

Ideas Realized

Dear Shareholders

Fiscal year 2006 was another outstanding year for Autodesk. Customers around the globe—from design professionals in the building, manufacturing and infrastructure industries to creative artists in media and entertainment—increasingly adopted Autodesk solutions to realize their ideas to compete and win. Demand was strong across our business in fiscal 2006, propelling net revenues to a record \$1.523 billion. Our continued focus on improving profitability reaped impressive results: operating margins increased 5 percentage points to 24%, and earnings per diluted share were \$1.33.

The key to our current—and ongoing—success is a consistent business strategy that we've been executing on year after year: enabling our customers to realize their ideas by providing the innovative, yet practical, software solutions to help them create, manage, and share their digital assets.

We're also paying attention to critical global trends. Expanding consumer choice worldwide is leading to a proliferation of new products and designs. In the midst of economic globalization, our customers are facing stiff competition. This unprecedented competitive environment is driving labor market globalization and forcing customers to focus on major process change to drive productivity, reduce cycle time, and win business anywhere in the world.

These trends have profoundly altered the landscape of our customer environment, presenting significant future opportunities for Autodesk. Customers are creating more designs and developing more alternatives to deliver a broader array of choices to consumers. Our design, visualization, and simulation solutions help them explore alternatives without having to do slow, cumbersome, and expensive redesign and physical prototyping. Our solutions significantly increase user productivity and offer a very fast return on investment. Moving from 2D to 3D alone can reduce time to market by as much as 50%.

Strength in numbers

Fiscal 2006 was another year of outstanding performance. Revenue from new seats still represents the majority of our revenue, increasing 21% over last year. Revenue from AutoCAD and AutoCAD LT, our general purpose design solutions, increased 23% over the prior year. In fact, new seats of AutoCAD and AutoCAD LT continued to rise in fiscal 2006, solidifying and growing our core design base. Additionally, customers are increasingly adopting our model-based 3D solutions to realize anything their minds can imagine while driving quality and productivity. As a result, revenues from our 3D solutions increased 60% over last year. We continued to execute on our strategy to grow adoption in emerging economies, increasing revenue more than 60%. Our subscription program continues to appeal to customers as an easy and cost effective way to keep their design tools up to date. Subscription revenues increased 56% over last year. As a result, we enter fiscal 2007 with approximately 15% of our anticipated revenues already booked – a major milestone.

Financially, Autodesk is extremely well positioned. Our robust sales and continued focus on productivity generated a substantial increase in operating cash flow in fiscal 2006. We used \$447 million to repurchase 11.7 million shares of Autodesk stock, keeping our total shares outstanding relatively flat from last year. We generated \$415 million in operating activities, ending fiscal 2006 with a strong balance sheet: no debt, cash and marketable securities of \$378 million, and deferred revenues of \$286 million, including \$213 million of deferred subscription revenue.

We also continued to invest in strategic acquisitions. In addition to ongoing execution of our goal of acquiring small companies with unique technology, in fiscal 2006 we acquired Alias, a

leading developer of 3D graphics technology. With industry leading products and customers in the manufacturing, building, and media and entertainment markets, Alias provided a unique opportunity for Autodesk.

Our consistently strong performance has enabled us to significantly increase our investment in our business while substantially improving profitability. Since fiscal 2003, spending on research and development increased by nearly 60%, driving significant improvements in our existing products as well as expanding our product offerings to adjacent markets. Over the same time, revenues increased 85%. Coupled with our initiatives to improve our productivity and efficiency, earnings per diluted share increased more than 800% since fiscal 2003.

