

AUTODESK INC  
Form 10-Q  
September 05, 2012

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

FORM 10-Q  
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the quarterly period ended July 31, 2012

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number: 0-14338

AUTODESK, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

94-2819853

(I.R.S. employer  
Identification No.)

111 McInnis Parkway,  
San Rafael, California

(Address of principal executive offices)  
(415) 507-5000

94903

(Zip Code)

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

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Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).  
Yes  No

As of August 31, 2012, registrant had outstanding approximately 226.9 million shares of common stock.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## AUTODESK, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

(Unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2012	2011	2012	2011
Net revenue:				
License and other	\$340.5	\$333.0	\$701.5	\$656.0
Maintenance	228.2	213.3	455.8	418.6
Total net revenue	568.7	546.3	1,157.3	1,074.6
Cost of revenue:				
Cost of license and other revenue	49.1	45.7	96.2	88.3
Cost of maintenance revenue	10.7	11.7	22.4	23.7
Total cost of revenue	59.8	57.4	118.6	112.0
Gross profit	508.9	488.9	1,038.7	962.6
Operating expenses:				
Marketing and sales	212.4	201.0	435.6	402.9
Research and development	144.9	139.2	297.6	275.8
General and administrative	58.7	55.0	118.6	111.6
Restructuring benefits	—	(1.3)	—	(1.3)
Total operating expenses	416.0	393.9	851.8	789.0
Income from operations	92.9	95.0	186.9	173.6
Interest and other income (expense), net	(0.8)	(0.8)	2.7	5.1
Income before income taxes	92.1	94.2	189.6	178.7
Provision for income taxes	(27.5)	(23.0)	(46.1)	(38.2)
Net income	\$64.6	\$71.2	\$143.5	\$140.5
Basic net income per share	\$0.28	\$0.31	\$0.63	\$0.61
Diluted net income per share	\$0.28	\$0.30	\$0.62	\$0.59
Weighted average shares used in computing basic net income per share	227.8	229.4	228.0	228.8
Weighted average shares used in computing diluted net income per share	232.1	236.6	233.1	236.9

See accompanying Notes to Condensed Consolidated Financial Statements.

## AUTODESK, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

(Unaudited)

	Three Months Ended		Six Months Ended July	
	July 31,		31,	
	2012	2011	2012	2011
Net income	\$64.6	\$71.2	\$143.5	\$140.5
Other comprehensive income, net of tax and reclassifications:				
Net gain on derivative instruments	6.9	8.3	3.5	0.5
Change in net unrealized gain on available-for-sale securities,	(0.5	) 0.3	0.4	1.0
Net change in cumulative foreign currency translation gain (loss)	(9.5	) 0.9	(9.2	) 13.4
Total other comprehensive income (loss)	(3.1	) 9.5	(5.3	) 14.9
Total comprehensive income	\$61.5	\$80.7	\$138.2	\$155.4

See accompanying Notes to Condensed Consolidated Financial Statements.

AUTODESK, INC.  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (In millions)  
 (Unaudited)

	July 31, 2012	January 31, 2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$930.2	\$1,156.9
Marketable securities	500.5	254.4
Accounts receivable, net	361.4	395.1
Deferred income taxes	44.8	30.1
Prepaid expenses and other current assets	65.8	59.4
Total current assets	1,902.7	1,895.9
Marketable securities	286.1	192.8
Computer equipment, software, furniture and leasehold improvements, net	109.0	104.5
Purchased technologies, net	71.4	84.6
Goodwill	739.2	682.4
Deferred income taxes, net	136.8	135.8
Other assets	130.7	131.8
	<b>\$3,375.9</b>	<b>\$3,227.8</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$82.9	\$89.3
Accrued compensation	136.6	183.9
Accrued income taxes	17.0	14.4
Deferred revenue	590.9	582.3
Other accrued liabilities	74.0	84.2
Total current liabilities	901.4	954.1
Deferred revenue	161.1	136.9
Long term income taxes payable	179.0	174.8
Other liabilities	83.1	79.1
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	—	—
Common stock and additional paid-in capital	1,457.3	1,365.4
Accumulated other comprehensive income	0.6	5.9
Retained earnings	593.4	511.6
Total stockholders' equity	2,051.3	1,882.9
	<b>\$3,375.9</b>	<b>\$3,227.8</b>

See accompanying Notes to Condensed Consolidated Financial Statements.

AUTODESK, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (In millions)  
 (Unaudited)

	Six Months Ended July 31,	
	2012	2011
Operating activities:		
Net income	\$143.5	\$140.5
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	58.1	54.2
Stock-based compensation expense	66.9	53.2
Excess tax benefits from stock-based compensation	(28.1	) (13.5
Restructuring benefits	—	(1.3
Other operating activities	3.9	—
Changes in operating assets and liabilities, net of business combinations	2.1	27.5
Net cash provided by operating activities	246.4	260.6
Investing activities:		
Purchases of marketable securities	(725.3	) (307.8
Sales of marketable securities	138.9	61.6
Maturities of marketable securities	250.5	220.7
Capital expenditures	(28.2	) (39.8
Acquisitions, net of cash acquired	(69.2	) (94.4
Other investing activities	(18.0	) (15.1
Net cash used in investing activities	(451.3	) (174.8
Financing activities:		
Proceeds from issuance of common stock, net of issuance costs	158.8	129.6
Repurchases of common stock	(210.3	) (169.4
Excess tax benefits from stock-based compensation	28.1	13.5
Net cash used in financing activities	(23.4	) (26.3
Effect of exchange rate changes on cash and cash equivalents	1.6	(3.1
Net increase (decrease) in cash and cash equivalents	(226.7	) 56.4
Cash and cash equivalents at beginning of fiscal year	1,156.9	1,075.1
Cash and cash equivalents at end of period	\$930.2	\$1,131.5

See accompanying Notes to Condensed Consolidated Financial Statements.

AUTODESK, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Tables in millions, except share and per share data, or as otherwise noted)

1. Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements of Autodesk, Inc. (“Autodesk” or the “Company”) as of July 31, 2012, and for the three and six months ended July 31, 2012, have been prepared in accordance with accounting principles generally accepted in the U.S. for interim financial information along with the instructions to Form 10-Q and Article 10 of Securities and Exchange Commission (“SEC”) Regulation S-X. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles (“GAAP”) for annual financial statements. In management’s opinion, Autodesk has made all adjustments (consisting of normal, recurring and non-recurring adjustments) during the quarter that were considered necessary for the fair presentation of the financial position and operating results of the Company. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates. In addition, the results of operations for the three and six months ended July 31, 2012 are not necessarily indicative of the results for the entire fiscal year ending January 31, 2013, or for any other period. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and related notes, together with management’s discussion and analysis of financial position and results of operations contained in Autodesk’s Annual Report on Form 10-K for the fiscal year ended January 31, 2012, filed on March 15, 2012.

2. Recently Issued Accounting Standards

With the exception of those discussed below, there have been no recent changes in accounting pronouncements issued by the Financial Accounting Standards Board (“FASB”) or adopted by the Company during the six months ended July 31, 2012, that are of significance, or potential significance, to the Company.

Accounting Standards Adopted in the Six Months Ended July 31, 2012

In September 2011, the FASB issued Accounting Standard Update (“ASU”) 2011-08 regarding Accounting Standards Codification (“ASC”) Topic 350 “Intangibles – Goodwill and Other.” This ASU allows for the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, it is more likely than not that the fair value of the reporting unit is greater than its carrying value, then performing the two-step impairment test is unnecessary. Autodesk adopted ASU 2011-08 effective February 1, 2012. The adoption of this ASU did not have a material impact on Autodesk’s consolidated statements of financial position, results of operations or cash flows.

In June 2011, the FASB issued ASU 2011-05 regarding ASC Topic 220 “Comprehensive Income.” This ASU eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders’ equity and requires the presentation of the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In December 2011, the FASB issued ASU 2011-12, an amendment to an existing accounting standard which defers the requirement to present components of reclassifications of other comprehensive income on the face of the income statement. Autodesk adopted ASU 2011-05 and ASU 2011-12 effective February 1, 2012. This accounting pronouncement impacted the presentation of other comprehensive income but did not impact Autodesk’s consolidated financial position, results of operations or cash flow.



In May 2011, FASB issued ASU 2011-04 regarding ASC Topic 820 "Fair Value Measurement." This ASU amends the fair value measurement guidance and includes enhanced disclosure requirements primarily around Level 3 fair value measurements based on unobservable inputs. Autodesk adopted ASU 2011-4 effective February 1, 2012. The adoption of this ASU did not have a material impact on Autodesk's consolidated statements of financial position, results of operations or cash flows.

### 3. Concentration of Credit Risk

Autodesk places its cash, cash equivalents and marketable securities in highly liquid instruments with, and in the custody of, diversified financial institutions globally with high credit ratings and limits the amounts invested with any one institution, type of security and issuer. Autodesk's primary commercial banking relationship is with Citibank and its global affiliates ("Citibank"). Citicorp USA, Inc., an affiliate of Citibank, is one of the lead lenders and an agent in the syndicate of Autodesk's

\$400.0 million line of credit facility. It is Autodesk's policy to limit the amounts invested with any one institution by type of security and issuer.

Total sales to the distributor Tech Data Corporation, and its global affiliates ("Tech Data"), accounted for 23% and 22% of Autodesk's total net revenue for the three and six months ended July 31, 2012, respectively, and 17% of Autodesk's total net revenue for both the three and six months ended July 31, 2011. The majority of the net revenue from sales to Tech Data relates to Autodesk's Platform Solutions and Emerging Business segment and is for sales made outside of the United States. In October 2011, Tech Data purchased certain assets of Mensch and Maschine Software ("MuM"), which has been a distributor of the Company's products in Europe. The acquisition concentrates additional sales through Tech Data, which on a consolidated basis would have accounted for 22% and 23% of Autodesk's total net revenue for the three and six months ended July 31, 2011, respectively, if the acquisition had taken place at the beginning of fiscal 2012. In addition, Tech Data accounted for 26% and 21% of trade accounts receivable at July 31, 2012 and January 31, 2012, respectively.

#### 4. Financial Instruments

The following tables summarize the Company's financial instruments' amortized cost, gross unrealized gains, gross unrealized losses, and fair value by significant investment category as of July 31, 2012 and January 31, 2012:

	July 31, 2012						
	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Fair Value	Level 1	Level 2	Level 3
Cash equivalents (1):							
Certificates of deposit and time deposits	\$239.4	\$—	\$—	\$239.4	\$16.0	\$223.4	\$—
Commercial paper	315.4	—	—	315.4	—	315.4	—
Money market funds	44.1	—	—	44.1	—	44.1	—
Marketable securities:							
Short-term available for sale							
Commercial paper and corporate debt securities	164.0	0.1	—	164.1	40.9	123.2	—
Certificates of deposit and time deposits	178.5	—	—	178.5	—	178.5	—
U.S. treasury securities	46.7	—	—	46.7	46.7	—	—
U.S. government agency securities	73.0	—	—	73.0	73.0	—	—
Municipal securities	3.2	—	—	3.2	3.2	—	—
Other	0.3	—	—	0.3	0.3	—	—
Short-term trading securities							
Mutual funds	32.5	2.3	(0.1)	34.7	34.7	—	—
Long-term available for sale							
Corporate debt securities	122.4	1.3	—	123.7	123.7	—	—
U.S. treasury securities	87.9	0.2	—	88.1	88.1	—	—
U.S. government agency securities	53.2	0.3	—	53.5	53.5	—	—
Municipal securities	14.5	0.1	—	14.6	14.6	—	—
Sovereign debt	2.0	—	—	2.0	—	2.0	—
Taxable auction-rate securities	4.2	—	—	4.2	—	—	4.2

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Convertible debt securities (2)	15.9	—	(2.3	)	13.6	—	—	13.6
Derivative contracts (3)	10.6	9.8	(2.4	)	18.0	—	8.9	9.1
Total	\$1,407.8	\$14.1	\$(4.8	)	\$1,417.1	\$494.7	\$895.5	\$26.9

(1) Included in "Cash and cash equivalents" in the accompanying Condensed Consolidated Balance Sheets.

(2) Included in "Other assets" in the accompanying Condensed Consolidated Balance Sheets.

(3) Included in "Prepaid expenses and other current assets," "Other assets," or "Other accrued liabilities" in the accompanying Condensed Consolidated Balance Sheets.

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	January 31, 2012						
	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Fair Value	Level 1	Level 2	Level 3
Cash equivalents (1):							
Certificates of deposit and time deposits	\$493.6	\$—	\$—	\$493.6	\$11.3	\$482.3	\$—
Commercial paper	297.9	—	—	297.9	—	297.9	—
Money market funds	62.1	—	—	62.1	—	62.1	—
Marketable securities:							
Short-term available for sale							
Commercial paper and corporate debt securities	143.7	0.1	—	143.8	35.3	108.5	—
Certificates of deposit and time deposits	5.2	—	—	5.2	—	5.2	—
U.S. treasury securities	30.7	—	—	30.7	30.7	—	—
U.S. government agency securities	38.2	—	—	38.2	38.2	—	—
Municipal securities	4.7	—	—	4.7	4.7	—	—
Other	0.3	—	—	0.3	0.3	—	—
Short-term trading securities							
Mutual funds	29.8	1.8	(0.1 )	31.5	31.5	—	—
Long-term available for sale							
Corporate debt securities	107.8	1.0	(0.2 )	108.6	108.6	—	—
U.S. treasury securities	23.6	0.2	—	23.8	23.8	—	—
U.S. government agency securities	51.4	0.2	—	51.6	51.6	—	—
Municipal securities	4.6	—	—	4.6	4.6	—	—
Taxable auction-rate securities	4.2	—	—	4.2	—	—	4.2
Convertible debt securities (2)	18.3	—	—	18.3	—	—	18.3
Derivative contracts (3)	11.6	6.5	(2.2 )	15.9	—	9.7	6.2
Total	\$1,327.7	\$9.8	\$(2.5 )	\$1,335.0	\$340.6	\$965.7	\$28.7

(1) Included in "Cash and cash equivalents" in the accompanying Condensed Consolidated Balance Sheets.

(2) Included in "Other assets" in the accompanying Condensed Consolidated Balance Sheets.

(3) Included in "Prepaid expenses and other current assets," "Other assets," or "Other accrued liabilities" in the accompanying Condensed Consolidated Balance Sheets.

Autodesk classifies its marketable securities as either short-term or long-term based on each instrument's underlying contractual maturity date. Marketable securities with remaining maturities of less than 12 months are classified as short-term and marketable securities with remaining maturities greater than 12 months are classified as long-term. Autodesk may sell certain of its marketable securities prior to their stated maturities for strategic purposes or in anticipation of credit deterioration.

Autodesk applies fair value accounting for certain financial assets and liabilities, which consist of cash equivalents, marketable securities and other financial instruments, on a recurring basis. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy

upon the lowest level of input that is available and significant to the fair value measurement: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and (Level 3) unobservable inputs for which there is little or no market data, which require Autodesk to develop its own assumptions. When determining fair value, Autodesk uses observable market data and relies on unobservable inputs only when observable market data is not available. There have been no transfers between fair value measurement levels during the three and six months ended July 31, 2012.

Autodesk's cash equivalents, marketable securities and financial instruments are primarily classified within Level 1 or Level 2 of the fair value hierarchy. Autodesk values its available for sale securities on pricing from pricing vendors, who may use quoted prices in active markets for identical assets (Level 1) or inputs other than quoted prices that are observable either

directly or indirectly in determining fair value (Level 2). Autodesk's Level 2 securities are valued primarily using observable inputs other than quoted prices in active markets for identical assets and liabilities. Autodesk's Level 3 securities consist of investments held in auction rate securities, convertible debt securities and derivative contracts which are valued using probability weighted discounted cash flow models, in which some of the inputs are unobservable in the market.

A reconciliation of the change in Autodesk's Level 3 items for the six months ended July 31, 2012 was as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			Total
	Derivative Contracts	Convertible Debt Securities	Taxable Auction-Rate Securities	
Balance at January 31, 2012	\$6.2	\$18.3	\$4.2	\$28.7
Purchases	1.1	4.8	—	5.9
Transfers into (out of) Level 3	—	—	—	—
Settlements	(1.3	) (7.2	) —	(8.5 )
Net unrealized gains (losses)	3.1	(2.3	) —	0.8
Balance at July 31, 2012	\$9.1	\$13.6	\$4.2	\$26.9

The following table summarizes the estimated fair value of our “available-for-sale securities” classified by the contractual maturity date of the security:

	July 31, 2012	
	Cost	Fair Value
Due in 1 year	\$465.7	\$465.8
Due in 1 year through 5 years	295.9	295.5
Due in 5 years through 10 years	—	—
Due after 10 years	4.2	4.2
Total	\$765.8	\$765.5

As of July 31, 2012 and January 31, 2012, Autodesk did not have any securities in a continuous unrealized loss position for greater than twelve months.

Autodesk also has direct investments in privately held companies accounted for under the cost method, which are periodically assessed for other-than-temporary impairment. If Autodesk determines that an other-than-temporary impairment has occurred, Autodesk writes down the investment to its fair value. Autodesk estimates fair value of our cost method investments considering available information such as pricing in recent rounds of financing, current cash positions, earnings and cash flow forecasts, recent operational performance and any other readily available market data. During the six months ended July 31, 2012 Autodesk recorded a \$10.0 million other-than-temporary impairment on one of its privately held equity investments. The impairment expense was recorded in “Interest and other income (expense), net” on the Company's Condensed Consolidated Statement of Income.

The sale or settlement of certain convertible debt and equity investments in the six months ended July 31, 2012 and 2011 resulted in a gain of \$5.0 million. The gain was recorded in “Interest and other income (expense), net” on the Company's Condensed Consolidated Statement of Income.

Proceeds from the sale and maturity of marketable securities for the six months ended July 31, 2012 and 2011 were \$389.4 million and \$282.3 million, respectively.

#### Derivative Financial Instruments

Under its risk management strategy, Autodesk uses derivative instruments to manage its short-term exposures to fluctuations in foreign currency exchange rates which exist as part of ongoing business operations. Autodesk's general practice is to hedge a majority of transaction exposures denominated in euros, Japanese yen, Swiss francs, British pounds, Canadian dollars and Australian dollars. These instruments have maturities between one to twelve months in the future. Autodesk does

not enter into derivative instrument transactions for trading or speculative purposes.

The bank counterparties in all contracts expose Autodesk to credit-related losses in the event of their nonperformance. However, to mitigate that risk, Autodesk only contracts with counterparties who meet the Company's minimum requirements under its counterparty risk assessment process. Autodesk monitors ratings, credit spreads and potential downgrades on at least a quarterly basis. Based on Autodesk's on-going assessment of counterparty risk, the Company will adjust its exposure to various counterparties. Autodesk generally enters into master netting arrangements, which reduce credit risk by permitting net settlement of transactions with the same counterparty. However, Autodesk does not have any master netting arrangements in place with collateral features.

#### Foreign currency contracts designated as cash flow hedges

Autodesk utilizes foreign currency contracts to reduce the exchange rate impact on a portion of the net revenue or operating expense of certain anticipated transactions. These contracts are designated and documented as cash flow hedges. The effectiveness of the cash flow hedge contracts is assessed quarterly using regression analysis as well as other timing and probability criteria. To receive cash flow hedge accounting treatment, all hedging relationships are formally documented at the inception of the hedge and the hedges are expected to be highly effective in offsetting changes to future cash flows on hedged transactions. The gross gains and losses on these hedges are included in "Accumulated other comprehensive income (loss)" and are reclassified into earnings at the time the forecasted revenue or expense is recognized. In the event the underlying forecasted transaction does not occur, or it becomes probable that it will not occur, Autodesk reclassifies the gain or loss on the related cash flow hedge from "Accumulated other comprehensive income (loss)" to "Interest and other income (expense), net" in the Company's Condensed Consolidated Financial Statements at that time.

