,000	\$ 4.75 - \$49.25
Granted	2,163,000	\$15.75 - \$58.63
Exercised	(327,000)	\$ 4.75 - \$48.13
Canceled	(1,405,000)	\$ 7.42 - \$58.63
Options outstanding at		
January 31, 1992	2,237,000	\$ 8.67 - \$34.25
Options exercisable at		
January 31, 1992	464,000	\$ 8.67 - \$32.50
Options available for grant		
at January 31, 1992	1,280,000	

In December 1991, holders of qualified and non-qualified stock options were given the opportunity to exchange their existing options for an equivalent number of similar stock options at an exercise price of \$34.25 per share, the then fair market value. The stock option activity table gives effect to the exchange of 1,259,000 options, at exercise prices of \$34.75 to \$58.63, which will be finalized in the first quarter of fiscal year 1993. In October 1990, under a similar exchange program, options holders were given an opportunity to exchange common stock options for new options with an exercise price of \$32.50. A total of 598,000 options with exercise prices ranging from \$34.75 to \$52.50 were exchanged. The exchanged options are included in grants and cancellations.

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 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 200,000 shares have been reserved for issuance under the plan. During fiscal year 1992, 59,400 shares were issued to employees at an average purchase price of \$38.10 per share.

Pre-Tax Savings Plan The Company has a pre-tax savings plan covering substantially all U.S. employees, which qualifies under Section 401(k) of the Internal Revenue Code. Under the plan, eligible employees may contribute up to 15 percent of their pre-tax salary, subject to certain limitations. The plan provides for Company contributions to the accounts of eligible employees beginning with the first quarter of fiscal year 1993. Company contributions, which can be terminated at the Company's discretion, are based on a formula which provides for direct contributions to participant accounts and the matching of employee contributions up to a specified amount.

Note 6. Shareholders' Equity

Preferred Stock The Company's Articles of Incorporation authorize 2,000,000 shares of preferred stock, none of which are issued or outstanding. The Board of Directors has the authority to issue 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 In December 1991, the Company's Board of Directors approved a plan to repurchase up to one million shares of the Company's common stock in the open market. Through January 31, 1992, a total of 210,000 shares had been repurchased and retired at an average repurchase price of \$31.61 per share. Subsequently, the Company repurchased an additional 752,000 shares for \$21,333,000 at an average price of \$28.37 per share.

**Note 7. Quarterly Financial Information
(Unaudited)**

Summarized quarterly financial information for fiscal years 1992, 1991 and 1990 are as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total Year
<i>(In thousands, except per share data)</i>					
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
Fiscal Year 1991					
Net revenues	\$53,552	\$56,218	\$60,841	\$59,792	\$230,403
Income from operations	19,887	21,440	22,580	17,047	80,954
Net income	13,449	14,523	15,583	13,200	56,755
Net income per share	0.55	0.59	0.63	0.53	2.30
Fiscal Year 1990					
Net revenues	\$37,870	\$42,065	\$45,096	\$48,481	\$173,512
Income from operations	15,254	15,900	17,652	18,220	67,026
Net income	10,800	11,132	11,919	12,527	46,378
Net income per share	0.45	0.46	0.49	0.51	1.91

Note 8. Information by Geographic Area

Information regarding the Company's operations by geographic area at January 31, 1992, 1991 and 1990 and for the fiscal years then ended is as follows:

	1992	1991	1990
<i>(In thousands)</i>			
Revenues			
The Americas			
Customers in the United States	\$ 118,138	\$ 105,806	\$ 81,196
Customers in Asia/Pacific	8,289	8,374	4,250
Customers in Canada	7,606	9,132	9,652
Other exports	4,314	2,949	1,759
Intercompany revenues	29,095	22,337	16,595
	<u>167,442</u>	<u>148,598</u>	<u>113,452</u>
Europe	107,899	81,444	58,756
Asia/Pacific	38,657	30,145	22,978
Consolidating eliminations	(29,095)	(22,337)	(16,595)
	<u>\$ 284,903</u>	<u>\$ 237,850</u>	<u>\$ 178,591</u>
Income from operations			
The Americas	\$ 39,645	\$ 49,799	\$ 38,450
Europe	27,522	21,547	21,860
Asia/Pacific	13,064	9,608	6,716
	<u>\$ 80,231</u>	<u>\$ 80,954</u>	<u>\$ 67,026</u>
Cash, cash equivalents and marketable securities			
The Americas	\$ 127,810	\$ 105,424	\$ 89,534
Europe	52,111	33,464	22,481
Asia/Pacific	11,409	10,844	5,710
	<u>\$ 191,330</u>	<u>\$ 149,732</u>	<u>\$ 117,725</u>
Accounts receivable, net			
The Americas	\$ 19,713	\$ 18,249	\$ 11,048
Europe	26,068	17,765	12,130
Asia/Pacific	4,745	4,340	3,225
	<u>\$ 50,526</u>	<u>\$ 40,354</u>	<u>\$ 26,403</u>
Identifiable assets at year-end			
The Americas	\$ 247,432	\$ 193,564	\$ 155,696
Europe	153,808	80,517	46,245
Asia/Pacific	21,372	19,692	12,315
Consolidating eliminations	(94,586)	(28,539)	(19,942)
	<u>\$ 328,026</u>	<u>\$ 265,234</u>	<u>\$ 194,314</u>