The net notional amount of these contracts are presented net settled and were \$382.9 million at July 31, 2012 and \$419.6 million at January 31, 2012. Outstanding contracts are recognized as either assets or liabilities on the balance sheet at fair value. The majority of the net gain of \$12.7 million remaining in "Accumulated Other Comprehensive Income (Loss)" as of July 31, 2012 is expected to be recognized into earnings within the next twelve months.

#### Derivatives not designated as hedging instruments

Autodesk uses foreign currency contracts which are not designated as hedging instruments to reduce the exchange rate risk associated primarily with foreign currency denominated receivables and payables. These forward contracts are marked-to-market at the end of each fiscal quarter with gains and losses recognized as "Interest and other income (expense), net." These derivative instruments do not subject the Company to material balance sheet risk due to exchange rate movements because gains and losses on these derivative instruments are intended to offset the gains or losses resulting from the settlement of the underlying foreign currency denominated receivables and payables. The net notional amounts of these foreign currency contracts are presented net settled and were \$22.1 million at July 31, 2012 and \$75.1 million at January 31, 2012.

In addition to these foreign currency contracts, Autodesk holds derivative instruments issued by privately held companies, which are not designated as hedging instruments. These derivatives consist of certain conversion options on the convertible debt securities held by Autodesk and an option to acquire a privately held company. These derivatives are recorded at fair value as of each balance sheet date and are recorded in "Other assets." Changes in the fair values of these instruments are recognized in income as "Interest and other income (expense), net."





## Fair Value of Derivative Instruments

The fair value of derivative instruments in Autodesk's Condensed Consolidated Balance Sheets were as follows as of July 31, 2012 and January 31, 2012:

	Balance Sheet Location	Fair Value at	
		July 31, 2012	January 31, 2012
<b>Derivative Assets</b>			
Foreign currency contracts designated as cash flow hedges	Prepaid expenses and other current assets	\$10.8	\$11.9
Derivatives not designated as hedging instruments	Other assets	9.1	6.2
Total derivative assets		\$19.9	\$18.1
<b>Derivative Liabilities</b>			
Foreign currency contracts designated as cash flow hedges	Other accrued liabilities	\$1.9	\$2.2
Total derivative liabilities		\$1.9	\$2.2

The effects of derivatives designated as hedging instruments on Autodesk's Condensed Consolidated Statements of Operations were as follows for the three and six months ended July 31, 2012 and 2011, respectively (amounts presented include any income tax effects):

	Foreign Currency Contracts			
	Three Months Ended July 31, 2012		Six Months Ended July 31, 2011	
Amount of gain (loss) recognized in accumulated other comprehensive income on derivatives (effective portion)	\$10.6	\$7.0	\$12.1	\$(2.6 )
Amount and location of gain (loss) reclassified from accumulated other comprehensive income into income (effective portion)				
Net revenue	\$6.1	\$(3.8 )	\$12.4	\$(7.6 )
Operating expenses	(2.4 )	2.5	(3.9 )	4.4
Total	\$3.7	\$(1.3 )	\$8.5	\$(3.2 )
Amount and location of gain recognized in income on derivatives (ineffective portion and amount excluded from effectiveness testing)				
Interest and other income (expense), net	\$—	\$0.3	\$0.1	\$—

The effects of derivatives not designated as hedging instruments on Autodesk's Condensed Consolidated Statements of Operations were as follows for the three and six months ended July 31, 2012 and 2011, respectively (amounts presented include any income tax effects):

	Derivative Contracts			
	Three Months Ended July 31, 2012		Six Months Ended July 31, 2011	
Amount and location of gain recognized in income on derivative				
Interest and other income (expense), net	\$—	\$3.7	\$1.0	\$2.0

## 5. Stock-based Compensation Expense

Stock Plans

As of July 31, 2012, Autodesk maintained two active stock plans for the purpose of granting equity awards to employees and to non-employee members of Autodesk's Board of Directors: the 2012 Employee Stock Plan ("2012 Employee Plan"), which is available only to employees, and the Autodesk 2012 Outside Directors' Plan ("2012 Directors' Plan"), which is

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available only to non-employee directors. Additionally, there are eight expired or terminated plans with options outstanding. The exercise price of all stock options granted under these plans was equal to the fair market value of the stock on the grant date.

The 2012 Employee Plan was approved by Autodesk's stockholders in January 2012. The 2012 Employee Plan reserves up to 21.2 million shares which includes 15.2 million shares reserved upon the effectiveness of the 2012 Employee Plan as well as up to 6.0 million shares forfeited under certain prior employee stock plans during the life of the 2012 Employee Plan. The 2012 Employee Plan permits the grant of stock options, restricted stock units and restricted stock awards. Each restricted stock unit or restricted stock award granted will be counted against the shares authorized for issuance under the 2012 Employee Plan as 1.79 shares. If a granted option, restricted stock unit or restricted stock award expires or becomes unexercisable for any reason, the unpurchased or forfeited shares that were granted may be returned to the 2012 Employee Plan and may become available for future grant under the 2012 Employee Plan. As of July 31, 2012, 5.7 million options or restricted stock units have been granted under the 2012 Employee Plan. Options and restricted stock units that were granted under the 2012 Stock Plan vest over periods ranging from immediately upon grant to over a three year period and options expire 10 years from the date of grant. The 2012 Employee Plan will expire on June 30, 2022. At July 31, 2012, 11.4 million shares were available for future issuance under the 2012 Employee Plan.

The 2012 Director's Plan was approved by Autodesk's stockholders in January 2012. The 2012 Directors' Plan permits the grant of stock options, restricted stock units and restricted stock awards to non-employee members of Autodesk's Board of Directors. Each restricted stock unit or restricted stock award granted will be counted against the shares authorized for issuance under the 2012 Directors' Plan as 2.11 shares. As of July 31, 2012, 0.2 million restricted stock units have been granted under the 2012 Directors' Plan. Restricted stock units that were granted under the 2012 Directors' Plan vest over one year from the date of grant. The 2012 Directors' Plan reserved 2.6 million shares of Autodesk common stock. The 2012 Directors' Plan will expire on June 30, 2022. At July 31, 2012, 2.4 million shares were available for future issuance under the 2012 Directors' Plan.

The following sections summarize activity under Autodesk's stock plans.

#### Stock Options:

A summary of stock option activity for the six months ended July 31, 2012 is as follows:

	Number of Shares  (in millions)	Weighted average exercise price per share	Weighted average remaining contractual term (in years)	Aggregate Intrinsic Value (2)  (in millions)
Options outstanding at January 31, 2012	28.4	\$31.39		
Granted	0.1	36.63		
Exercised	(4.9 )	26.14		
Canceled	(2.2 )	38.23		
Options outstanding at July 31, 2012	21.4	\$31.93	4.2	\$ 123.4
Options exercisable at July 31, 2012	15.1	\$30.82	3.0	\$ 103.1
Options vested as of July 31, 2012 and expected to vest thereafter (1)	21.1	\$31.84	4.1	\$ 122.8
Options available for grant at July 31, 2012	13.8			

(1) Options expected to vest reflect an estimated forfeiture rate.

Represents the total pre-tax intrinsic value, based on Autodesk's closing stock price of \$33.92 per share as of (2) July 31, 2012, which would have been received by the option holders had all option holders exercised their options as of that date.

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As of July 31, 2012, total compensation cost of \$54.9 million related to non-vested options is expected to be recognized over a weighted average period of 1.5 years. The following table summarizes information about the pre-tax intrinsic value of options exercised, and the weighted average grant date fair value per share of options granted, during the three and six months ended July 31, 2012, and 2011.

	Three months Ended		Six Months Ended	
	July 31, 2012	July 31, 2011	July 31, 2012	July 31, 2011
Pre-tax intrinsic value of options exercised (1)	\$5.6	\$13.0	\$65.9	\$72.5
Weighted average grant date fair value per share of stock options granted (2)	\$10.86	\$11.95	\$13.40	\$14.26

(1) The intrinsic value of options exercised is calculated as the difference between the exercise price of the option and the market value of the stock on the date of exercise.

(2) The weighted average grant date fair value of stock options granted is calculated, as of the stock option grant date, using the Black-Scholes-Merton option pricing model.

The following table summarizes information about options outstanding and exercisable at July 31, 2012:

Range of per-share exercise prices:	Options Exercisable			Options Outstanding				
	Number of Shares (in millions)	Weighted average contractual life (in years)	Weighted average exercise price	Aggregate intrinsic value (1) (in millions)	Number of Shares (in millions)	Weighted average contractual life (in years)	Weighted average exercise price	Aggregate intrinsic value (1) (in millions)
\$2.28 - \$17.39	3.9		\$13.57		4.4		\$13.89	
\$17.53 - \$29.49	2.7		27.06		4.6		27.86	
\$29.50 - \$38.55	3.4		32.74		4.4		32.72	
\$39.69 - \$43.81	1.6		41.70		4.5		41.88	
\$45.20 - \$49.80	3.5		45.70		3.5		45.70	
	15.1	3.0	\$30.82	\$103.1	21.4	4.2	\$31.93	\$123.4

Represents the total pre-tax intrinsic value, based on Autodesk's closing stock price of \$33.92 per share as of (1) July 31, 2012, which would have been received by the option holders had all option holders exercised their options as of that date.

These options will expire if not exercised at specific dates ranging through June 2022.

Restricted Stock:

A summary of restricted stock unit and restricted stock award activity for the six months ended July 31, 2012 is as follows:

Unreleased Restricted Stock	Weighted average grant date fair value per share
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	(in thousands)	
Unreleased restricted stock at January 31, 2012	2,184.1	\$36.65
Awarded	3,184.3	32.89
Released	(305.8	) 35.46
Forfeited	(65.2	) 37.42
Unreleased restricted stock at July 31, 2012	4,997.4	\$34.32

During the six months ended July 31, 2012, Autodesk granted 2.6 million restricted stock units. The restricted stock units vest over periods ranging from immediately upon grant to a pre-determined date that is typically within three years from the

date of grant. Restricted stock units are not considered outstanding stock at the time of grant, as the holders of these units are not entitled to any of the rights of a stockholder, including voting rights. The fair value of the restricted stock units is expensed ratably over the vesting period. Autodesk recorded stock-based compensation expense related to restricted stock units of \$12.5 million and \$23.3 million during the three and six months ended July 31, 2012, respectively. Autodesk recorded stock-based compensation expense related to restricted stock units of \$8.3 million and \$13.6 million, during the three and six months ended July 31, 2011, respectively. As of July 31, 2012, total compensation cost not yet recognized of \$100.7 million related to non-vested restricted stock units, is expected to be recognized over a weighted average period of 2.0 years. At July 31, 2012, the number of restricted stock units granted but unreleased was 4.5 million.

During the six months ended July 31, 2012, Autodesk granted 0.5 million performance restricted stock units. Performance restricted stock units vest with the attainment of predetermined goals and requisite service periods. Performance stock units are not considered outstanding stock at the time of grant, as the holders of these units are not entitled to any of the rights of a stockholder, including voting rights. The fair value of the performance restricted stock units is expensed using the accelerated attribution method over the vesting period. Autodesk recorded stock-based compensation expense related to performance restricted stock units of \$2.1 million and \$3.3 million during the three and six months ended July 31, 2012, respectively. Autodesk recorded no stock-based compensation related to performance restricted stock units for both the three and six months ended July 31, 2011, as the Company previously had not granted performance restricted stock units. As of July 31, 2012, total compensation cost not yet recognized of \$10.3 million related to non-vested performance restricted stock units, is expected to be recognized over a weighted average period of 1.6 years. At July 31, 2012, the number of performance restricted stock units granted but unreleased was 0.5 million.

#### 1998 Employee Qualified Stock Purchase Plan (“ESP Plan”)

Under Autodesk’s ESP Plan, which was approved by stockholders in 1998, eligible employees may purchase shares of Autodesk’s common stock at their discretion using up to 15% of their eligible compensation subject to certain limitations, at not less than 85% of fair market value as defined in the ESP Plan. At July 31, 2012, a total of 32.9 million shares were available for future issuance. This amount automatically increases on the first trading day of each fiscal year by an amount equal to the lesser of 10.0 million shares or 2% of the total of (1) outstanding shares plus (2) any shares repurchased by Autodesk during the prior fiscal year. Under the ESP Plan, the Company issues shares on the first trading day following March 31 and September 30 of each fiscal year. The ESP Plan expires during fiscal 2018.

Autodesk issued 1.6 million shares under the ESP Plan during the six months ended July 31, 2012, with an average price of \$21.63 per share. During the six months ended July 31, 2011, Autodesk issued 1.8 million shares under the ESP Plan, at average prices of \$15.28 per share. The weighted average grant date fair value of awards granted under the ESP Plan during the six months ended July 31, 2012, calculated as of the award grant date using the Black-Scholes-Merton option pricing model, was \$14.00 per share. The weighted average grant date fair value of awards granted under the ESP Plan during the six months ended July 31, 2011, calculated as of the award grant date using the Black-Scholes-Merton option pricing model, was \$13.46 per share.





## Stock-based Compensation Expense

The following table summarizes stock-based compensation expense for the three and six months ended July 31, 2012 and 2011, respectively, as follows:

	Three Months Ended July 31, 2012	Three Months Ended July 31, 2011
Cost of license and other revenue	\$1.2	\$1.0
Marketing and sales	16.1	11.3
Research and development	10.4	9.8
General and administrative	5.8	5.2
Stock-based compensation expense related to stock awards and ESP Plan purchases	33.5	27.3
Tax benefit	(7.3)	(5.8)
Stock-based compensation expense related to stock awards and ESP Plan purchases, net of tax	\$26.2	\$21.5
	Six Months Ended July 31, 2012	Six Months Ended July 31, 2011
Cost of license and other revenue	\$2.5	\$1.9
Marketing and sales	30.7	23.1
Research and development	21.5	18.7
General and administrative	12.2	9.5
Stock-based compensation expense related to stock awards and ESP Plan purchases	66.9	53.2
Tax benefit	(16.0)	(13.4)
Stock-based compensation expense related to stock awards and ESP Plan purchases, net of tax	\$50.9	\$39.8

Autodesk uses the Black-Scholes-Merton option-pricing model to estimate the fair value of stock-based awards based on the following assumptions:

	Three Months Ended July 31, 2012		Three Months Ended July 31, 2011	
	Stock Option Plans	ESP Plan	Stock Option Plans	ESP Plan
Range of expected volatilities	41 - 43%	41 - 43%	40 - 42%	34 - 37%
Range of expected lives (in years)	3.6 - 4.6	0.5 - 2.0	3.6 - 4.6	0.5 - 2.0
Expected dividends	—%	—%	—%	—%
Range of risk-free interest rates	0.5 - 0.6%	0.1 - 0.3%	0.9 - 1.4%	0.2 - 0.8%
Expected forfeitures	7.7%	7.7%	7.8%	7.8%
	Six Months Ended July 31, 2012		Six Months Ended July 31, 2011	
	Stock Option Plans	ESP Plan	Stock Option Plans	ESP Plan
Range of expected volatilities	41 - 45%	41 - 43%	40 - 43%	34 - 37%
Range of expected lives (in years)	3.6 - 4.6	0.5 - 2.0	2.6 - 4.6	0.5 - 2.0
Expected dividends	—%	—%	—%	—%
Range of risk-free interest rates	0.5 - 0.8%	0.1 - 0.3%	0.9 - 1.9%	0.2 - 0.8%
Expected forfeitures	7.7% - 7.8%	7.7 - 7.8%	7.8 - 10.5%	7.8 - 10.5%

Autodesk estimates expected volatility for stock-based awards based on the average of the following two measures. The first is a measure of historical volatility in the trading market for the Company's common stock, and the second is the implied volatility of traded forward call options to purchase shares of the Company's common stock.

Autodesk estimates the expected life of stock-based awards using both exercise behavior and post-vesting termination behavior as well as consideration of outstanding options.

Autodesk does not currently pay, and does not anticipate paying any cash dividends in the foreseeable future. Consequently, an expected dividend yield of zero is used in the Black-Scholes-Merton option pricing model.

The risk-free interest rate used in the Black-Scholes-Merton option pricing model for stock-based awards is the historical yield on U.S. Treasury securities with equivalent remaining lives.

Autodesk recognizes expense only for the stock-based awards that are ultimately expected to vest. Therefore, Autodesk has developed an estimate of the number of awards expected to cancel prior to vesting ("forfeiture rate"). The forfeiture rate is estimated based on historical pre-vest cancellation experience and is applied to all stock-based awards. The Company estimates forfeitures at the time of grant and revises those estimates in subsequent periods if actual forfeitures differ from those estimates.

## 6. Income Tax

Autodesk's effective tax rate was 30% and 24% during the three and six months ended July 31, 2012, respectively, compared to 24% and 21% during the three and six months ended July 31, 2011, respectively. Autodesk's effective tax rate increased 6% during the three months ended July 31, 2012 as compared to the same period in the prior fiscal year primarily due to the establishment of a U.S. valuation allowance related to the impairment of an investment, expiration of the federal research credit and non-deductible stock-based compensation expense, partially offset by the tax impact of a decrease in the forecasted annual rate from the previous quarter. Autodesk's effective tax rate increased 3% during the six months ended July 31, 2012 as compared to the same period in the prior fiscal year primarily due to the establishment of a U.S. valuation allowance related to the impairment of an investment, expiration of the federal research credit and non-deductible stock based compensation expense, partially offset by discrete tax benefits from closure of statute of limitations during the first quarter of fiscal 2013. Discrete tax items for the three and six months ended July 31, 2012 were \$2.7 million expense and \$3.6 million benefit, respectively, primarily associated with the establishment of a U.S. valuation allowance related to the impairment of an investment, stock-based compensation and closure of a foreign statute of limitations. Excluding the impact of these discrete tax items, the effective tax rate for both the three and six months ended July 31, 2012 was 25%, and was lower than the Federal statutory tax rate of 35% primarily due to foreign income taxed at lower rates partially offset by the impact of non-deductible stock-based compensation expense.

As of July 31, 2012, the Company had \$206.0 million of gross unrecognized tax benefits, excluding interest, of which approximately \$192.3 million represents the amount of unrecognized tax benefits that would impact the effective tax rate, if recognized. It is possible that the amount of unrecognized tax benefits will change in the next twelve months; however, an estimate of the range of the possible change cannot be made at this time.

At July 31, 2012, Autodesk had net deferred tax assets of \$181.6 million. The Company believes that it will generate sufficient future taxable income in appropriate tax jurisdictions to realize these assets.

## 7. Acquisitions

During the six months ended July 31, 2012, Autodesk completed the business combination described below. The results of operations for the following acquisition are included in the accompanying Condensed Consolidated Statement of Operations since its acquisition date. Pro forma results of operations have not been presented because the effects of the following acquisition was not material to Autodesk's Consolidated Financial Statements.

Autodesk recorded the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The fair values assigned to the identifiable intangible assets acquired were based on estimates and assumptions determined by management. Autodesk recorded the excess of consideration transferred over the aggregate fair values as goodwill.

On June 7, 2012, Autodesk acquired Vela Systems, Inc. (“Vela”) for total cash consideration of \$76.0 million. Vela was a privately owned company that provides a cloud-based mobile platform that delivers critical information to the construction and capital projects market. Prior to acquiring Vela, Autodesk had an equity investment in the company with an acquisition-date fair value of \$6.8 million using a market approach to value the investment. Valuations using the market approach reflect relevant observable information generated by market transactions involving comparable businesses. As a result of the acquisition, Autodesk recorded a \$3.3 million gain on the business combination achieved in stages. Vela has been integrated into, and the related goodwill was assigned to, Autodesk's Architecture, Engineering and Construction segment.

The following table summarizes the fair value of the assets acquired and liabilities assumed by major class for the Vela business combination:

	Vela
Developed technologies	\$5.9
Customer relationships	3.6
Trade name	2.6
Goodwill (1)	57.6
Deferred Revenue ST and LT	(2.0 )
Deferred tax asset	3.9
Net tangible assets (liabilities)	4.4
Total	\$76.0

(1) The amount of goodwill expected to be deductible for tax purposes is zero.

For Vela, the business combination accounting is not yet finalized. The initial accounting was based upon a preliminary valuation and our estimates and assumptions are subject to change within the measurement period (up to one year from the acquisition date). The primary areas of the business combination accounting that are not yet finalized are amounts for income tax assets and liabilities, pending finalization of estimates and assumptions in respect of certain tax aspects of the transaction and residual goodwill.

#### 8. Other Intangible Assets, Net

Other intangible assets that include purchased technologies, customer relationships, trade names, patents, user lists and the related accumulated amortization were as follows:

	July 31, 2012	January 31, 2012
Purchased technologies, at cost (1)	\$406.7	\$400.5
Customer relationships, trade names, patents, user list, at cost (2)	220.6	215.3
	627.3	615.8
Less: Accumulated amortization (1)	(501.2 )	(467.0 )
Other intangible assets, net	\$126.1	\$148.8

Beginning in fiscal 2013, the purchased technologies balances are presented gross. Previously, Autodesk reported the cost and amortization balance for purchased technologies net of fully amortized intangible assets. For (1) comparability, the presentation of the purchased technologies cost and amortization balances at January 31, 2012 were adjusted to align to current year presentation.

(2) Included in "Other assets" in the accompanying Condensed Consolidated Balance Sheets. Customer relationships and trade names include the effects of foreign currency translation.



## 9. Goodwill

The change in the carrying amount of goodwill during the six months ended July 31, 2012, is as follows:

	Platform Solutions and Emerging Business	Architecture, Engineering and Construction	Manufacturing	Media and Entertainment	Total
Balances as of January 31, 2012					
Goodwill	\$76.6	\$247.7	\$323.3	\$184.0	\$831.6
Accumulated impairment losses	—	—	—	(149.2)	(149.2)
	76.6	247.7	323.3	34.8	682.4
Vela acquisition	—	57.6	—	—	57.6
Addition arising from other acquisitions	2.1	—	—	—	2.1
Effect of foreign currency translation, purchase accounting and other	(1.0)	(1.3)	(0.6)	—	(2.9)
Balance as of July 31, 2012					
Goodwill	77.7	304.0	322.7	184.0	888.4
Accumulated impairment losses	—	—	—	(149.2)	(149.2)
	\$77.7	\$304.0	\$322.7	\$34.8	\$739.2

Goodwill consists of the excess of cost over the fair value of net assets acquired in business combinations. Autodesk assigns goodwill to the reportable segment associated with each business combination, and tests goodwill for impairment annually in its fourth fiscal quarter or more often if circumstances indicate a potential impairment. When assessing goodwill for impairment, Autodesk uses discounted cash flow models that include assumptions regarding reportable segments' projected cash flows ("Income Approach") and corroborates it with the estimated consideration that the Company would receive if there were to be a sale of the reporting segment ("Market Approach"). Variances in these assumptions could have a significant impact on Autodesk's conclusion as to whether goodwill is impaired or the amount of any impairment charge. Impairment charges, if any, result from instances where the fair values of net assets associated with goodwill are less than their carrying values. The process of evaluating the potential impairment of goodwill is subjective and requires significant judgment at many points during the analysis. The value of Autodesk's goodwill could also be impacted by future adverse changes such as: (i) declines in Autodesk's actual financial results, (ii) a sustained decline in Autodesk's market capitalization, (iii) significant slowdown in the worldwide economy or the industries Autodesk serves, or (iv) changes in Autodesk's business strategy or internal financial results forecasts. A hypothetical 10% decrease in the fair value of any of Autodesk's four reporting units would not have an impact on the carrying value, nor result in an impairment, of goodwill shown on Autodesk's balance sheet as of July 31, 2012 for the respective reporting units.

## 10. Deferred Compensation

At July 31, 2012, Autodesk had marketable securities totaling \$786.6 million, of which \$34.7 million related to investments in debt and equity securities that are held in a rabbi trust under non-qualified deferred compensation plans. The total related deferred compensation liability was \$34.7 million at July 31, 2012, of which \$3.3 million was classified as current and \$31.4 million was classified as non-current liabilities. The value of debt and equity securities held in the rabbi trust at January 31, 2012 was \$31.5 million. The total related deferred compensation liability at January 31, 2012 was \$31.5 million, of which \$3.2 million was classified as current and \$28.3 million was classified



as non-current liabilities. The current and non-current portions of the liability are recorded in the Condensed Consolidated Balance Sheets under “Accrued compensation” and “Other liabilities,” respectively.

## 11. Computer Equipment, Software, Furniture and Leasehold Improvements, Net

Computer equipment, software, furniture, leasehold improvements and the related accumulated depreciation were as follows:

	July 31, 2012	January 31, 2012
Computer software, at cost	\$134.0	\$133.5
Computer hardware, at cost	161.8	153.3
Leasehold improvements, land and buildings, at cost	149.8	139.5
Furniture and equipment, at cost	50.6	47.7
	496.2	474.0
Less: Accumulated depreciation	(387.2	) (369.5
Computer software, hardware, leasehold improvements, furniture and equipment, net	\$109.0	\$104.5

## 12. Borrowing Arrangements

Autodesk's line of credit facility permits unsecured short-term borrowings of up to \$400.0 million, with an option to request an increase in the amount of the credit facility by up to an additional \$100.0 million, and is available for working capital or other business needs. This credit agreement contains customary covenants that could restrict the imposition of liens on Autodesk's assets, and restrict the Company's ability to incur additional indebtedness or make dispositions of assets if Autodesk fails to maintain the financial covenants. The line of credit is syndicated with various financial institutions, including Citicorp USA, Inc., an affiliate of Citibank, which is one of the lead lenders and an agent. At July 31, 2012, Autodesk had no outstanding borrowings on this line of credit. This facility expires in May 2016.

## 13. Commitments and Contingencies

## Guarantees and Indemnifications

In the normal course of business, Autodesk provides indemnifications of varying scopes, including limited product warranties and indemnification of customers against claims of intellectual property infringement made by third parties arising from the use of its products or services. Autodesk accrues for known indemnification issues if a loss is probable and can be reasonably estimated. Historically, costs related to these indemnifications have not been significant, and because potential future costs are highly variable, Autodesk is unable to estimate the maximum potential impact of these indemnifications on its future results of operations.

In connection with the purchase, sale or license of assets or businesses with third parties, Autodesk has entered into or assumed customary indemnification agreements related to the assets or businesses purchased, sold or licensed. Historically, costs related to these indemnifications have not been significant, and because potential future costs are highly variable, Autodesk is unable to estimate the maximum potential impact of these indemnifications on its future results of operations.

As permitted under Delaware law, Autodesk has agreements whereby it indemnifies its officers and directors for certain events or occurrences while the officer or director is, or was, serving at Autodesk's request in such capacity. The maximum potential amount of future payments Autodesk could be required to make under these indemnification agreements is unlimited; however, Autodesk has directors' and officers' liability insurance coverage that is intended to reduce its financial exposure and may enable Autodesk to recover a portion of any future amounts paid. Autodesk

believes the estimated fair value of these indemnification agreements in excess of applicable insurance coverage is minimal.

#### Legal Proceedings

Autodesk is involved in a variety of claims, suits, investigations and proceedings in the normal course of business activities including claims of alleged infringement of intellectual property rights, commercial, employment, piracy prosecution, business practices and other matters. In the Company's opinion, resolution of pending matters is not expected to have a material adverse impact on its consolidated results of operations, cash flows or its financial position. Given the unpredictable nature of legal proceedings, there is a reasonable possibility that an unfavorable resolution of one or more such proceedings could in the future materially affect the Company's results of operations, cash flows or financial position in a particular period, however, based on the information known by the Company as of the date of this filing and the rules and regulations applicable to the

preparation of the Company's financial statements, any such amount is either immaterial or it is not possible to provide an estimated amount of any such potential loss.

#### 14. Common Stock Repurchase Program

Autodesk has a stock repurchase program that is used to offset dilution from the issuance of stock under the Company's employee stock plans and for such other purposes as may be in the interests of Autodesk and its stockholders, which has the effect of returning excess cash generated from the Company's business to stockholders. During the three and six months ended July 31, 2012, Autodesk repurchased and retired 3.4 million and 5.9 million shares at an average repurchase price of \$32.23 per share and \$35.41 per share, respectively. Common stock and additional paid-in capital and retained earnings were reduced by \$94.5 million and \$16.6 million, respectively, during the three months ended July 31, 2012. Common stock and additional paid-in capital and retained earnings were reduced by \$148.6 million and \$61.7 million, respectively, during the six months ended July 31, 2012.

At July 31, 2012, 38.8 million shares remained available for repurchase under the repurchase plans approved by the Board of Directors. This amount includes the 30.0 million share increase approved by the Board of Directors in June 2012. During the three and six months ended July 31, 2012, Autodesk repurchased its common stock through open market purchases. The number of shares acquired and the timing of the purchases are based on several factors, including general market and economic conditions, the number of employee stock option exercises and stock issuances, the trading price of Autodesk common stock, cash on hand and available in the United States, cash requirements for acquisitions, and company defined trading windows.

#### 15. Accumulated Other Comprehensive Income

Accumulated other comprehensive income, net of taxes, was comprised of the following at July 31, 2012 and January 31, 2012:

	July 31, 2012	January 31, 2012
Net gain on derivative instruments	\$12.7	\$9.2
Net unrealized gain on available-for-sale securities	3.0	2.6
Unfunded portion of pension plans	(8.6	) (8.6
Foreign currency translation adjustments	(6.5	) 2.7
Accumulated other comprehensive income	\$0.6	\$5.9

#### 16. Net Income Per Share

Basic net income per share is computed using the weighted average number of shares of common stock outstanding for the period, including restricted stock awards and excluding stock options and restricted stock units. Diluted net income per share is based upon the weighted average number of shares of common stock outstanding for the period and potentially dilutive common shares, including the effect of stock options and restricted stock units under the treasury stock method. The following table sets forth the computation of the numerators and denominators used in the basic and diluted net income per share amounts:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2012	2011	2012	2011
Numerator:				
Net income	\$64.6	\$71.2	\$143.5	\$140.5

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Denominator:

Denominator for basic net income per share—weighted average shares	227.8	229.4	228.0	228.8
Effect of dilutive securities	4.3	7.2	5.1	8.1
Denominator for dilutive net income per share	232.1	236.6	233.1	236.9
Basic net income per share	\$0.28	\$0.31	0.63	0.61
Diluted net income per share	\$0.28	\$0.30	0.62	0.59

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The computation of diluted net income per share does not include shares that are anti-dilutive under the treasury stock method because their exercise prices are higher than the average market value of Autodesk's stock during the period. For the three and six months ended July 31, 2012, 12.2 million and 10.0 million potentially anti-dilutive shares, respectively, were excluded from the computation of diluted net income per share. For the three and six months ended July 31, 2011, 10.0 million and 8.6 million potentially anti-dilutive shares, respectively, were excluded from the computation of diluted net income per share.

## 17. Segments

Autodesk reports segment information based on the "management" approach. The management approach designates the internal reporting used by management for making decisions and assessing performance as the source of the Company's reportable segments. Autodesk has four reportable segments: Platform Solutions and Emerging Business ("PSEB"), Architecture, Engineering and Construction ("AEC"), Manufacturing ("MFG") and Media and Entertainment ("M&E"). Autodesk has no material inter-segment revenue.

The PSEB, AEC and MFG segments derive revenue from the sale of licenses for software products and services to customers who design, build, manage or own building, manufacturing and infrastructure projects. Our M&E segment derives revenue from the sale of products to creative professionals, post-production facilities and broadcasters for a variety of applications, including feature films, television programs, commercials, music and corporate videos, interactive game production, web design and interactive web streaming.

PSEB includes Autodesk's design product, AutoCAD. Autodesk's AutoCAD product is a platform product that underpins the Company's design product offerings for the industries it serves. For example, AEC and MFG offer tailored versions of AutoCAD software for the industries they serve. Autodesk's AutoCAD product also provides a platform for Autodesk's developer partners to build custom solutions for a range of diverse design-oriented markets. PSEB's revenue primarily includes revenue from sales of licenses of Autodesk's design products, AutoCAD and AutoCAD LT, as well as the Autodesk Design Suite and many other design products.

AEC software products help to improve the way building, civil infrastructure, process plant and construction projects are designed, built and managed. A broad portfolio of solutions enables greater efficiency, accuracy and sustainability across the entire project lifecycle. Autodesk AEC solutions include advanced technology for building information modeling ("BIM"), AutoCAD-based design and documentation productivity software, sustainable design analysis applications, and collaborative project management solutions. BIM, an integrated process for building and infrastructure design, analysis, documentation and construction, uses consistent, coordination information to improve communication and collaboration between the extended project team. AEC provides a comprehensive portfolio of BIM solutions that help customers deliver projects faster and more economically, while minimizing environmental impact. AEC's revenue primarily includes revenue from the sales of licenses of Autodesk Revit family suites, AutoCAD Civil 3D, AutoCAD Architecture and AutoCAD Map 3D products.

MFG provides the manufacturers in automotive and transportation, industrial machinery, consumer products and building products with comprehensive digital prototyping solutions that bring together design data from all phases of the product development process to develop a single digital model created in Autodesk Inventor software. Autodesk's solutions for digital prototyping enable a broad group of manufacturers to realize benefits with minimal disruption to existing workflows. MFG's revenue primarily includes revenue from the sales of licenses of Autodesk Inventor family suites, AutoCAD Mechanical and Autodesk Moldflow products.

M&E is comprised of two product groups: Animation, including design visualization, and Creative Finishing. Animation products, such as Autodesk 3ds Max, Autodesk Maya and the Autodesk Entertainment Creation Suite, provide tools for digital sculpting, modeling, animation, effects, rendering and compositing, for design visualization,

visual effects and games production. Creative Finishing products provide editing, finishing and visual effects design and color grading.

All of Autodesk's reportable segments distribute their respective products primarily through authorized resellers and distributors and, to a lesser extent, through direct sales to end-users.

The accounting policies of the reportable segments are the same as those described in Note 1, "Business and Summary of Significant Accounting Policies" of our 2012 Annual Report on Form 10-K. Autodesk evaluates each segment's performance on the basis of gross profit. Autodesk currently does not separately accumulate and report asset information by segment, except for goodwill, which is disclosed in Note 9, "Goodwill."

Information concerning the operations of Autodesk's reportable segments is as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2012	2011	2012	2011
Net revenue:				
Platform Solutions and Emerging Business	\$217.6	\$198.5	\$446.6	\$409.0
Architecture, Engineering and Construction	161.0	157.9	324.4	299.3
Manufacturing	141.3	135.8	287.0	259.0
Media and Entertainment	48.8	54.1	99.3	107.3
	\$568.7	\$546.3	\$1,157.3	\$1,074.6
Gross profit:				
Platform Solutions and Emerging Business	\$204.3	\$187.2	\$420.1	\$385.8
Architecture, Engineering and Construction	146.4	143.3	295.3	271.3
Manufacturing	130.0	124.4	264.4	237.6
Media and Entertainment	39.0	43.5	80.8	86.4
Unallocated (1)	(10.8	) (9.5	) (21.9	) (18.5
	\$508.9	\$488.9	\$1,038.7	\$962.6

(1) Unallocated amounts primarily relate to corporate expenses and other costs and expenses that are managed outside the reportable segments, including stock-based compensation expense.

Information regarding Autodesk's operations by geographic area is as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2012	2011	2012	2011
Net revenue:				
Americas				
U.S.	\$160.9	\$151.4	\$326.9	\$294.9
Other Americas	37.6	39.7	79.2	77.6
Total Americas	198.5	191.1	406.1	372.5
Europe, Middle East and Africa	209.6	211.9	434.0	426.9
Asia Pacific				
Japan	69.9	58.2	146.2	118.9
Other Asia Pacific	90.7	85.1	171.0	156.3
Total Asia Pacific	160.6	143.3	317.2	275.2
Total net revenue	\$568.7	\$546.3	\$1,157.3	\$1,074.6

## 18. Subsequent Events

On August 22, 2012, the Board of Directors of the Company approved a world-wide restructuring plan that includes a reduction in force and the consolidation of certain leased facilities. The Company expects to substantially complete the reduction in force and the facilities consolidation by the end of its fourth quarter of fiscal 2013. The Company anticipates incurring pre-tax restructuring charges of \$50.0 million to \$60.0 million, all of which would result in cash expenditures and of which \$44.0 million to \$52.0 million would be for one-time employee termination benefits and \$6.0 million to \$8.0 million would be for facilities-related costs. Approximately \$40.0 million to \$45.0 million of these pre-tax charges will be expensed in the third quarter of fiscal 2013 with most of the remainder in the fourth quarter of fiscal 2013.



On August 1, 2012, Autodesk acquired Socialcam, Inc, (“Socialcam”) for approximately \$59.5 million. Socialcam was a privately held web-based company offering a smartphone application and web-based service that allows users to capture, edit, and share video. Socialcam will be integrated into Autodesk’s PSEB segment. The initial accounting for this acquisition was not complete as of September 5, 2012, due to the timing of the acquisition.

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

The discussion in our MD&A contains trend analyses and other forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are any statements that look to future events and consist of, among other things, our business strategies, including those discussed below in "Strategy" below, anticipated future net revenue, future operating margin and other future financial results (by product type and geography) and operating expenses, the effectiveness of our internal reorganization and restructuring efforts, the effectiveness of efforts to reduce our operating expenses, expected market trends, including the growth of cloud, mobile and social computing, the effect of unemployment and availability of credit, the effects of the weak global economic conditions, our backlog, expected trends in certain financial metrics, the impact of acquisitions and investment activities, the effect of fluctuations in exchange rates and our hedging activities on our financial results, our abilities to successfully expand adoption of our products, our ability to gain market acceptance of new businesses and sales initiatives, our ability to successfully increase sales of product suites as part of our overall sales strategy, and the impact of economic volatility and geopolitical activities in certain countries, particularly emerging economy countries, and the resulting effect on our financial results. In addition, forward-looking statements also consist of statements involving expectations regarding product acceptance, continuation of our stock repurchase program, statements regarding our liquidity and short-term and long-term cash requirements, as well as, statements involving trend analyses and statements including such words as "may," "believe," "could," "anticipate," "would," "might," "plan," "expect," and similar expressions or the negative of these terms or other comparable terminology. These forward-looking statements speak only as of the date of this Form 10-Q and are subject to business and economic risks. As such, our actual results could differ materially from those set forth in the forward-looking statements as a result of the factors set forth below in Part II, Item 1A, "Risk Factors," and in our other reports filed with the U.S. Securities and Exchange Commission. We assume no obligation to update the forward-looking statements to reflect events that occur or circumstances that exist after the date on which they were made.

Note: A glossary of terms used in this Form 10-Q appears at the end of this Item 2.

### Strategy

Autodesk's vision is to help people imagine, design and create a better world. We do this by developing software for the world's designers, architects, engineers, and digital artists—the people who create the world's products, buildings, infrastructure, films, and games. Autodesk serves customers in three primary markets: architecture, engineering and construction; manufacturing; and digital media and entertainment.

Our goal is to provide our customers with the world's most valuable, innovative, and engaging software and services. Our product and services portfolio allows our customers to digitally visualize, simulate, and analyze their projects, helping them to better understand the consequences of their design decisions; save time, money, and resources; and become more innovative.

Today, complex challenges such as globalization, urbanization, and sustainable design are driving our customers to new levels of performance and competitiveness, and we are committed to helping them address those challenges and take advantage of new opportunities. To achieve these goals, we are capitalizing on two of our strongest competitive advantages: our ability to bring advanced technology to mainstream markets, and the breadth and depth of our product portfolio.

By innovating in existing technology categories, we bring powerful new design capabilities to volume markets. Our products are designed to be easy-to-learn and use, and to provide customers with a low cost of deployment, a low total cost of ownership, and a rapid return on investment. In addition, our software architecture allows for extensibility and

integration with other products. The breadth of our technology and product line gives us a unique competitive advantage, because it allows our customers to address a wide variety of problems in ways that transcend industry and disciplinary boundaries. This is particularly important in helping our customers address the complex challenges mentioned above. We also believe that our technological leadership and global brand recognition have positioned us well for long-term growth and industry leadership.