Intercompany revenues consist principally of royalty revenue paid by the Company's subsidiaries under software license agreements with the U.S. parent company. At January 31, 1992, 1991 and 1990, total foreign net equity was \$85,581,000, \$63,407,000 and \$35,289,000, respectively.

Reports of Management and Independent Auditors

Report of Management

The management of Autodesk is responsible for preparing the consolidated financial statements and other information contained in this annual report.

Management believes that the consolidated financial statements fairly reflect, in all material respects, the form and substance of events and transactions and that the consolidated financial statements present the Company's financial condition and results of operations in conformity with generally accepted accounting principles. Management has included in the Company's consolidated financial statements amounts that are based on informed judgements and estimates, which it believes are reasonable under the circumstances.

Autodesk maintains a system of internal accounting policies, procedures and controls intended to provide reasonable assurance, at appropriate cost, that transactions are processed in accordance with Company authorization and are properly recorded and reported in the consolidated financial statements, and that assets are adequately safeguarded.

Ernst & Young, the Company's independent auditors, audit the Company's consolidated financial statements in accordance with generally accepted auditing standards which provide the basis of their report on the consolidated financial statements.

The Board of Directors of the Company has an Audit Committee composed of non-management directors. The Committee meets with financial management and the independent auditors to review internal accounting controls and accounting, auditing and financial reporting matters. In addition, Ernst & Young has full and free access to the Audit Committee, without management present, to discuss the results of their audits, the adequacy of the Company's internal accounting controls and the quality of its financial reporting.



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



Carolyn V. Aver
Vice President and
Chief Financial Officer

Report of Independent Auditors

The Board of Directors and Shareholders
Autodesk, Inc.

We have audited the accompanying consolidated balance sheets of Autodesk, Inc. as of January 31, 1992 and 1991, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended January 31, 1992. 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, 1992 and 1991, and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 31, 1992, in conformity with generally accepted accounting principles.



San Francisco, California
February 20, 1992

Market and Shareholder Information

Market Information and Dividend Policy

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

The following table lists the high and low sales price for each quarter in the last three fiscal years:

	High	Low
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
Fiscal year 1991		
First Quarter	\$50	\$39 ¹ / ₄
Second Quarter	60 ¹ / ₄	43 ³ / ₄
Third Quarter	53 ³ / ₄	32
Fourth Quarter	54	37 ¹ / ₂
Fiscal year 1990		
First Quarter	\$35	\$26 ¹ / ₂
Second Quarter	39 ¹ / ₂	33
Third Quarter	43 ¹ / ₂	35 ¹ / ₂
Fourth Quarter	42	32 ¹ / ₄

As of April 10, 1992, the approximate number of common shareholders of record was 1,567.

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. In fiscal year 1991, the Company paid quarterly dividends of \$0.10 per share. The Company intends to continue paying regular cash dividends.

Annual Meeting

The Company's Annual Meeting of Shareholders will be held at 3:00 P.M. on June 19, 1992, at the Autodesk offices, 3950 Civic Center Drive, San Rafael, CA 94903.

Form 10-K

A copy of the Company's Annual Report on Form 10-K for fiscal year 1992 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

Officers

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

Malcolm L. Davies
Senior Vice President
The Americas

Volker Kleinn
Senior Vice President
Europe

Richard Cuneo
Vice President
U.S. Sales

Carolyn V. Aver
Vice President
Chief Financial Officer

Sandra Marin
Vice President, Secretary and
General Counsel

Directors

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

Malcolm L. Davies
Senior Vice President
The Americas
Autodesk, Inc.

Daniel Drake
Programmer and Systems Analyst
Autodesk, Inc.

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

Mark A. Bertelsen
Managing Partner
Wilson, Sonsini, Goodrich &
Rosati

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

Jim C. Warren
Computer Industry Entrepreneur
and "Futures" Columnist

Corporate Headquarters

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Phone: 415/332-2344

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Palo Alto, CA 94306

Transfer Agent

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Independent Auditors

Ernst & Young
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San Francisco, CA 94104

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The Americas

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Autodesk Canada Inc.
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AMIX Corporation
2345 Yale Street
Palo Alto, CA 94306

Autodesk Retail Products
11911 North Creek Parkway South
Bothell, WA 98011

Xanadu Operating Company
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Palo Alto, CA 94306

Europe

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