In addition to the competitive advantages afforded by our technology, our large global network of distributors, resellers, third-party developers, customers, educational institutions, faculty and students is a key competitive advantage. This network of relationships provides us with a broad and deep reach into volume markets around the world. Our distributor and reseller network is extensive and provides our customers with the resources to purchase, deploy, learn, and support our products quickly and easily. We have a significant number of registered third-party developers who create products that work well with Autodesk products and extend them for a variety of specialized applications. Users with expertise in our products are broadly and globally available from educational institutions and in the existing workforce. We offer extensive educational programs, including student versions of software, curricula, and faculty development. We have an extensive global community of students

who are experienced with our software and poised to become the next generation of professional users – thus reducing the cost of training and providing fresh talent for our customers. Our global network of distributors, resellers, third party developers, customers, educational institutions and students has been developed over our thirty year history. We believe it is an enduring competitive advantage that is difficult for others to replicate.

We continually strive to increase the business value of our design tools to our customers in a number of ways. First, we seek to address an increasing portion of our customers' workflow with products that extend the value of our customers' digital design information into visualization, analysis and simulation. Second, we seek to improve our product interoperability and usability, thus improving our customers' productivity and effectiveness. Third, we continue to develop new ways to deliver capability and value to our customers, such as product suites, cloud-based services, and delivery of our solutions on mobile devices and new hardware platforms. Fourth, we extend our customers' workflow with products for adjacent users and for the “customers of our customers,” thus increasing the value of the design information our customers produce. Finally, we continue to develop new lines of consumer products and services that are delivered and experienced through the Web, tablets, and mobile devices providing our advanced visualization technologies to consumers—a whole new category of Autodesk customer.

Autodesk was founded during the platform transition from mainframes and engineering workstations to personal computers. We developed and sustained a compelling value proposition based upon desktop software for the personal computer. Just as the transition from mainframes to personal computers transformed the industry thirty years ago, we believe our industry is undergoing a similar transition from the personal computer to cloud, mobile and social computing. During the first quarter of the fiscal year, we undertook a number of important organizational changes to drive the success of our business. These changes were made in order to address major business initiatives including our desire to accelerate the business' move to the cloud, transform our customers' experience, increase industry focus to meet customer demands, and develop more effective marketing. The reorganization included changes to the structure and alignment of our product development and marketing teams and re-organizing our sales teams by industry.

While these changes were intended to better serve our customers and drive future growth, we have encountered challenges in the execution of these efforts which have impacted our financial results in the short term. In order to achieve these organizational changes and to further our strategy, in the third quarter of the fiscal year we commenced a company-wide restructuring plan. While we are reducing our overall staffing levels in the near-term, we will continue to invest in key development areas. We anticipate taking a pre-tax charge in the range of \$50 million to \$60 million in connection with the restructuring. Approximately \$40 million to \$45 million in pre-tax charges will be taken in the third quarter of fiscal 2013. Most of the remaining charge will be taken in the fourth quarter of fiscal 2013. If we are unable to successfully complete our reorganizational efforts we may need to undertake additional restructuring efforts, and our business and operating results may be harmed.

Our growth strategy is predicated upon leading the transition in the industries we serve into the cloud in three ways:

**Grow.** We believe sufficient opportunity remains in our PC-based software business, and we intend to continue to grow this business. In particular we are offering product suites with improved interoperability and usability to enhance our customers' productivity. We are continuing to drive maintenance and new licensing models to better match the business needs of our customers. We will continue to emphasize developing direct relationships with large, global customers and growing in emerging economies.

**Transform.** At the same time we grow our desktop software business, we are migrating many of our products to the cloud. This entails development of new cloud computing infrastructure and redesigning our applications to leverage the cloud. We are also developing new capabilities that are enabled by the cloud such as collaborative PLM and on line simulation. Our goal is to lead our industry in transitioning to the cloud.

Expand. We believe that the combination of cloud, mobile, and social computing affords us the opportunity to expand our business into new markets. For example, we have added new customers through our consumer products. We intend to continue to develop our business to both add new customers and find new capabilities to incorporate in our core business.

We believe that expanding our customers' portfolios to include our suites presents a meaningful growth opportunity and is an important part of our overall strategy. As our customers in all industries adopt our design suites, we believe they will experience an increase in their productivity and the value of their design data. For the three and six months ended July 31, 2012, revenue from suites increased 5% and 18%, respectively, as compared to the same periods in the prior fiscal year. As a percentage of revenue, suites comprised 29% in both the three and six months ended July 31, 2012, respectively, as compared to 29% and 26% in the three and six months ended July 31, 2011, respectively.

Expanding our geographic coverage is another key element of our growth strategy. While emerging economies are important for all global businesses, we believe they hold special opportunity for Autodesk. Much of the growth in the world's construction and manufacturing is happening in emerging economies. Further, emerging economies face many of the challenges that our design technology can help address, for example infrastructure build-out. We believe that emerging economies continue to present long-term growth opportunities for us. Revenue from emerging countries remained flat and increased 3% during the three and six months ended July 31, 2012, respectively, as compared to the same periods of the prior fiscal year. Revenue from emerging countries represented 15% of net revenue for both the three and six months ended July 31, 2012, and 16% and 15% of net revenue during the three and six months ended July 31, 2011, respectively. While we believe there are long-term growth opportunities in emerging economies, conducting business in these countries presents significant challenges, including economic volatility, geopolitical risk, local competition, intellectual property protection, poorly developed business infrastructure, scarcity of talent and software piracy.

Our strategy includes improving our product functionality and expanding our product offerings through internal development as well as through the acquisition of products, technology and businesses. Acquisitions often increase the speed at which we can deliver product functionality to our customers; however, they entail cost and integration challenges and may, in certain instances, negatively impact our operating margins. We continually review these trade-offs in making decisions regarding acquisitions. We currently anticipate that we will acquire products, technology and businesses as compelling opportunities become available.

Our strategy depends upon a number of assumptions, including that we will be able to continue making our technology available to mainstream markets; leverage our large global network of distributors, resellers, third-party developers, customers, educational institutions, and students; improve the performance and functionality of our products; and adequately protect our intellectual property. If the outcome of any of these assumptions differs from our expectations, we may not be able to implement our strategy, which could potentially adversely affect our business. For further discussion regarding these and related risks see Part II, Item 1A, "Risk Factors."

#### Critical Accounting Policies and Estimates

Our Condensed Consolidated Financial Statements are prepared in conformity with U.S. generally accepted accounting principles. In preparing our Condensed Consolidated Financial Statements, we make assumptions, judgments and estimates that can have a significant impact on amounts reported in our Condensed Consolidated Financial Statements. We base our assumptions, judgments and estimates on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. We regularly reevaluate our assumptions, judgments and estimates. Our significant accounting policies are described in Note 1, "Business and Summary of Significant Accounting Policies," in the Notes to Consolidated Financial Statements in our Form 10-K for the fiscal year ended January 31, 2012 (the "2012 Form 10-K"). In addition, we highlighted those policies that involve a higher degree of judgment and complexity with further discussion of these judgmental areas in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 2012 Form 10-K. We believe these policies are the most critical to aid in fully understanding and evaluating our financial condition and results of operations. Updates on the relevant periodic financial disclosures related to these policies are provided below.

Goodwill. As of July 31, 2012, a hypothetical 10% decrease in the fair value of our reporting units would not have an impact on the carrying value of goodwill, nor result in impairment of goodwill. For further discussion see Note 9, "Goodwill," in the Notes to the Condensed Consolidated Financial Statements.

Income Taxes. We currently have \$181.6 million of net deferred tax assets, primarily a result of tax credits, net operating losses and timing differences for reserves, accrued liabilities, stock options and restricted stock units, fixed assets, deferred revenue, purchased technologies and capitalized intangibles, partially offset by the establishment of U.S. deferred tax liabilities on unremitted earnings from certain foreign subsidiaries, deferred tax liabilities associated with tax method change on advanced payments and valuation allowances against U.S. and Canadian deferred tax assets. We perform a quarterly assessment of the recoverability of these net deferred tax assets and believe that we will generate sufficient future taxable income in appropriate tax jurisdictions to realize the net deferred tax assets. Our judgments regarding future profitability may change due to future market conditions and other factors. Any change in future profitability may require material adjustments to these net deferred tax assets, resulting in a reduction in net income in the period when such determination is made. We believe our tax positions, including intercompany transfer pricing policies, are consistent with the tax laws in the jurisdictions in which we conduct our business. It is possible that these positions may be challenged by jurisdictional tax authorities and that such challenges may have a significant impact on our effective tax rate.

## Overview of the Three and Six Months Ended July 31, 2012

(in millions)	Three Months Ended July 31, 2012	As a % of Net Revenue	Three Months Ended July 31, 2011	As a % of Net Revenue	
Net Revenue	\$568.7	100	% \$546.3	100	%
Cost of revenue	59.8	11	% 57.4	11	%
Gross Profit	508.9	89	% 488.9	89	%
Operating expenses	416.0	73	% 393.9	72	%
Income from Operations	\$92.9	16	% \$95.0	17	%

  

(in millions)	Six Months Ended July 31, 2012	As a % of Net Revenue	Six Months Ended July 31, 2011	As a % of Net Revenue	
Net Revenue	\$1,157.3	100	% \$1,074.6	100	%
Cost of revenue	118.6	10	% 112.0	10	%
Gross Profit	1,038.7	90	% 962.6	90	%
Operating expenses	851.8	74	% 789.0	73	%
Income from Operations	\$186.9	16	% \$173.6	16	%

In the three and six months ended July 31, 2012, our business grew year over year as evidenced by our increases in revenue, and gross profit. Contributing to the year over year increases in revenue were increases in revenue from new seat license revenue and maintenance revenue. In addition, we experienced increases in revenue for many of our major products, reportable segments and geographic areas during the three and six months ended July 31, 2012 as compared to the same periods in the prior fiscal year. The reasons for these increases are discussed below under the heading "Results of Operations."

Although we were able to deliver year over year growth in revenue, we noted a decline in demand across our geographic regions due in part to the execution related challenges arising from our recent internal organizational changes, including reorganizing our sales teams by industry. These execution related challenges, combined with an uneven global economy, resulted in lower than anticipated revenue results for the quarter. In light of the uneven macroeconomic environment and our focus on improving operating margins, we had been taking a prudent approach to spending for the fiscal year. We remain focused on working through these internal challenges as rapidly as possible, while continuing to satisfy the needs of our customers around the world.

Our income from operations decreased 2% in the three months ended July 31, 2012, compared to same period in the prior fiscal year. Our total operating margin decreased as a percentage of revenue from 17% for the three months ended July 31, 2011 to 16% during the three months ended July 31, 2012. The decrease was primarily due to net revenue increasing at a slower rate than our operating expenses. Net revenue increased \$22.4 million or 4% for the three months ended July 31, 2012, as compared to the same period in the prior fiscal year, while our operating expenses increased \$22.1 million, or 6% for the three months ended July 31, 2012. The 6% increase in operating expenses in the three months ended July 31, 2012, as compared to the three months ended July 31, 2011 was due to primarily to an increase in salaries and benefits due to increased headcount and merit increases.

Our income from operations increased 8% in the six months ended July 31, 2012, compared to same period in the prior fiscal year. Our total operating margin remained relatively flat as a percentage of revenue at 16% for the six months ended July 31, 2012 and 2011 primarily due to the increase in income from operations and ongoing cost management efforts. Net revenue increased \$82.7 million or 8% for the six months ended July 31, 2012, as compared to the same period in the prior fiscal year, while our operating expenses increased \$62.8 million, or 8% for the six months ended July 31, 2012. The 8% increase in operating expenses in the six months ended July 31, 2012, as compared to the six months ended July 31, 2011 was due to primarily to an increase in salaries and benefits due to increased headcount and merit increases.



We generate a majority of our revenue in the U.S., Japan, Germany, France, and Canada. Included in the overall increase in revenue were impacts associated with foreign currency. Our revenue benefited from foreign exchange rate changes during the six months ended July 31, 2012, as compared to the same periods in the prior fiscal year. During the three and six months ended July 31, 2012 net revenue increased 4% and 8%, respectively, compared to the same periods in the prior fiscal year; had applicable exchange rates from the three and six months ended July 31, 2011 been in effect during the three and six months ended July 31, 2012, and had we excluded foreign exchange hedge gains and losses from the three and six months ended July 31, 2012 and 2011 (“on a constant currency basis”), net revenue would have increased 4% and 7% respectively, compared to the same periods in the prior fiscal year. During the three and six months ended July 31, 2012, total spend, defined as cost of revenue plus operating expenses, increased 5% and 8%, respectively, compared to the same periods in the prior fiscal year as

reported and increased 7% and 8%, respectively, on a constant currency basis. Changes in the value of the U.S. dollar may have a significant effect on net revenue, total spend and income from operations in future periods. We use foreign currency contracts to reduce the exchange rate effect on a portion of the net revenue of certain anticipated transactions, but do not attempt to completely mitigate the impact of fluctuation of such foreign currency against the U.S. dollar.

We rely significantly upon major distributors and resellers in both the U.S. and international regions, including Tech Data Corporation and its global affiliates (collectively, "Tech Data"). Tech Data accounted for 23% and 22% of our total net revenue during the three and six months ended July 31, 2012, respectively. Tech Data accounted for 17% of Autodesk's total net revenue for both the three and six months ended July 31, 2011. In October 2011, Tech Data purchased certain assets of Mensch and Maschine Software ("MuM"), which has been a distributor of our products in Europe. The acquisition concentrates additional sales through Tech Data, which on a consolidated basis would have accounted for 22% and 23% of our total net revenue for the three and six months ended July 31, 2011, respectively, if the acquisition had taken place at the beginning of fiscal 2012. We believe our business is not substantially dependent on Tech Data. Our customers through Tech Data are the resellers and end users who purchase our software licenses and services. Should any of the agreements between us and Tech Data be terminated for any reason, we believe the resellers and end users who currently purchase our products through Tech Data would be able to continue to do so under substantially the same terms from one of our many other distributors without substantial disruption to our revenue.

Our primary goals for the remainder of fiscal 2013 are to grow revenue and maintain our operating margin percentage by delivering our market-leading products and solutions to our customers and investing in product functionality and new product lines, including suites offerings, while managing our operating expenses. However, in light of our second quarter performance and our reduced revenue outlook for the year, we are further reducing our spend by implementing cost cutting measures in the second half of this fiscal year. In addition, during August 2012, our Board of Directors approved a world-wide restructuring plan to accelerate our transition to the cloud and mobile computing that will result in material restructuring charges or other non-recurring charges that will have the effect of reducing our operating margins and net income for the remainder of fiscal 2013. In addition, we will continue to look closely at our cost structure to find ways that we can reduce our operating expenses to improve our operating margin while allowing continued investment in growth and productivity initiatives. There can be no assurance that we will achieve our financial goals and improve our financial results. Additionally, we believe that unemployment rates and the availability of credit to major industries we serve are important indicators for our business; if we are unable to successfully achieve our reorganization and restructuring efforts or if global economic conditions deteriorate we may not achieve our financial goals.

Revenue from flagship products was 56% and 57% of total net revenue during the three and six months ended July 31, 2012, respectively, and increased 3% for both the three and six months ended July 31, 2012, as compared to the same periods in the prior fiscal year. Revenue from suites was 29% of total net revenue for both the three and six months ended July 31, 2012 and increased 5% and 18% as compared to the same periods in the prior fiscal year. Revenue from new and adjacent products was 15% of total net revenue during both the three and six months ended July 31, 2012 and increased 5% and 7% as compared to the same periods in the prior fiscal year, respectively. We anticipate, as our new and existing customers migrate from our stand-alone products, that our revenue from suites will increase as a percentage of revenue and that our revenue from our flagship and new and adjacent products will decline as a percentage of revenue.

At July 31, 2012, we had \$1,716.8 million in cash, cash equivalent and marketable securities. We completed the quarter ended July 31, 2012 with a higher deferred revenue balance and a lower accounts receivable balance as compared to the fiscal year ended January 31, 2012. Deferred revenue at July 31, 2012 was \$752.0 million. Deferred revenue consists primarily of deferred maintenance revenue. To a lesser extent, deferred revenue consists of deferred

license and other revenue derived from collaborative project management services, consulting services and deferred license sales. We repurchased 3.4 million shares of our common stock for \$111.1 million during the three months ended July 31, 2012. Comparatively, we repurchased 2.5 million shares of our common stock for \$100.8 million during the three months ended July 31, 2011. We repurchased 5.9 million shares of our common stock for \$210.3 million during the six months ended July 31, 2012. Comparatively, we repurchased 4.2 million shares of our common stock for \$169.4 million during the six months ended July 31, 2011.

## Results of Operations

## Net Revenue

(in millions)	Three Months Ended July 31, 2012	Increase/(Decrease) compared to prior fiscal year			Three Months Ended July 31, 2011	Six Months Ended July 31, 2012	Increase/(Decrease) compared to prior fiscal year			Six Months Ended July 31, 2011
		\$	%				\$	%		
Net Revenue:										
License and other	\$340.5	\$ 7.5	2	%	\$333.0	\$701.5	\$ 45.5	7	%	\$656.0
Maintenance	228.2	14.9	7	%	213.3	455.8	37.2	9	%	418.6
	\$568.7	\$ 22.4	4	%	\$546.3	\$1,157.3	\$ 82.7	8	%	\$1,074.6
Net Revenue by Geographic Area:										
Americas	\$198.5	\$ 7.4	4	%	\$191.1	\$406.1	\$ 33.6	9	%	\$372.5
Europe, Middle East and Africa	209.6	(2.3 )	(1 )	%	211.9	434.0	7.1	2	%	426.9
Asia Pacific	160.6	17.3	12	%	143.3	317.2	42.0	15	%	275.2
	\$568.7	\$ 22.4	4	%	\$546.3	\$1,157.3	\$ 82.7	8	%	\$1,074.6
Net Revenue by Operating Segment:										
Platform Solutions and Emerging Business	\$217.6	\$ 19.1	10	%	\$198.5	\$446.6	\$ 37.6	9	%	\$409.0
Architecture, Engineering and Construction	161.0	3.1	2	%	157.9	324.4	25.1	8	%	299.3
Manufacturing	141.3	5.5	4	%	135.8	287.0	28.0	11	%	259.0
Media and Entertainment	48.8	(5.3 )	(10 )	%	54.1	99.3	(8.0 )	(7 )	%	107.3
	\$568.7	\$ 22.4	4	%	\$546.3	\$1,157.3	\$ 82.7	8	%	\$1,074.6

## License and Other Revenue

License and other revenue is comprised of two components: all forms of product license revenue and other revenue. Product license revenue includes revenue from the sale of new seat licenses and upgrades. Other revenue consists of revenue from Creative Finishing, consulting and training services and hosted technology solutions.

Total license and other revenue increased 2% during the three months ended July 31, 2012, as compared to the three months ended July 31, 2011. This increase was primarily due to an 8% increase in revenue from commercial new seat licenses during the three months as compared to the same period in the prior fiscal year. During the three months ended July 31, 2012, 15 percentage points of the 8% increase in commercial new seat licenses was due to the increase in the number of seats sold offset by 7 percentage points was due to a decrease in the average net revenue per seat. Commercial new seat license revenue, as a percentage of license and other revenue, was 74% and 69% for the three months ended July 31, 2012 and 2011, respectively.

Total license and other revenue increased 7% during the six months ended July 31, 2012, as compared to the six months ended July 31, 2011. This increase was primarily due to a 14% increase in revenue from commercial new seat licenses during the six months as compared to the same period in the prior fiscal year. During the six months ended July 31, 2012, 15 percentage points of the 14% increase in commercial new seat licenses was due to the increase in the

number of seats sold offset by 1 percentage point due to a decrease in the average net revenue per seat. Commercial new seat license revenue, as a percentage of license and other revenue, was 72% and 68% for the six months ended July 31, 2012 and 2011, respectively.

The increase in license and other revenue during the three and six months ended July 31, 2012, as compared to the same periods in the prior fiscal year, was partially offset by the 21% and 15% decrease, respectively, in upgrade revenue. Upgrade revenue was lower during the three and six months ended July 31, 2012, as compared to the same periods of the prior fiscal year, primarily due to upgrade promotions run during the first two quarters of fiscal 2012.

Backlog related to current software license product orders that had not shipped at the end of the quarter decreased by \$20.5 million during the six months ended July 31, 2012 from \$27.1 million at January 31, 2012 to \$6.6 million at July 31, 2012. Backlog from current software license product orders that we have not yet shipped consists of orders for currently available licensed software products from customers with approved credit status and may include orders with current ship dates and orders with ship dates beyond the current fiscal period.

Revenue from the sales of our services, training and support, included in "License and other revenue," represented less than 3% of total net revenue for all periods presented.

#### Maintenance Revenue

Our maintenance revenue relates to a program known by our user community as the Subscription Program. Our maintenance program provides our commercial and educational customers with a cost effective and predictable budgetary option to obtain the productivity benefits of our new releases and enhancements when and if released during the term of their contracts. Under our maintenance program, customers are eligible to receive unspecified upgrades when and if available, downloadable training courses and online support. We recognize maintenance revenue ratably over the maintenance contract periods.

Maintenance revenue increased 7% during the three months ended July 31, 2012, as compared to the three months ended July 31, 2011, primarily due to a 7% increase in commercial maintenance revenue. The 7% increase in commercial maintenance revenue was due to an 11 percentage point increase from commercial enrollment during the corresponding maintenance contract term offset by a 4 percentage point decrease from net revenue per maintenance seat. Commercial maintenance revenue represented 98% of maintenance revenue for both the three months ended July 31, 2012 and 2011.

Maintenance revenue increased 9% during the six months ended July 31, 2012, as compared to the six months ended July 31, 2011, primarily due to a 9% increase in commercial maintenance revenue. The 9% increase in commercial maintenance revenue was due to a 13 percentage point increase from commercial enrollment during the corresponding maintenance contract term offset by a 4 percentage point decrease from net revenue per maintenance seat. Commercial maintenance revenue represented 98% of maintenance revenue for both the six months ended July 31, 2012 and 2011.

Changes in maintenance revenue lag changes in net billings for maintenance contracts because we recognize the revenue from those contracts ratably over their contract terms. Our maintenance contracts are for a term of predominantly one year, but may be two or three years, or occasionally as long as five year terms. Net maintenance billings increased 7% and 4% during the three and six months ended July 31, 2012, respectively, as compared to the three and six months ended July 31, 2011. Net maintenance billings benefited from early maintenance renewal activity related to a pricing change that will take effect in the third quarter of fiscal 2013.

Our deferred revenue balance at July 31, 2012 and January 31, 2012 included \$672.3 million and \$633.3 million, respectively, related to customer maintenance contracts, which will be recognized as revenue ratably over the life of the contracts.

#### Net Revenue by Geographic Area

Net revenue in the Americas geography increased by 4% during the three months ended July 31, 2012, as compared to the same period in the prior fiscal year. This increase was primarily due to an 8% increase in maintenance revenue partially offset by a 25% decrease in upgrade revenue in this geography during the three months ended July 31, 2012

as compared to the three months ended July 31, 2011. The increase in our revenue in this geography was led by the U.S. and Canada. Net revenue in the Americas geography increased by 9% during the six months ended July 31, 2012, as compared to the same period in the prior fiscal year. This increase was primarily due to an 8% increase in maintenance revenue and a 7% increase in new seat revenue and in this geography during the six months ended July 31, 2012 as compared to the six months ended July 31, 2011. The increase in our revenue in this geography was led by the U.S. and Canada.

Net revenue in the EMEA geography decreased by 1%, or increased by 1% on a constant currency basis, during the three months ended July 31, 2012 as compared to the same period in the prior fiscal year. The decrease was primarily due to a 5% decrease in new seat revenue offset by a 4% increase in maintenance revenue in this geography during the three months ended July 31, 2012 as compared to the three months ended July 31, 2011. The decrease in our revenue in this geography was led by the United Kingdom, Sweden and Poland partially offset by an increase in revenue from Ireland and Finland. Net revenue in the EMEA geography increased by 2%, or 1% on a constant currency basis, during the six months ended July 31, 2012 as

compared to the same period in the prior fiscal year. The increase was primarily due to a 7% increase in maintenance revenue partially offset by a 24% decrease in upgrade revenue in this geography during the six months ended July 31, 2012 as compared to the six months ended July 31, 2011. The increase in our revenue in this geography was led by Ireland, Germany, and Belgium.

Net revenue in the APAC geography increased by 12%, or 10% on a constant currency basis, during the three months ended July 31, 2012, as compared to the same period in the prior fiscal year. This increase was primarily due to a 23% increase in new seat revenue and a 12% increase in maintenance revenue in this geography during the three months ended July 31, 2012 as compared to the three months ended July 31, 2011. The increase in our revenue in this geography during the three months ended July 31, 2012 was led by Japan, and China. Net revenue in the APAC geography increased by 15%, or 11% on a constant currency basis, during the six months ended July 31, 2012, as compared to the same period in the prior fiscal year. This increase was primarily due to a 25% increase in new seat revenue and a 13% increase in maintenance revenue in this geography during the six months ended July 31, 2012 as compared to the six months ended July 31, 2011. The increase in our revenue in this geography during the six months ended July 31, 2012 was led by Japan, China, and South Korea.

Net revenue in emerging economies remained flat during the three months ended July 31, 2012 as compared to the same period in the prior fiscal year, primarily due to an increase in revenue from China and the Russian Federation offset by a decrease in revenue from Poland, Brazil and India. Revenue from emerging economies represented 15% and 16% of total net revenue during the three months ended July 31, 2012 and 2011, respectively. Net revenue in emerging economies increased 3% during the six months ended July 31, 2012 as compared to the same period in the prior fiscal year, primarily due an increase in revenue from China and the Russian Federation partially offset by a decrease in revenue from Poland, Brazil and India. Revenue from emerging economies represented 15% of total net revenue during both the six months ended July 31, 2012 and 2011.

International net revenue represented 72% of our total net revenue for both the three months ended July 31, 2012 and 2011. International net revenue represented 72% of our total net revenue for the six months ended July 31, 2012 as compared to 73% during the respective period of the prior fiscal year. We believe that international revenue will continue to comprise a majority of our total net revenue. Unfavorable economic conditions in the countries that contribute a significant portion of our net revenue may have an adverse effect on our business in those countries and our overall financial performance. Changes in the value of the U.S. dollar relative to other currencies have significantly affected, and could continue to significantly affect, our financial results for a given period even though we hedge a portion of our current and projected revenue. Additionally, weak global economic conditions that have been characterized by restructuring of sovereign debt, high unemployment, and volatility in the financial markets may impact our future financial results.

#### Net Revenue by Operating Segment

We have four reportable segments: Platform Solutions and Emerging Business (“PSEB”), Architecture, Engineering and Construction (“AEC”), Manufacturing (“MFG”) and Media and Entertainment (“M&E”). We have no material inter-segment revenue.

During the three months ended July 31, 2012, net revenue for PSEB increased 10% as compared to the same period of the prior fiscal year primarily due to a 15% increase in revenue from our AutoCAD LT products. During the six months ended July 31, 2012, net revenue for PSEB increased 9% as compared to the same period of the prior fiscal year primarily due to a 12% increase in revenue from our AutoCAD LT products. Net revenue in PSEB during the three and six months ended July 31, 2012 also benefited from 10% and 8% increase, respectively, in AutoCAD products as compared to the same periods in the prior fiscal year.



During the three months ended July 31, 2012, net revenue for AEC increased 2% as compared to the same period of the prior fiscal year primarily due to an 11% increase in revenue from our AEC suites, which includes our Autodesk Building Design Suite. During the six months ended July 31, 2012, net revenue for AEC increased 8% as compared to the same period of the prior fiscal year primarily due to a 29% increase in revenue from our AEC suites, which includes our Autodesk Building Design Suite.

During the three months ended July 31, 2012, net revenue for MFG increased 4% as compared to the same period of the prior fiscal year primarily due to a 143% increase in revenue from our flagship product, Inventor, partially offset by a 2% decrease in MFG suites, which includes the Autodesk Product Design Suite. During the six months ended July 31, 2012, net revenue for MFG increased 11% as compared to the same period of the prior fiscal year primarily due to a 6% increase in revenue from MFG suites, which includes the Autodesk Product Design Suite and a 5% increase in revenue from our flagship product, ACAD Mechanical.

During the three months ended July 31, 2012, net revenue for M&E decreased 10% as compared to the same period in the prior fiscal year, primarily due to a 25% decrease in revenue from Creative Finishing and a 4% decrease from Animation. The decline in Creative Finishing was marked by weakening demand across all geographic regions. The decrease in Animation revenue was primarily due to a 22% decrease in revenue from our flagship product, 3Ds Max, partially offset by a 32% increase in revenue from our animation suites, which includes our Autodesk Entertainment Creation Suite. During the six months ended July 31, 2012, net revenue for M&E decreased 7% as compared to the same period in the prior fiscal year, primarily due to a 19% decrease in revenue from Creative Finishing and a 3% decrease in Animation product group. The decline in Creative Finishing was marked by weakening demand across all geographic regions. The decrease in Animation revenue was primarily due to a 19% decrease in revenue from our flagship product, 3Ds Max, partially offset by a 49% increase in revenue from our animation suites, which includes our Autodesk Entertainment Creation Suite. As more of our customers move to our suites products, our revenue on stand-alone products like 3Ds Max may decrease because it is included in our suites. This move to our suites is part of our strategy and represents a growth opportunity for us over the long-term.

### Cost of Revenue and Operating Expenses

#### Cost of Revenue

(in millions)	Three Months Ended July 31, 2012	Increase/(Decrease) compared to prior fiscal year			Three Months Ended July 31, 2011	Six Months Ended July 31, 2012	Increase/(Decrease) compared to prior fiscal year			Six Months Ended July 31, 2011
		\$	%				\$	%		
Cost of revenue:										
License and other	\$49.1	\$ 3.4	7 %	\$45.7	\$96.2	\$ 7.9	9 %	\$88.3		
Maintenance	10.7	(1.0 )	(9 )%	11.7	22.4	(1.3 )	(5 )%	23.7		
	\$59.8	\$ 2.4	4 %	\$57.4	\$118.6	\$ 6.6	6 %	\$112.0		
As a percentage of net revenue	11 %			11 %	10 %			10 %		

Cost of license and other revenue includes labor costs of order fulfillment and costs of fulfilling consulting and training services contracts and collaborative project management services contracts. Cost of license and other revenue also includes stock-based compensation expense, direct material and overhead charges, amortization of purchased technology, professional services fees and royalties. Direct material and overhead charges include the cost of hardware sold (mainly PC-based workstations for Creative Finishing in the M&E segment), costs associated with transferring our software to electronic media, printing of user manuals and packaging materials and shipping and handling costs.

Cost of license and other revenue increased 7% during the three months ended July 31, 2012, as compared to the same periods in the prior fiscal year, primarily due to an increase in cloud services-related expenses and a change in the distribution mix of physical fulfillment. Cost of license and other revenue increased 9% during the six months ended July 31, 2012, as compared to the same periods in the prior fiscal year, primarily due to an increase in cloud services-related expenses, lower-margin consulting engagement and royalties cost.

Cost of maintenance revenue includes labor costs of providing product support to our maintenance customers, including rent and occupancy, shipping and handling costs and professional services fees. Cost of maintenance revenue decreased 9% and 5% during the three and six months ended July 31, 2012, respectively, as compared to the same periods in the prior fiscal year, due to cost savings associated with the increased use of electronic fulfillment.

Cost of revenue, at least over the near term, is affected by the volume and mix of product sales, mix of physical versus electronic fulfillment, fluctuations in consulting costs, amortization of purchased technology, new customer support offerings, royalty rates for licensed technology embedded in our products and employee stock-based compensation expense.

We expect cost of revenue to slightly increase in absolute dollars, but to remain consistent as a percentage of net revenue during the third quarter of fiscal 2013, as compared to the third quarter of fiscal 2012.

## Marketing and Sales

(in millions)	Three Months Ended	Increase compared to prior fiscal year			Three Months Ended	Six Months Ended	Increase compared to prior fiscal year			Six Months Ended	
	July 31, 2012	\$	%		July 31, 2011	July 31, 2012	\$	%		July 31, 2011	
Marketing and sales	\$212.4	\$11.4	6	%	\$201.0	\$435.6	\$32.7	8	%	\$402.9	
As a percentage of net revenue	37	%			37	%	38	%		37	%

Marketing and sales expenses include salaries, bonuses, benefits and stock-based compensation expense for our marketing and sales employees, and the expense of travel, entertainment and training for such personnel, and the costs of programs aimed at increasing revenue, such as advertising, trade shows and expositions, and various sales and promotional programs. Marketing and sales expenses also include labor costs of sales and order processing, sales and dealer commissions, rent and occupancy, and the cost of supplies and equipment.

Marketing and sales expenses increased 6% and 8% for the three and six months ended July 31, 2012, respectively, as compared to the same periods in the prior fiscal year, primarily due to higher employee-related costs related to salaries and stock-based compensation expense primarily associated with increased head count and merit increases.

For the third quarter of fiscal 2013, as compared to the third quarter of fiscal 2012, we expect marketing and sales expense to increase in absolute dollars, but to remain consistent as a percentage of net revenue primarily due to an increase in costs as we work towards meeting our major business initiatives partially offset by cost savings from the restructuring plan announced in August of 2012.

## Research and Development

(in millions)	Three Months Ended	Increase compared to prior fiscal year			Three Months Ended	Six Months Ended	Increase compared to prior fiscal year			Six Months Ended	
	July 31, 2012	\$	%		July 31, 2011	July 31, 2012	\$	%		July 31, 2011	
Research and development	\$144.9	\$5.7	4	%	\$139.2	\$297.6	\$21.8	8	%	\$275.8	
As a percentage of net revenue	25	%			25	%	26	%		26	%

Research and development expenses, which are expensed as incurred, consist primarily of salaries, bonuses, benefits and stock-based compensation expense for research and development employees, and the expense of travel, entertainment and training for such personnel, rent and occupancy, professional services such as fees paid to software development firms and independent contractors.

Research and development expenses increased 4% and 8% during the three and six months ended July 31, 2012, respectively, as compared to the same periods in the prior fiscal year, primarily due to an increase in salaries and fringe benefits primarily associated with increased head count and merit increases.

For the third quarter of fiscal 2013, as compared to the third quarter of fiscal 2012, we expect research and development expense to increase in absolute dollars and to increase as a percentage of net revenue primarily due to an

increase in stock-based compensation and an increase in costs as we work towards meeting our major business initiatives partially offset by cost savings from the restructuring plan announced in August of 2012.

## General and Administrative

(in millions)	Three Months Ended	Increase compared to prior fiscal year			Three Months Ended	Six Months Ended	Increase compared to prior fiscal year			Six Months Ended	
	July 31, 2012	\$	%		July 31, 2011	July 31, 2012	\$	%		July 31, 2011	
General and administrative	\$58.7	\$3.7	7	%	\$55.0	\$118.6	\$7.0	6	%	\$111.6	
As a percentage of net revenue	10	%			10	%	10	%		10	%

General and administrative expenses include salaries, bonuses, benefits and stock-based compensation expense for our finance, human resources and legal employees, as well as professional fees for legal and accounting services, amortization of acquisition related customer relationships and trade names, gains and losses on our operating expense cash flow hedges, expense of travel, entertainment and training, expense of communication and the cost of supplies and equipment.

General and administrative expenses increased 7% and 6% during the three and six months ended July 31, 2012 as compared to the same periods in the prior fiscal year, primarily due to fluctuations in our operating expense hedge activity and an increase in salaries primarily associated with increased head count and merit increases.

For the third quarter of fiscal 2013, as compared to the third quarter of fiscal 2012, we expect general and administrative expenses to increase in absolute dollars, but to remain consistent as a percentage of net revenue primarily due to an increase in costs as we work towards meeting our major business initiatives partially offset by cost savings from the restructuring plan announced in August of 2012.

## Interest and Other Income (Expense), Net

The following table sets forth the components of interest and other income (expense), net:

(in millions)	Three Months Ended July 31,		Six Months Ended July 31,	
	2012	2011	2012	2011
Interest and investment income, net	\$0.8	\$—	\$3.2	\$3.1
Gain (loss) on foreign currency	1.5	(0.8)	1.5	(0.1)
Gain (loss) on strategic investments	(5.0)	—	(3.9)	—
Other income	1.9	—	1.9	2.1
Interest and other income (expense), net	\$(0.8)	\$(0.8)	\$2.7	\$5.1

Interest and other income (expense), net, remained flat during the three months ended July 31, 2012, as compared to the same period in the prior fiscal year, primarily due to the impairment of one of our equity investments partially offset by gains received on other strategic investments, gains on foreign currency and increases in other income during the three months ended July 31, 2012. Interest and other income (expense), net, decreased \$2.4 million during the six months ended July 31, 2012, as compared to the same period in the prior fiscal year, primarily due to the impairment of one of our equity investments partially offset by gains received on strategic investments and gains on foreign currency during the six months ended July 31, 2011.

Gains and losses on foreign currency are primarily due to the impact of re-measuring foreign currency transactions into the functional currency of the corresponding entity. The amount of the gain (loss) on foreign currency is driven

by the volume of foreign currency transactions and the foreign currency exchange rates for the period.

Interest and investment income, net, fluctuates based on average cash and marketable securities balances, average maturities and interest rates. The increase in interest and investment income, net, during fiscal 2013 as compared to fiscal 2012 is primarily due to the increase in the fair value of our trading securities that are marked to market each period.

#### Provision for Income Taxes

We account for income taxes and the related accounts under the liability method. Deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of assets and liabilities, using enacted rates expected to be in effect during the year in which the basis differences reverse.

Our effective tax rate was 30% and 24% during the three and six months ended July 31, 2012, respectively, compared to 24% and 21% during the three and six months ended July 31, 2011, respectively. Our effective tax rate increased 6% during the three months ended July 31, 2012 as compared to the same period in the prior fiscal year primarily due to the establishment of a U.S. valuation allowance related to the impairment of an investment, expiration of the federal research credit and non-deductible stock-based compensation expense, partially offset by the tax impact of a decrease in the forecasted annual rate from the previous quarter. Our effective tax rate increased 3% during the six months ended July 31, 2012, as compared to the same period in the prior fiscal year, primarily due to the establishment of a U.S. valuation allowance related to the impairment of an investment, the expiration of the federal research credit and non-deductible stock-based compensation expense, partially offset by discrete tax benefits from closure of the statute of limitations during the first quarter of fiscal 2013. Discrete tax items for the three and six months ended July 31, 2012 were \$2.7 million expense and \$3.6 million benefit, respectively, primarily associated with the establishment of a U.S. valuation allowance related to the impairment of an investment, stock-based compensation, and closure of a foreign statute of limitations. Excluding the impact of these discrete tax items, the effective tax rate for both the three and six months ended July 31, 2012 was 25% and was lower than the Federal statutory tax rate of 35% primarily due to foreign income taxed at lower rates partially offset by the impact of non-deductible stock-based compensation expense.

Our future effective tax rate may be materially impacted by the amount of benefits and charges from tax amounts associated with our foreign earnings that are taxed at rates different from the federal statutory rate, research credits, state income taxes, the tax impact of stock-based compensation, accounting for uncertain tax positions, business combinations and investments, U.S. Manufacturer's deduction, closure of statute of limitations or settlement of tax audits, changes in valuation allowances and changes in tax laws including possible U.S. tax law changes that, if enacted, could significantly impact how U.S. multinational companies are taxed on foreign subsidiary earnings. A significant amount of our earnings is generated by our Europe and Asia Pacific subsidiaries. Our future effective tax rates may be adversely affected to the extent earnings are lower than anticipated in countries where we have lower statutory tax rates or we repatriate certain foreign earnings on which U.S. taxes have not previously been provided.

At July 31, 2012, we had net deferred tax assets of \$181.6 million. We believe that we will generate sufficient future taxable income in appropriate tax jurisdictions to realize these assets.





## Other Financial Information

In addition to our results determined under U.S. generally accepted accounting principles (“GAAP”) discussed above, we believe the following non-GAAP measures are useful to investors in evaluating our operating performance. For the three and six months ended July 31, 2012, and 2011, our gross profit, gross margin, income from operations, operating margin, net income and diluted earnings per share on a GAAP and non-GAAP basis were as follows (in millions except for gross margin, operating margin and per share data):

	Three Months Ended July 31,		Six Months Ended July 31,		
	2012	2011	2012	2011	
	(Unaudited)		(Unaudited)		
Gross profit	\$508.9	\$488.9	\$1,038.7	\$962.6	
Non-GAAP gross profit	\$519.7	\$498.4	\$1,060.6	\$981.1	
Gross margin	89	% 89	% 90	% 90	%
Non-GAAP gross margin	91	% 91	% 92	% 91	%
Income from operations	\$92.9	\$95.0	\$186.9	\$173.6	
Non-GAAP income from operations	\$143.9	\$138.8	\$288.9	\$257.9	
Operating margin	16	% 17	% 16	% 16	%
Non-GAAP operating margin	25	% 25	% 25	% 24	%
Net income	\$64.6	\$71.2	\$143.5	\$140.5	
Non-GAAP net income (2)	\$111.1	\$103.5	\$220.2	\$197.2	
Diluted earnings per share (1)	\$0.28	\$0.30	\$0.62	\$0.59	
Non-GAAP diluted earnings per share (1)(2)	\$0.48	\$0.44	0.94	0.83	

(1) Earnings per share were computed independently for each of the periods presented; therefore the sum of the earnings per share amount for the quarters may not equal the total for the year.

Effective in the second quarter of fiscal 2013, Autodesk began excluding gains and losses on strategic investments (2) for purposes of its non-GAAP financial measures. Prior period non-GAAP interest and other income (expense), net, net income and earnings per share amounts have been revised to conform to the current period presentation.

For our internal budgeting and resource allocation process, we use non-GAAP measures to supplement our condensed consolidated financial statements presented on a GAAP basis. These non-GAAP measures do not include certain items that may have a material impact upon our reported financial results. We use non-GAAP measures in making operating decisions because we believe those measures provide meaningful supplemental information regarding our earning potential. In addition, these non-GAAP financial measures facilitate comparisons to our and our competitors’ historical results and operating guidance. We also use these measures for purposes of determining company-wide incentive compensation.

There are limitations in using non-GAAP financial measures because non-GAAP financial measures are not prepared in accordance with GAAP and may be different from non-GAAP financial measures used by other companies. The non-GAAP financial measures included above are limited in value because they exclude certain items that may have a material impact upon our reported financial results. In addition, they are subject to inherent limitations as they reflect the exercise of judgments by management about which charges are excluded from the non-GAAP financial measures. We compensate for these limitations by analyzing current and future results on a GAAP basis as well as a non-GAAP basis and also by providing GAAP measures in our public disclosures. The presentation of non-GAAP financial information is not meant to be considered in isolation or as a substitute for the directly comparable financial measures prepared in accordance with GAAP. The non-GAAP financial measures are meant to supplement, and be viewed in conjunction with, GAAP financial measures. We urge investors to review the reconciliation of our non-GAAP financial measures to the comparable GAAP financial measures included below, and not to rely on any single

financial measure to evaluate our business.

## Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures

(In millions except for gross margin, operating margin and per share data):

	Three Months Ended July 31,		Six Months Ended July 31,		
	2012	2011	2012	2011	
	(Unaudited)		(Unaudited)		
Gross profit	\$508.9	\$488.9	\$1,038.7	\$962.6	
Stock-based compensation expense	1.2	1.0	2.5	1.9	
Amortization of purchased intangibles (1)	9.6	8.5	19.4	16.6	
Non-GAAP gross profit	\$519.7	\$498.4	\$1,060.6	\$981.1	
Gross margin	89	% 89	% 90	% 90	%
Stock-based compensation expense	—	% —	% —	% —	%
Amortization of purchased intangibles	2	% 2	% 2	% 1	%
Non-GAAP gross margin	91	% 91	% 92	% 91	%
Income from operations	\$92.9	\$95.0	\$186.9	\$173.6	
Stock-based compensation expense	33.5	27.3	66.9	53.2	
Amortization of purchased intangibles (1)	17.5	17.8	35.1	32.4	
Restructuring charges	—	(1.3)	) —	(1.3)	)
Non-GAAP income from operations	\$143.9	\$138.8	\$288.9	\$257.9	
Operating margin	16	% 17	% 16	% 16	%
Stock-based compensation expense	6	% 5	% 6	% 5	%
Amortization of purchased intangibles (1)	3	% 3	% 3	% 3	%
Restructuring charges	—	% —	% —	% —	%
Non-GAAP operating margin	25	% 25	% 25	% 24	%
Net income	\$64.6	\$71.2	\$143.5	\$140.5	
Stock-based compensation expense	33.5	27.3	66.9	53.2	
Amortization of purchased intangibles (1)	17.5	17.8	35.1	32.4	
Restructuring benefits	—	(1.3)	) —	(1.3)	)
Loss on strategic investments (3)	5.0	—	3.9	—	
Discrete tax provision items	2.7	0.9	(3.6)	(3.2)	)
Income tax effect of non-GAAP adjustments	(12.2)	) (12.4)	) (25.6)	) (24.4)	)
Non-GAAP net income	\$111.1	\$103.5	\$220.2	\$197.2	
Diluted net income per share (2)	\$0.28	\$0.30	\$0.62	\$0.59	
Stock-based compensation expense	0.15	0.12	0.29	0.22	
Amortization of purchased intangibles (1)	0.07	0.08	0.14	0.14	
Restructuring benefits	—	(0.01)	) —	(0.01)	)
Loss on strategic investments (3)	0.02	—	0.02	—	
Discrete tax provision items	0.01	0.01	(0.02)	(0.01)	)
Income tax effect of non-GAAP adjustments	(0.05)	) (0.06)	) (0.11)	) (0.10)	)
Non-GAAP diluted net income per share (2)	\$0.48	\$0.44	\$0.94	\$0.83	

(1) Amortization of purchased intangibles includes amortization of purchased developed technology, customer relationships and trade names for acquisitions subsequent to December 2005.

(2) Earnings per share were computed independently for each of the periods presented; therefore the sum of the earnings per share amount for the quarters may not equal the total for the year.

Effective in the second quarter of fiscal 2013, Autodesk began excluding gains and losses on strategic investments (3) for purposes of its non-GAAP financial measures. Prior period non-GAAP interest and other income (expense), net, net income and earnings per share amounts have been revised to conform to the current period presentation.

Our non-GAAP financial measures as set forth in the table above exclude the following:

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Stock-based compensation expenses. We exclude stock-based compensation expenses from non-GAAP measures primarily because they are non-cash expenses and management finds it useful to exclude certain non-cash charges to assess the appropriate level of various operating expenses to assist in budgeting, planning and forecasting future periods.

Amortization of purchased intangibles. We incur amortization of acquisition-related purchased intangible assets primarily in connection with acquisitions of certain businesses and technologies. The amortization of purchased intangibles varies depending on the level of acquisition activity and management finds it useful to exclude these variable charges to assess the appropriate level of various operating expenses to assist in budgeting, planning and forecasting future periods.

Restructuring charges. These expenses are associated with realigning our business strategies based on current economic conditions. In connection with these restructuring actions, we recognize costs related to termination benefits for former employees whose positions were eliminated, and the closure of facilities and cancellation of certain contracts. We exclude these charges because these expenses are not reflective of ongoing financial results in the current period.

Loss on strategic investments. Autodesk excludes gains and losses related to our strategic investments from its non-GAAP measures primarily because management finds it useful to exclude these variable gains and losses on these investments in assessing our financial results. Included in these amounts are non-cash unrealized gains and losses on the derivative components, realized gains and losses on the sale or losses on the impairment of these investments.

Discrete tax items. We exclude the GAAP tax provision, including discrete items, from the non-GAAP measure of income, and include a non-GAAP tax provision based upon the projected annual non-GAAP effective tax rate. Discrete tax items include income tax expenses or benefits that do not relate to ordinary income from continuing operations in the current fiscal year, unusual or infrequently occurring items, or the tax impact of certain stock-based compensation. Examples of discrete tax items include, but are not limited to, certain changes in judgment and changes in estimates of tax matters related to prior fiscal years, certain costs related to business combinations, certain changes in the realizability of deferred tax assets or changes in tax law. Management believes this approach assists investors in understanding the tax provision and the effective tax rate related to ongoing operations.

Income tax effects on the difference between GAAP and non-GAAP costs and expenses. The income tax effects that are excluded from the non-GAAP measures relate to the tax impact on the difference between GAAP and non-GAAP costs and expenses, primarily due to stock-based compensation and purchased intangibles for GAAP and non-GAAP measures.

## Liquidity and Capital Resources

Our primary source of cash is from the sale of licenses to our products. Our primary use of cash is payment of our operating costs which consist primarily of employee-related expenses, such as compensation and benefits, as well as general operating expenses for marketing, facilities and overhead costs. In addition to operating expenses, we also use cash to invest in our growth initiatives, which include acquisitions of products, technology and businesses and to fund our stock repurchase program. See further discussion of these items below.

At July 31, 2012, our principal sources of liquidity were cash, cash equivalents and marketable securities totaling \$1,716.8 million and net accounts receivable of \$361.4 million. In addition, at July 31, 2012 we had a line of credit facility that permitted unsecured short-term borrowings of up to \$400.0 million. During the three and six months ended July 31, 2012 and 2011, we had no borrowings or repayments under our current or prior line of credit facility. This credit facility is available for working capital and general corporate purposes and expires in May 2016.

Our cash and cash equivalents are held by diversified financial institutions globally. Our primary commercial banking relationship is with Citibank and its global affiliates (“Citibank”). In addition, Citibank is one of the lead lenders and agent in the syndicate of our \$400.0 million line of credit.

The increase in our cash, cash equivalents and marketable securities from \$1,604.1 million at January 31, 2012 to \$1,716.8 million at July 31, 2012 is principally the result of cash generated by operating activities, maturities on marketable securities and proceeds from the issuance of common stock following stock option exercises and employee stock plan purchases. These increases to cash, cash equivalents and marketable securities were partially offset by cash used for purchases of marketable securities, repurchases of our common stock, acquisitions including business combination and technology purchases, capital expenditures, and other investing activities. Cash generated from operations was positively impacted by net revenue. We anticipate the cash proceeds from issuance of common stock will vary based on our stock price, stock option exercise activity and the volume of employee purchases under the ESP plan.

The primary source for net cash provided by operating activities of \$246.4 million for the six months ended July 31, 2012 was net income of \$143.5 million increased by the effect of non-cash expenses totaling \$125.0 million associated with depreciation and amortization and stock-based compensation. In addition, net cash flow provided by changes in operating assets and liabilities was \$2.1 million. The primary source of working capital was a decrease in accounts receivable, an increase in income tax payable and an increase in deferred revenue. Our days sales outstanding in trade receivables was 58 at July 31, 2012 compared to 61 days at January 31, 2012. The days sales outstanding decrease relates primarily to seasonality in our subscription contract renewals; subscription billings are generally higher in the fourth quarter in comparison to the rest of our fiscal year. The primary working capital uses of cash were for payments for the reduction of the accrued expense primarily related to our fiscal 2012 employee bonus accrual and fourth quarter fiscal 2012 commissions and purchases of shares under the Employee Stock Purchase Plan ("ESP Plan").

At July 31, 2012, our short-term investment portfolio had an estimated fair value of \$500.5 million and a cost basis of \$498.2 million. The portfolio fair value consisted of \$164.1 million invested in commercial paper and corporate securities, \$73.0 million invested in U.S. government agency securities, \$34.7 million invested in mutual funds, \$46.7 million invested in U.S. treasury securities, \$3.2 million invested in municipal securities, \$178.5 million invested in certificates of deposit and time deposits with remaining maturities at the date of purchase greater than 90 days and less than one year and \$0.3 million invested in other short-term securities.

At July 31, 2012, \$34.7 million of trading securities were invested in a defined set of mutual funds as directed by the participants in our Deferred Compensation Plan (see Note 10, "Deferred Compensation," in the Notes to Condensed Consolidated Financial Statements for further discussion).

Long-term cash requirements for items other than normal operating expenses are anticipated for the following: stock repurchases; the acquisition of businesses, software products, or technologies complementary to our business; and capital expenditures.

As of July 31, 2012, there have been no material changes in our contractual obligations or commercial commitments compared to those we disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2012.

Our cash, cash equivalent and marketable securities balances are concentrated in a few locations around the world, with substantial amounts held outside of the U.S. We believe that such dispersion meets our business and liquidity needs. Certain amounts held outside the U.S. could be repatriated to the U.S. (subject to local law restrictions), but under current U.S. tax law, could be subject to U.S. income taxes less applicable foreign tax credits. We have provided for the U.S. income tax liability on foreign earnings, except for foreign earnings that are considered permanently reinvested outside the U.S. Our intent is that amounts related to foreign earnings permanently reinvested outside the U.S. will remain outside the U.S. and we will meet our U.S. liquidity needs through ongoing cash flows, external borrowings, or both. We utilize a variety of financing and planning strategies to ensure we have the proper liquidity available in the locations in which it is needed.

Our existing cash, cash equivalents and investment balances may decline in fiscal 2013 in the event of a weakening of the global economy or changes in our planned cash outlay. Cash from operations could also be affected by various risks and uncertainties, including, but not limited to the risks detailed in Part II, Item 1A titled "Risk Factors." However, based on our current business plan, including the cost associated with the restructuring plan announced in August 2012, and revenue prospects, we believe that our existing balances, our anticipated cash flows from operations and our available credit facility will be sufficient to meet our working capital and operating resource expenditure requirements for the next 12 months. Our existing credit facility at September 5, 2012 is \$400.0 million of which we have no amounts outstanding. This credit facility is available for working capital and general corporate purposes.



Our revenue, earnings, cash flows, receivables and payables are subject to fluctuations due to changes in foreign currency exchange rates. Our risk management strategy utilizes foreign currency contracts to manage our exposure to foreign currency volatility that exists as part of our ongoing business operations. We utilize cash flow hedge contracts to reduce the exchange rate impact on a portion of the net revenue or operating expense of certain anticipated transactions. In addition, we use balance sheet hedge contracts to reduce the exchange rate risk associated primarily with foreign currency denominated receivables and payables. As of July 31, 2012, we had open cash flow and balance sheet hedge contracts with future settlements within one to twelve months. Contracts were primarily denominated in euros, Japanese yen, Swiss francs, British pounds, Canadian dollars, and Australian dollars. We do not enter into any foreign exchange derivative instruments for trading or speculative purposes. The notional amount of our option and forward contracts was \$405.0 million and \$494.7 million at July 31, 2012 and January 31, 2012, respectively.

## Issuer Purchases of Equity Securities

The purpose of Autodesk's stock repurchase program is used to offset dilution from the issuance of stock under our employee stock plans and for such other purposes as may be in the interests of Autodesk and its stockholders, which has the effect of returning excess cash generated from our business to stockholders. The number of shares acquired and the timing of the purchases are based on several factors, including general market and economic conditions, the volume of employee stock option exercises and stock issuances, the trading price of our common stock, cash on hand and available in the U.S., cash requirements for acquisitions, and company defined trading windows. In December 2010, the Board of Directors approved a plan which authorized the repurchase of 20.0 million shares; at July 31, 2012, 11.2 million repurchases have been made under this plan. In June 2012, the Board of Directors approved a plan, which authorized the repurchase of 30.0 million shares; as of July 31, 2012, no repurchases have been made under this plan. Neither of these plans have a fixed expiration date. At July 31, 2012, 38.8 million shares remained available for repurchase under the repurchase plans approved by the Board of Directors. During the three and six months ended July 31, 2012, we repurchased 3.4 million and 5.9 million shares, respectively, of our common stock. See Note 14, "Common Stock Repurchase Program," in the Notes to Condensed Consolidated Financial Statements for further discussion.

The following table provides information about the repurchase of common stock in open-market transactions during the quarter ended July 31, 2012:

(Shares in thousands)	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (2)
May 1 - May 31	1,249.0	\$32.12	1,249.0	10,997.3
June 1 - June 30	2,158.2	\$32.26	2,158.2	38,839.1
July 1 - July 31	37.4	\$34.38	37.4	38,801.7
Total	3,444.6	\$32.23	3,444.6	

(1) Represents shares purchased in open-market transactions under the stock repurchase plan approved by the Board of Directors.

These amounts correspond to the plans approved by the Board of Directors in June 2012 and December 2010 that (2) authorized the repurchase of 30.0 million and 20.0 million shares, respectively. These plans do not have a fixed expiration date.

There were no sales of unregistered securities during the six months ended July 31, 2012.

## Off-Balance Sheet Arrangements

As of July 31, 2012, we did not have any significant off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K.

## Glossary of terms

**BIM (Building Information Modeling)**—BIM describes a model-based technology linked with a database of project information, and is the process of generating and managing information throughout the life cycle of a building. BIM is used as a digital representation of the building process to facilitate exchange and interoperability of information in digital formats.

Constant currency growth rates—We attempt to represent the changes in the underlying business operations by eliminating fluctuations caused by changes in foreign currency exchange rates as well as eliminating hedge gains or losses recorded within the current and comparative period. Our constant currency methodology removes all hedging gains and losses from the calculation.

Digital prototyping—Digital prototyping allows designers, architects and engineers to analyze, simulate and visualize a design using a digital or virtual model rather than a physical model.

Flagship—Autodesk flagship products are our core design products. Flagship includes the following products: 3ds Max, AutoCAD, AutoCAD LT, AutoCAD vertical products (such as AutoCAD Architecture and AutoCAD Mechanical), Civil 3D, Maya, Plant 3D, Inventor products (standalone) and Revit products (standalone).

New and Adjacent—Autodesk new and adjacent products include Autodesk's new product offerings as well as products that are not included in flagship or suites. New and adjacent includes the following services and products: Autodesk Alias

Design products, Autodesk Consulting, Autodesk Buzzsaw, Autodesk Constructware, Autodesk consumer products, Autodesk Creative Finishing products, Autodesk Moldflow products, Autodesk Navisworks, Autodesk Simulation, Autodesk Vault products and all other products.

Suites—Autodesk design suites are a combination of products that target a specific user objective (product design, building design, etc.) and support a set of workflows for that objective. Our new design and creation suites include: Autodesk Design Suite, Autodesk Building Design Suite, Autodesk Entertainment Creation Suite, Autodesk Factory Design Suite, Autodesk Infrastructure Design Suite, Autodesk Plant Design Suite, and Autodesk Product Design Suite. Our previously established suites include: Autodesk Inventor family suites, Autodesk Revit family suites, and education solutions suites.

Upgrade—Upgrades allow customers to pay an incremental fee at currently available prices toward the purchase of the latest version of the same product. Upgrades are available only for licenses of software that are up to three versions prior to the latest version available; an upgrade terminates the license to the previous version of the product. A similar exchange and termination of a previous version of a product that is four versions prior to the latest version available, is recorded as commercial new revenue. Upgrades also includes crossgrades where a customer pays an incremental fee at currently available prices toward the purchase of a different product; the license to the previous product is terminated.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

#### Foreign currency exchange risk

Our revenue, earnings, cash flows, receivables and payables are subject to fluctuations due to changes in foreign currency exchange rates. Our risk management strategy utilizes foreign currency contracts to manage our exposure to foreign currency volatility that exists as part of our ongoing business operations. We utilize cash flow hedge contracts to reduce the exchange rate impact on a portion of the net revenue or operating expense of certain anticipated transactions. In addition, we use balance sheet hedge contracts to reduce the exchange rate risk associated primarily with foreign currency denominated receivables and payables. As of July 31, 2012 and January 31, 2012, we had open cash flow and balance sheet hedge contracts with future settlements within one to twelve months. Contracts were primarily denominated in euros, Japanese yen, Swiss francs, British pounds, Canadian dollars and Australian dollars. We do not enter into any foreign exchange derivative instruments for trading or speculative purposes. The notional amount of our option and forward contracts was \$405.0 million and \$494.7 million at July 31, 2012 and January 31, 2012, respectively.

We utilize foreign currency contracts to reduce the exchange rate impact on the net revenue and operating expenses of certain anticipated transactions. A sensitivity analysis performed on our hedging portfolio as of July 31, 2012 indicated that a hypothetical 10% appreciation of the U.S. dollar from its value at July 31, 2012 and January 31, 2012 would increase the fair value of our foreign currency contracts by \$34.9 million and \$45.3 million, respectively. A hypothetical 10% depreciation of the dollar from its value at July 31, 2012 and January 31, 2012 would decrease the fair value of our foreign currency contracts by \$13.3 million and \$24.3 million, respectively.

#### Interest Rate Risk

Interest rate movements affect both the interest income we earn on our short term investments and, to a lesser extent, the market value of certain longer term securities. At July 31, 2012, we had \$1,385.5 million of cash equivalents and marketable securities. With an average cash equivalent investment balance for the quarter of approximately \$631.9 million, if interest rates were to change by 10%, this would result in a \$0.1 million change in annual interest income. Further, at July 31, 2012, we had approximately \$786.6 million invested in a longer term portfolio (with remaining

maturities that may be less than one year) which, with 50 and 100 basis point moves, would result in market value changes (gains or losses) of \$3.2 million and \$6.3 million respectively, over a twelve month period.

#### ITEM 4. CONTROLS AND PROCEDURES

##### Evaluation of Disclosure Controls and Procedures

Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective at the reasonable assurance level to ensure that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934 (i) is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (ii) is accumulated and

communicated to Autodesk's management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Our disclosure controls and procedures are designed to provide reasonable assurance that such information is accumulated and communicated to our management.

Our disclosure controls and procedures include components of our internal control over financial reporting. Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will necessarily prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Autodesk have been detected.

#### Changes in Internal Control Over Financial Reporting

There were no changes in our internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) during the quarter ended July 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

We are involved in a variety of claims, suits, investigations and proceedings in the normal course of business activities including claims of alleged infringement of intellectual property rights, commercial, employment, piracy prosecution, business practices and other matters. In our opinion, resolution of pending matters is not expected to have a material adverse impact on our consolidated results of operations, cash flows or financial position. Given the unpredictable nature of legal proceedings, there is a reasonable possibility that an unfavorable resolution of one or more such proceedings could in the future materially affect our results of operations, cash flows or financial position in a particular period, however, based on the information known by us as of the date of this filing and the rules and regulations applicable to the preparation of the Company's financial statements, any such amount is either immaterial or it is not possible to provide an estimated amount of any such potential loss.

### ITEM 1A. RISK FACTORS

We operate in a rapidly changing environment that involves significant risks, a number of which are beyond our control. In addition to the other information contained in this Form 10-Q, the following discussion highlights some of these risks and the possible impact of these factors on our business, financial condition and future results of operations. If any of the following risks actually occur, our business, financial condition or results of operations may be adversely impacted, causing the trading price of our common stock to decline. In addition, these risks and uncertainties may impact the "forward-looking" statements described elsewhere in this Form 10-Q and in the documents incorporated herein by reference. They could affect our actual results of operations, causing them to differ materially from those expressed in "forward-looking" statements.

Global economic conditions may further impact our business, financial results and financial condition.

As our business has expanded globally, we have increasingly become subject to risks arising from adverse changes in global economic and political conditions. The past several years have been characterized by weak global economic conditions, a tightening in the credit markets, high unemployment, a low level of liquidity in many financial markets, increased government deficit spending and debt levels, uncertainty about certain governments' abilities to repay such debt and extreme volatility in many financial instrument markets. While there have been a number of mixed indicators, the continuing sovereign debt crisis, financial market volatility and other factors in Europe seem to indicate a renewed slow-down is taking place.

Over the past several years, many of our customers have experienced tighter credit, negative financial news and weaker financial performance of their businesses and have reduced their workforces, thereby reducing the number of licenses and the number of maintenance contracts they purchase from us. In addition, a number of our customers rely, directly and indirectly, on government spending. Current debt balances of many countries without proportionate increases in revenues has caused many countries to reduce spending and in some cases has forced those countries to restructure their debt in an effort to avoid defaulting under those obligations. This has not only impacted those countries but others that are holders of such debt and those assisting in such restructuring.

These actions may impact, and over the past several years have negatively impacted, our business, financial results and financial condition. In addition, these factors are causing, and over the past several years have caused, us to restructure our business and in turn we will incur restructuring charges. Moreover, our financial performance may be negatively impacted by:

lack of credit available to and the insolvency of key channel partners, impairing our distribution channels and cash flows;

counterparty failures negatively impacting our treasury functions, including timely access to our cash reserves and third-party fulfillment of hedging transactions;

counterparty failures negatively affecting our insured risks;

inability of banks to honor our existing line of credit, which could increase our borrowing expenses or eliminate our ability to obtain short-term financing; and

decreased borrowing and spending by our end users on small and large projects in the industries we serve, thereby reducing demand for our products.



The actions that we are taking to reorganize our business in alignment with our current operating strategy and in response to our related business slowdown may be costly and may not be as effective as anticipated.

We have recently implemented a number of important organizational changes relating to our current operating plan and new business initiatives. In order to achieve these organizational changes, we have implemented a company-wide restructuring plan. While these reorganization efforts are intended to better align our product development and marketing teams and our sales teams, we have encountered challenges in the execution of these efforts which have impacted our financial results in the short term. If we are unable to successfully complete our reorganizational efforts we may need to undertake additional restructuring efforts, and our business and operating results may be harmed. In taking any future restructuring actions, we may incur, and over the past several years have incurred, additional costs that negatively impact our operating margins.

We are taking actions to reduce our cost structure to more closely align our costs with our revenue levels. In taking these actions, we are attempting to balance the cost of such initiatives against the longer term benefit of such initiatives. In taking these actions, we will incur additional costs in the short term that may have the effect of reducing our operating margins. If we do not achieve the proper balance of these cost reduction initiatives, we may eliminate critical elements of our operations, the loss of which could negatively impact our ability to benefit from an economic recovery. We cannot assure that our cost cutting efforts will achieve appropriate levels of expenses and we may take additional actions in the future.

In addition, we are taking actions to stimulate demand through a number of programs. Although we are attempting to balance the cost of these programs against the longer term benefits, it is possible that we will make such investments without a corresponding increase in demand for our products. This would further reduce our operating margins and have a negative impact on our financial results.

Existing and increased competition and rapidly evolving technological changes may reduce our net revenue and profits.

The software industry has limited barriers to entry, and the availability of computing devices with continually expanding performance at progressively lower prices contributes to the ease of market entry. The markets in which we compete are characterized by vigorous competition, both by entry of competitors with innovative technologies and by consolidation of companies with complementary products and technologies. In addition, some of our competitors in certain markets have greater financial, technical, sales and marketing and other resources. Furthermore, a reduction in the number and availability of compatible third-party applications, or our inability to rapidly adapt to technological and customer preference changes, including those related to cloud computing, mobile devices, and new computing platforms, may adversely affect the sale of our products. Because of these and other factors, competitive conditions in the industry are likely to intensify in the future. Increased competition could result in price reductions, reduced net revenue and profit margins and loss of market share, any of which would likely harm our business.

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

Our financial results fluctuate within each quarter and from quarter to quarter making our future revenue and financial results difficult to predict.

Our quarterly financial results have fluctuated in the past and will continue to do so in the future. These fluctuations could cause our stock price to change significantly or experience declines. In addition to the other factors described in this Part II, Item 1A, some of the factors that could cause our financial results to fluctuate include:

general market, economic, business and political conditions, including the impact of sales in particular geographies, including Europe and emerging economies,

the ability of governments around the world to meet their financial and debt obligations, and finance infrastructure projects,

lower growth or contraction of our upgrade or maintenance programs,

failure to achieve and maintain planned cost reductions and productivity increases,

the effectiveness of our internal business reorganization,

restructuring or other accounting charges and unexpected costs or other operating expenses,

fluctuations in foreign currency exchange rates and the effectiveness of our hedging activity,

failure to expand our AutoCAD and AutoCAD LT products customer base to related design products,

our inability to rapidly adapt to technological and customer preference changes, including those related to cloud computing, mobile devices, and new computing platforms,

the timing of the introduction of new products by us or our competitors,

the success of new business or sales initiatives and increasing our portfolio of product suites (“suites”),

failure to maintain our revenue growth and profitability,

the financial and business condition of our reseller and distribution channels,

weak or negative growth in the industries we serve, including architecture, engineering and construction, manufacturing and digital media and entertainment markets,

failure to accurately predict the impact of acquired businesses or to identify and realize the anticipated benefits of acquisitions, and successfully integrate such acquired businesses and technologies,

perceived or actual technical or other problems with a product or combination of products,

unexpected or negative outcomes of matters and expenses relating to litigation or regulatory inquiries,

failure to achieve anticipated levels of customer acceptance of key new applications,

pricing pressure or changes in product pricing or product mix,

platform changes,

timing of product releases and retirements,

failure to continue momentum of frequent release cycles or to move a significant number of customers from prior product versions in connection with our programs to retire major products,

changes in tax laws or regulations, tax arrangements with foreign governments or accounting rules, such as increased use of fair value measures and the potential requirement that U.S. registrants prepare financial statements in accordance with International Financial Reporting Standards (“IFRS”),

changes in sales compensation practices,

dependence on and the timing of large transactions,

failure to effectively implement our copyright legalization programs, especially in developing countries,

failure to achieve sufficient sell-through in our channels for new or existing products,

renegotiation or termination of royalty or intellectual property arrangements,

• interruptions or terminations in the business of our consultants or third party developers,  
• the timing and degree of expected investments in growth and efficiency opportunities,  
• failure to achieve continued success in technology advancements, and  
• natural disasters such as the earthquakes and tsunami in Japan in March 2011.

We have also experienced fluctuations in financial results in interim periods in certain geographic regions due to

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seasonality or regional economic conditions. In particular, our financial results in Europe during our third quarter are usually affected by a slower summer period, and our Asia Pacific operations typically experience seasonal slowing in our third and fourth quarters.

Our operating expenses are based in part on our expectations for future revenue and are relatively fixed in the short term. Accordingly, any revenue shortfall below expectations have had, and in the future could have, an immediate and significant adverse effect on our profitability. Greater than anticipated expenses or a failure to maintain rigorous cost controls would also negatively affect profitability. Further, gross margins may be adversely affected if our sales of Creative Finishing products and consulting services, which historically have had lower margins, grow at a faster rate than sales of our higher-margin products and services.

If we do not maintain good relationships with the members of our distribution channel, or achieve anticipated levels of sell-through, our ability to generate revenue will be adversely affected. If our distribution channel suffers financial losses, becomes financially unstable or insolvent, is negatively impacted by the recent consolidation between two important distributors, or is not provided the right mix of incentives to sell our products, our ability to generate revenue will be adversely affected.

We sell our software products both directly to end-users and through a network of distributors and resellers. For the three and six months ended July 31, 2012, approximately 86% and 85%, respectively, of our revenue was derived from indirect channel sales through distributors and resellers, and we expect that the majority of our revenue will continue to be derived from indirect channel sales in the future. Our ability to effectively distribute our products depends in part upon the financial and business condition of our distributor and reseller network. Computer software distributors and resellers typically are not highly capitalized, have previously experienced difficulties during times of economic contraction and experienced difficulties during the past several years. We have processes to ensure that we assess the creditworthiness of distributors and resellers prior to our sales to them. In the past we have taken steps to support them, and may take additional steps in the future, such as extending credit terms and providing temporary discounts. These steps, if taken, could harm our financial results. If our distributors and resellers were to become insolvent, they would not be able to maintain their business and sales, or provide customer support services, which would negatively impact our business and revenue.

We rely significantly upon major distributors and resellers in both the U.S. and international regions, including the distributor Tech Data Corporation and its global affiliates (“Tech Data”). Tech Data accounted for 23% and 22%, of our total net revenue for the three and six months ended July 31, 2012, respectively, as compared to 17% of Autodesk's total net revenue for both the three and six months ended July 31, 2011. In October 2011, Tech Data purchased certain assets of Mensch and Maschine Software (“MuM”), which has been a distributor of our products in Europe. The acquisition concentrates additional sales through Tech Data, which on a consolidated basis would have accounted for 22% and 23% of our total net revenue for the three and six months ended July 31, 2011, respectively, if the acquisition had taken place at the beginning of fiscal 2012. Although we believe that we are not substantially dependent on Tech Data, including following the acquisition of certain assets of MuM, if Tech Data were to experience a significant disruption with its business or if our relationship with Tech Data were to significantly deteriorate, it is possible that our ability to sell to end users would be, at least temporarily, negatively impacted. This could in turn negatively impact our financial results.

Over time, we have modified and will continue to modify aspects of our relationship with our distributors and resellers, such as their incentive programs, pricing to them and our distribution model to motivate and reward them for aligning their businesses with our strategy and business objectives. Changes in these relationships and underlying programs could negatively impact their business and harm our business. In addition, the loss of or a significant reduction in business with those distributors or resellers or the failure to achieve anticipated levels of sell-through with

any one of our major international distributors or large resellers could harm our business. In particular, if one or more of such distributors or resellers were unable to meet their obligations with respect to accounts payable to us, we could be forced to write off such accounts and may be required to delay the recognition of revenue on future sales to these customers. These events could have a material adverse effect on our financial results.

A significant portion of our revenue is generated through maintenance revenue; decreases in maintenance attach or renewal rates or a decrease in the number of new licenses we sell negatively impacts our future revenue and financial results.

Our maintenance customers have no obligation to attach maintenance to their initial license or renew their maintenance contract after the expiration of their initial maintenance period, which is typically one year. Our customers' attach and renewal rates may decline or fluctuate as a result of a number of factors, including overall global economy, the health of their businesses, and the perceived value of the maintenance program. If our customers do not attach maintenance to their initial license or renew their maintenance contract for our products, our maintenance revenue will decline and our financial results

will suffer.

In addition, a portion of the growth of our maintenance revenue has typically been associated with growth of the number of licenses that we sell. Any reduction in the number of licenses that we sell, even if our customers' attach rates do not change, will have a negative impact on our future maintenance revenue. This in turn would impact our business and harm our financial results.

We recognize maintenance revenue ratably over the term of the maintenance contracts, which is predominantly one year, but may also range up to five years. Decreases in net maintenance billings will negatively impact future maintenance revenue, however future maintenance revenue will also be impacted by other factors such as the amount, timing and mix of contract terms of future billings.

We are dependent on international revenue and operations, exposing us to significant regulatory, global economic, intellectual property, collections, currency exchange rate, taxation, political instability and other risks, which could adversely impact our financial results.

We are dependent on our international operations for a significant portion of our revenue. Our international revenue, including that from emerging economies, is subject to general economic and political conditions in foreign markets, including conditions in foreign markets resulting from economic and political conditions in the U.S. Our revenue is also impacted by the relative geographical and country mix of our revenue over time. These factors have recently adversely impacted and may in the future adversely impact our international revenue, and consequently our business as a whole. Further, our dependency on international revenue makes us much more exposed to global economic and political trends, which can negatively impact our financial results, even if our results in the U.S. are strong for a particular period.

We anticipate that our international operations will continue to account for a significant portion of our net revenue, and, as we expand our international development, sales and marketing expertise, will provide significant support to our overall efforts in countries outside of the U.S. Risks inherent in our international operations include fluctuating currency exchange rates, including risks related to any hedging activities we undertake, unexpected changes in regulatory requirements and practices, delays resulting from difficulty in obtaining export licenses for certain technology, tariffs, quotas and other trade barriers and restrictions, transportation delays, operating in locations with a higher incidence of corruption and fraudulent business practices, particularly in emerging economies, increasing enforcement by the U.S. under the Foreign Corrupt Practices Act, adoption of stricter anti-corruption laws in certain countries, including the United Kingdom, difficulties in staffing and managing foreign sales and development operations, longer collection cycles for accounts receivable, potential changes in tax laws, including possible U.S. tax law changes that, if enacted, could significantly impact how U.S. multinational companies are taxed on foreign subsidiary earnings, tax arrangements with foreign governments, including our ability to meet and review the terms of those tax arrangements, and laws regarding the management of and access to data and public networks, possible future limitations upon foreign owned businesses, increased financial accounting and reporting burdens and complexities, inadequate local infrastructure, greater difficulty in protecting intellectual property, and other factors beyond our control, including popular uprisings, terrorism, war, natural disasters and diseases.

Some of our business partners also have international operations and are subject to the risks described above. Even if we are able to successfully manage the risks of international operations, our business may be adversely affected if our business partners are not able to successfully manage these risks.

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

We regularly acquire or invest in businesses, software products and technologies that are complementary to our business through acquisitions, strategic alliances or equity or debt investments. The risks associated with such acquisitions include, among others, the difficulty of assimilating products, operations and personnel, inheriting liabilities such as intellectual property infringement claims, the failure to realize anticipated revenue and cost projections, the requirement to test and assimilate the internal control processes of the acquired business in accordance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the diversion of management's time and attention. Our recent increase in the number of acquisitions further exacerbates these risks.

In addition, such acquisitions and investments involve other risks such as:

the inability to retain customers, vendors, distributors, business partners, and other entities associated with the acquired business;



- the potential impact on relationships with existing customers, vendors, distributors as business partners as a result of acquiring another business;

- the potential that due diligence of the acquired business or product does not identify significant problems;

- the potential any one or multiple of the investments become impaired in a given reporting period;

- the potential for incompatible business cultures; and

- significant transaction or integration-related costs.

We may not be successful in overcoming such risks, and such acquisitions and investments may negatively impact our business. In addition, such acquisitions and investments have in the past and may in the future contribute to potential fluctuations in our quarterly financial results. These fluctuations could arise from transaction-related costs and charges associated with eliminating redundant expenses or write-offs of impaired assets recorded in connection with acquisitions and investments. These costs or charges could negatively impact our financial results for a given period, cause quarter to quarter variability in our financial results or negatively impact our financial results for several future periods.

Net revenue or earnings shortfalls or the volatility of the market generally may cause the market price of our stock to decline.

The market price for our common stock has experienced significant fluctuations and may continue to fluctuate significantly. The market price for our common stock may be affected by a number of factors, including the other factors described in this Part II, Item 1A and the following:

- changes in estimates of future results or recommendations by securities analysts;

- the announcement of new products or product enhancements by us or our competitors;

- shortfalls in our expected financial results, including net revenue, earnings or key performance metrics;

- quarterly variations in our or our competitors' results of operations;

- unusual events such as significant acquisitions, divestitures, regulatory actions and litigation;

- changes in laws, rules or regulations applicable to our business;

- general socio-economic, political or market conditions; and

- other factors, including factors unrelated to our operating performance, such as instability affecting the economy or the operating performance of our competitors.

Significant changes in the price of our common stock could expose us to additional costly and time-consuming litigation. Historically, after periods of volatility in the market price of a company's securities, a company becomes more susceptible to securities class action litigation. This type of litigation is often expensive and diverts management's attention and resources.

We are exposed to fluctuations in currency exchange rates that could negatively impact our financial results and cash flows.

Because we conduct a substantial portion of our business outside the U.S. and we make certain business and resource decisions based on assumptions about foreign currency, we face exposure to adverse movements in foreign currency exchange rates. These exposures may change over time as business practices evolve and economic conditions change, and they could have a material adverse impact on our financial results and cash flows.

We use derivative instruments to manage a portion of our earnings exposure and cash flow exposure to fluctuations in foreign currency exchange rates. As part of our risk management strategy, we use foreign currency contracts to manage a portion of our exposures of underlying assets, liabilities and other obligations, which exist as part of our ongoing business operations. These foreign currency instruments have maturities that extend for 1 to 12 months in the future, and provide us with some protection against currency exposures. However, our attempts to hedge against these risks may not be successful,

resulting in an adverse impact on our financial results.

The fluctuations of currencies in which we conduct business can both increase and decrease our overall revenue and expenses for any given fiscal period. Although our foreign currency cash flow hedge program extends beyond the current quarter in order to reduce our exposure to foreign currency volatility, we do not attempt to completely mitigate this risk, and in any case, will incur transaction fees in adopting such hedging programs. Such volatility, even when it increases our revenues or decreases our expenses, impacts our ability to accurately predict our future results and earnings.

Our strategy to develop and introduce new product and service offerings, including new product features, exposes us to risks such as limited customer acceptance, costs related to product defects and large expenditures that may not result in additional net revenue.

Rapid technological changes, as well as changes in customer requirements and preferences, characterize the software industry. Just as the transition from mainframes to personal computers transformed the industry thirty years ago, we believe our industry is undergoing a similar transition from the personal computer to cloud, mobile and social computing. In response, we are focused on providing cloud-based services and delivery of our solutions on mobile devices and new hardware platforms to enable our customers to be more agile and collaborative on their projects. We devote significant resources to the development of new technologies, such as our cloud-based and mobile services, design and entertainment products and our digital prototyping and collaboration products. In addition, we frequently introduce new business models or methods that require a considerable investment of technical and financial resources such as an increase in our portfolio of, and focus on, suites. We are making such investments through our internal reorganization efforts and further development and enhancement of our existing products, as well as through acquisitions of new product lines. Such investments may not result in sufficient revenue generation to justify their costs, customer adoption of our cloud, mobile, and social computing services may not occur as rapidly as anticipated, or competitors may introduce new products and services that achieve acceptance among our current customers, adversely affecting our competitive position.

In particular, a critical component of our growth strategy is to have customers of our AutoCAD and AutoCAD LT products expand their portfolios to include our suites. Over time, we aim to migrate customers using standalone Autodesk products to expand their portfolio with our suites offerings. Should sales of licenses of our AutoCAD and AutoCAD LT or standalone Autodesk flagship products decrease without a corresponding increase in suites product revenue or without purchases of customer seats to our suites, our results of operations will be adversely affected. Also, changes in the delivery of our software and services to our customers may change the way in which we recognize revenue relating to the software and services, with a potential negative impact to financial performance. Additionally, the software products we offer are complex, and despite extensive testing and quality control, may contain errors or defects. These errors or defects could result in the need for corrective releases to our software products, damage to our reputation, loss of revenue, an increase in product returns or lack of market acceptance of our products, any of which would likely harm our business.

Further, given the rapid speed of changing customer expectations and advancement of technology inherent in the software industry, the extensive and complex efforts required to create useful and widely accepted products and the rapid evolution of cloud computing, mobile devices, new computing platforms and other technologies, our executive management team must act quickly, continuously and with vision. Although we have articulated a strategy that we believe will fulfill these challenges, if we fail to execute properly on that strategy, adapt that strategy as market conditions evolve, fail to internalize and execute on that strategy, we may fail to meet our customers' expectations, fail to compete with our competitors' products and technology and lose the confidence of our channel partners and employees. This in turn could adversely affect our business and financial performance.

From time to time we realign or introduce new business and sales initiatives; if we fail to successfully execute and manage these initiatives, our results of operations could be negatively impacted.

As part of our effort to accommodate our customers' needs and demands and the rapid evolution of technology, we from time to time evolve our business and sales initiatives such as realigning our development and marketing organizations, and expanding our portfolio of suites and our offering of software as a service, and realign our internal resources in an effort to improve efficiency. Specifically, we have recently undertaken organizational changes in order to address major business initiatives including our desire to accelerate our move to the cloud, transform our customers' experience, increase industry focus to meet customer demands, and develop more effective marketing. These reorganizational efforts included changes to the structure and alignment of our product development and marketing teams and re-organizing our sales teams by industry. We may take such actions without clear indications that they will prove successful and at times have met with short-term challenges in the execution of such initiatives. Market acceptance of any new business or sales initiative is dependent on our

ability to match our customers' needs at the right time and price. Often we have limited prior experience and operating history in these new areas of emphasis. If any of our assumptions about expenses, revenue or revenue recognition principles from these initiatives proves incorrect, or our attempts to improve efficiency are not successful, our actual results may vary materially from those anticipated, and our financial results will be negatively impacted.

Because we derive a substantial portion of our net revenue from a small number of products, including our AutoCAD-based software products including suites, if these products are not successful, our net revenue will be adversely affected.

We derive a substantial portion of our net revenue from sales of licenses of a limited number of our products, including AutoCAD software, products based on AutoCAD, which includes our suites that serve specific markets, upgrades to those products and products that are interoperable with AutoCAD. Any factor adversely affecting sales of these products, including the product release cycle, market acceptance, product competition, performance and reliability, reputation, price competition, economic and market conditions and the availability of third-party applications, would likely harm our financial results. During the three and six months ended July 31, 2012, combined revenue from our AutoCAD and AutoCAD LT products, not including Suites having AutoCAD or AutoCAD LT as a component, represented 34% and 35%, respectively, of our total net revenue.

A breach of security in our products or computer systems may compromise the integrity of our products, harm our reputation, create additional liability and adversely impact our financial results.

We make significant efforts to maintain the security and integrity of our product source code and computer systems. There appears to be an increasing number of computer "hackers" developing and deploying a variety of destructive software programs (such as viruses, worms, and the like) that could attack our products and computer systems. Despite significant efforts to create security barriers to such programs, it is virtually impossible for us to entirely mitigate this risk. Like all software products, our software is vulnerable to such attacks. In the past, hackers have targeted our software and they may do so in the future. The impact of such an attack could disrupt the proper functioning of our software products, cause errors in the output of our customers' work, allow unauthorized access to sensitive, proprietary or confidential information of ours or our customers and other destructive outcomes. Moreover, as we continue to invest in new lines of consumer products and services we are exposed to increased security risks and the potential for unauthorized access to, or improper use of, the information of our consumer users. If any of the foregoing were to occur, our reputation may suffer, customers may stop buying our products, we could face lawsuits and potential liability and our financial performance could be negatively impacted.

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

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

Additionally, we actively protect the secrecy of our confidential information and trade secrets, including our source code. If unauthorized disclosure of our source code occurs, we could potentially lose future trade secret protection for that source code. The loss of future trade secret protection could make it easier for third-parties to compete with our

products by copying functionality, which could adversely affect our financial performance and our reputation. We also seek to protect our confidential information and trade secrets through the use of non-disclosure agreements with our customers, contractors, vendors and partners. However, it is possible that our confidential information and trade secrets may be disclosed or published without our authorization. If this were to occur, it may be difficult and/or costly for us to enforce our rights, and our financial performance and reputation could be negatively impacted.

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

As more software patents are granted worldwide, the number of products and competitors in our industry segments grow and the functionality of products in different industry segments overlap, we expect that software product developers will be increasingly subject to infringement claims. Infringement or misappropriation claims have in the past been, and may in the future be, asserted against us, and any such assertions could harm our business. Additionally, certain patent holders without products have become more aggressive in threatening and pursuing litigation in attempts to obtain fees for licensing the right to

use patents. Any such claims or threats, whether with or without merit, have been and could in the future be time-consuming to defend, result in costly litigation and diversion of resources, cause product shipment delays or require us to enter into royalty or licensing agreements. In addition, such royalty or license agreements, if required, may not be available on acceptable terms, if at all, which would likely harm our business.

Our investment portfolio is composed of a variety of investment vehicles in a number of countries that are subject to interest rate trends, market volatility and other economic factors. If general economic conditions further cause interest rates to decline, credit ratings of our investments to deteriorate, or illiquidity in the financial marketplace, we may continue to experience a decline in interest income, an inability to sell our investments, or impairment in the value of our investments.

It is our policy to invest our cash, cash equivalents and marketable securities in highly liquid instruments with, and in the custody of, financial institutions with high credit ratings and to limit the amounts invested with any one institution, type of security and issuer. However, we are subject to general economic conditions, interest rate trends and volatility in the financial marketplace that can affect the income that we receive from our investments, the net realizable value of our investments (including our cash, cash equivalents and marketable securities) and our ability to sell them. In the U.S., for example, the yields on our portfolio securities are very low due to general economic conditions. Any one of these factors could reduce our interest income, or result in material charges, which in turn could impact our overall net income and earnings per share.

If we were to experience a loss on any of our investments that loss may cause us to record an other-than-temporary impairment charge. The effect of this charge could impact our overall net income and earnings per share. In any of these scenarios, our liquidity may be negatively impacted, which in turn may prohibit us from making investments in our business, taking advantage of opportunities and potentially meeting our financial obligations as they come due.

We are subject to legal proceedings and regulatory inquiries, and we may be named in additional legal proceedings or become involved in regulatory inquiries in the future, all of which are costly, distracting to our core business and could result in an unfavorable outcome, or a material adverse effect on our business, financial condition, results of operations, cash flows or the trading price for our securities.

We are involved in legal proceedings and receive inquiries from regulatory agencies. As the global economy has changed and our business has evolved, we have seen an increase in litigation activity and regulatory inquiries. Like many other high technology companies, the number and frequency of inquiries from U.S. and foreign regulatory agencies we have received regarding our business and our business practices, and the business practices of others in our industry, have increased in recent years. In the event that we are involved in significant disputes or are the subject of a formal action by a regulatory agency, we could be exposed to costly and time consuming legal proceedings that could result in any number of outcomes. While outcomes of such actions vary, any claims or regulatory actions initiated by or against us, whether successful or not, could result in expensive costs of defense, costly damage awards, injunctive relief, increased costs of business, fines or orders to change certain business practices, significant dedication of management time, diversion of significant operational resources, or otherwise harm our business. In any of these cases, our financial results could be negatively impacted.

While we believe we currently have adequate internal control over financial reporting, we are required to evaluate our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002 and any adverse results from such evaluation could result in a loss of investor confidence in our financial reports and have an adverse effect on our stock price.

Pursuant to Section 404, we are required to furnish a report by our management on our internal control over financial reporting. The report contains, among other matters, an assessment of the effectiveness of our internal control over

financial reporting as of the end of our fiscal year, including a statement as to whether or not our internal control over financial reporting is effective. This assessment must include disclosure of any material weaknesses in our internal control over financial reporting identified by management.

While we have determined that our internal control over financial reporting was effective as of January 31, 2012, as indicated in our Management Report on Internal Control over Financial Reporting, included in our Annual Report on Form 10 K, we must continue to monitor and assess our internal control over financial reporting. If our management identifies one or more material weaknesses in our internal control over financial reporting and such weakness remains uncorrected at fiscal year-end, we will be unable to assert such internal control is effective at fiscal year-end. If we are unable to assert that our internal control over financial reporting is effective at fiscal year-end (or if our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal controls or concludes that we have a material weakness in our internal controls), we could lose investor confidence in the accuracy and completeness of our financial reports, which would likely have an adverse effect on our business and stock price.



In preparing our financial statements we make certain assumptions, judgments and estimates that affect amounts reported in our consolidated financial statements, which, if not accurate, may significantly impact our financial results.

We make assumptions, judgments and estimates for a number of items, including the fair value of financial instruments, goodwill, long-lived assets and other intangible assets, the realizability of deferred tax assets and the fair value of stock awards. We also make assumptions, judgments and estimates in determining the accruals for employee related liabilities including commissions, bonuses, and sabbaticals; and in determining the accruals for uncertain tax positions, partner incentive programs, product returns reserves, allowances for doubtful accounts, asset retirement obligations and legal contingencies. These assumptions, judgments and estimates are drawn from historical experience and various other factors that we believe are reasonable under the circumstances as of the date of the consolidated financial statements. Actual results could differ materially from our estimates, and such differences could significantly impact our financial results.

Changes in existing financial accounting standards or practices, or taxation rules or practices may adversely affect our results of operations.

Changes in existing accounting or taxation rules or practices, new accounting pronouncements or taxation rules, or varying interpretations of current accounting pronouncements or taxation practice could have a significant adverse effect on our results of operations or the manner in which we conduct our business. Further, such changes could potentially affect our reporting of transactions completed before such changes are effective.

For example, the U.S.-based Financial Accounting Standards Board (“FASB”) is currently working together with the International Accounting Standards Board (“IASB”) on several projects to further align accounting principles and facilitate more comparable financial reporting between companies who are required to follow U.S. Generally Accepted Accounting Principles (“GAAP”) under SEC regulations and those who are required to follow IFRS outside of the U.S. These efforts by the FASB and IASB may result in different accounting principles under GAAP that may result in materially different financial results for us in areas including, but not limited to principles for recognizing revenue and lease accounting.

In addition, the SEC has not yet made a determination regarding how or if IFRS will be incorporated into the financial reporting system for U.S. companies. A change in accounting principles from GAAP to IFRS may have a material impact on the way in which we report financial results.

It is not clear if or when these potential changes in accounting principles may become effective, whether we have the proper systems and controls in place to accommodate such changes and the impact that any such changes may have on our consolidated financial position, results of operations and cash flows. In addition, as we evolve and change our business and sales models, we are currently unable to determine how these potential changes may impact our new models, particularly in the area of revenue recognition.

Our financial results could be negatively impacted if our tax positions are successfully challenged by tax authorities.

We are a U.S.-based multinational company subject to tax in multiple U.S. and foreign tax jurisdictions. Our effective tax rate is based on our expected geographic mix of earnings, statutory rates, intercompany transfer pricing, and enacted tax rules. Significant judgment is required in determining our effective tax rate and in evaluating our tax positions on a worldwide basis. We believe our tax positions, including intercompany transfer pricing policies, are consistent with the tax laws in the jurisdictions in which we conduct our business. It is possible that these positions may be challenged by jurisdictional tax authorities and may have a significant impact on our effective tax rate.

Our business could be adversely affected if we are unable to attract and retain key personnel.

Our success and ability to invest and grow depend largely on our ability to attract and retain highly skilled technical, professional, managerial, sales and marketing personnel. Historically, competition for these key personnel has been intense. The loss of services of any of our key personnel (including key personnel joining our company through acquisitions), the inability to retain and attract qualified personnel in the future, or delays in hiring required personnel, particularly engineering and sales personnel, could make it difficult to meet key objectives, such as timely and effective product introductions and financial goals.

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

We rely on certain software that we license from third parties, including software that is integrated with internally

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

Disruptions with licensing relationships and third party developers could adversely impact our business.

We license certain key technologies from third parties. Licenses may be restricted in the term or the use of such technology in ways that negatively affect our business. Similarly, we may not be able to obtain or renew license agreements for key technology on favorable terms, if at all, and any failure to do so could harm our business.

Our business strategy has historically depended in part on our relationships with third-party developers who provide products that expand the functionality of our design software. Some developers may elect to support other products or may experience disruption in product development and delivery cycles or financial pressure during periods of economic downturn. In particular markets, such disruptions have in the past, and would likely in the future, negatively impact these third-party developers and end users, which could harm our business.

Additionally, technology created by outsourced product development, whether outsourced to third parties or developed externally and transferred to us through business or technology acquisitions, have certain additional risks such as effective integration into existing products, adequate transfer of technology know-how and ownership and protection of transferred intellectual property.

As a result of our strategy of partnering with other companies for product development, our product delivery schedules could be adversely affected if we experience difficulties with our product development partners.

We partner with certain independent firms and contractors to perform some of our product development activities. We believe our partnering strategy allows us to, among other things, achieve efficiencies in developing new products and maintaining and enhancing existing product offerings. Our partnering strategy creates a dependency on such independent developers. Independent developers, including those who currently develop products for us in the U.S. and throughout the world, may not be able or willing to provide development support to us in the future. In addition, use of development resources through consulting relationships, particularly in non-U.S. jurisdictions with developing legal systems, may be adversely impacted by, and expose us to risks relating to, evolving employment, export and intellectual property laws. These risks could, among other things, expose our intellectual property to misappropriation and result in disruptions to product delivery schedules.

We rely on third-parties to provide us with a number of operational services, including hosting and delivery, certain of our customer services operations as well as some of our operations; any interruption or delay in service from these third parties, breaches of security or privacy, or failures in data collection could expose us to liability, harm our reputation and adversely impact our financial performance.

We rely on hosted computer services from third parties for services that we provide our customers and computer operations for our internal use. As we gather customer data and host certain customer data in third-party facilities, a security breach could compromise the integrity or availability or result in the theft of customer data. In addition, our operations could be negatively affected in the event of a security breach, and we could be subject to the loss or theft of confidential or proprietary information, including source code.

Unauthorized access to this data may be obtained through break-ins, breach of our secure network by an unauthorized party, employee theft or misuse, or other misconduct. We rely on a number of third party suppliers in the operation of

our business for the provision of various services and materials that we use in the operation of our business and production of our products. Although we seek to diversify our third party suppliers, we may from time to time rely on a single or limited number of suppliers, or upon suppliers in a single country, for these services or materials. The inability of such third parties to satisfy our requirements could disrupt our business operations or make it more difficult for us to implement our business strategy. If any of these situations were to occur, our reputation could be harmed, we could be subject to third party liability, including under data protection and privacy laws in certain jurisdictions and our financial performance could be negatively impacted.

We regularly invest resources to update and improve our internal information technology systems. Should our investments not succeed, or if delays or other issues with new or existing internal technology systems disrupt our operations, our business could be harmed.

We rely on our network and data center infrastructure, internal technology systems and our websites for our development, marketing, operational, support, sales, accounting and financial reporting activities. We are continually investing resources to update and improve these systems and environments in order to meet the growing requirements of our business and customers. Such improvements are often complex, costly and time consuming. In addition, such improvements can be challenging to integrate with our existing technology systems, or uncover problems with our existing technology systems. Unsuccessful implementation of hardware or software updates and improvements could result in disruption in our business operations, loss of revenue, errors in our accounting and financial reporting or damage to our reputation.

Our business may be significantly disrupted upon the occurrence of a catastrophic event.

Our business is highly automated and relies extensively on the availability of our network and data center infrastructure, our internal technology systems and our websites. We also rely on hosted computer services from third parties for services that we provide to our customers and computer operations for our internal use. The failure of our systems or hosted computer services due to a catastrophic event, such as an earthquake, fire, flood, tsunami, weather event, telecommunications failure, power failure, cyber attack or war, could adversely impact our business, financial results and financial condition. We have developed disaster recovery plans and maintain backup systems in order to reduce the potential impact of a catastrophic event, however there can be no assurance that these plans and systems would enable us to return to normal business operations. In addition, any such event could negatively impact a country or region in which we sell our products. This could in turn decrease that country's or region's demand for our products, thereby negatively impacting our financial results.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

There were no sales of unregistered securities during the three months ended July 31, 2012.

The information concerning issuer purchases of equity securities required by this Item is incorporated by reference herein to the section of this Report entitled "Issuer Purchases of Equity Securities" in Part I, Item 2 above.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5. OTHER INFORMATION

None.



ITEM 6. EXHIBITS

The Exhibits listed below are filed as part of this Form 10-Q.

Exhibit No. Description

- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
  - 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
  - 32.1 † Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
  - 101.INS †† XBRL Instance Document
  - 101.SCH †† XBRL Taxonomy Extension Schema
  - 101.CAL †† XBRL Taxonomy Extension Calculation Linkbase
  - 101.DEF †† XBRL Taxonomy Definition Linkbase
  - 101.LAB †† XBRL Taxonomy Extension Label Linkbase
  - 101.PRE †† XBRL Taxonomy Extension Presentation Linkbase
- † The certifications attached as Exhibit 32.1 that accompany this Quarterly Report on Form 10-Q, are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Autodesk, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Form 10-Q, irrespective of any general incorporation language contained in such filing.
- †† The financial information contained in these XBRL documents is unaudited.

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: September 5, 2012

AUTODESK, INC.  
(Registrant)

/s/ MARK J. HAWKINS  
Mark J. Hawkins  
Executive Vice President and Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

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