Many divisions, one goal

Net revenues for the Design Solutions Group (DSG)—comprising the Platform Technology Division, Manufacturing Solutions Division, Infrastructure Solutions Division and Building Solutions Division—reached \$1.345 billion in fiscal 2006, an increase of 26% over fiscal 2005. DSG operating income increased 32% over fiscal 2005, to \$647 million. With new functionality and better performance in our products from all DSG divisions, our customers realized increased innovation, quality, and productivity, resulting in competitive advantage. In fiscal 2006 we shipped new releases for all our products, including our entire family of AutoCAD products. As more of our customers made the move from 2D to 3D, we continued to improve the depth and breadth of our offerings with important new versions of all our 3D products. In addition, we introduced strategic new products during the year, including Autodesk Revit Structure.

Platform Technology Division (PTD) revenues grew 22% over fiscal 2005 to \$732 million. From conceptual design through drafting and detailing, PTD offers our most flexible, general-purpose design and documentation tools. Demand for AutoCAD increased, as customers recognized the innovation, improved productivity, and quick return on investment it delivers.

Once again, our new AutoCAD software improved customer productivity significantly. According to a study conducted by IT experts Cambashi Limited, customers “using new features in AutoCAD 2006 completed typical design and documentation tasks 29% faster than participants using AutoCAD 2002.” Customers enthusiastically responded to the new releases. Revenues from our flagship products, AutoCAD and AutoCAD LT, increased 23% in fiscal 2006.

Our Manufacturing Solutions Division (MSD) had another outstanding year. Revenues increased 29% to \$257 million. Manufacturing firms are facing three major industry trends that are affecting the entire engineering supply chain: outsourcing, globalization, and mass customization. With products based on the concept of “functional design,” Autodesk provides solutions that address these trends by allowing manufacturers to create better quality products with accelerated time to market and reduced costs. In fiscal 2006, we continued to enhance our leadership position in this important market. Our purpose built 2D mechanical products grew faster than our competitors, including their 3D products. Our Autodesk Inventor product line, comprised of Autodesk Inventor Series and Autodesk Inventor Professional, was the world's best-selling 3D mechanical design software for the fifth consecutive year. Yet, with all of our terrific success in this market, only 12% of our manufacturing customer base is using a 3D solution. MSD, our largest industry segment, is seeing faster growth than the rest of the manufacturing industry. We are capturing market share and the opportunity for greater growth remains tremendous.

Our Infrastructure Solutions Division (ISD) grew revenues 21% to \$178 million. Population growth and economic development are creating demand for new roads, railways, and water treatment facilities. Infrastructure assets worldwide need maintenance and modernization. Infrastructure providers—including utilities, governments and civil engineering firms—face costly and complex regulations and reporting requirements, shrinking budgets, and increasing competition. Using Autodesk solutions, they are integrating their spatial information solutions to obtain complete visibility and reduce costs, while designing better bridges, airports, and dams. Our model-based civil engineering design solution, Autodesk Civil 3D 2006, has quickly become one of our top selling products. By maintaining intelligent object relationships, only Civil 3D lets customers complete design and drafting tasks faster and more easily by dynamically manipulating any aspect of design. Revenues from Civil 3D grew more than 500% in fiscal 2006.

Building Solutions Division (BSD) had another outstanding year, growing revenues 43% to \$178 million. In fact, BSD has more than doubled revenues in just two years. Building projects are becoming more complex and demanding, driving the need for better information. Owners and operators are requiring sustainable “green” designs to lower the total cost of ownership. Customers recognize the value of the Autodesk Revit line of products, our purpose-built 3D building information modeling solutions. As promised, we extended our reach into the building industry in fiscal 2006, launching Autodesk Revit Structure which provides fully integrated physical and analytical 3D modeling for structural engineering, analysis, and documentation. Increasingly, customers are adopting these precise and flexible building information modeling solutions to save time and money, reduce errors, experience greater productivity, and produce higher-quality work, all resulting in new business opportunities for our customers and for Autodesk.

Autodesk Architectural Desktop continues to provide AutoCAD-based design and documentation productivity with 3D visualization capabilities for architects. Customers find that the move to Architectural Desktop is a natural step on the path to adopting full building information modeling. In addition, our collaborative project management solution, Autodesk Buzzsaw, continues to gain traction in both the building and infrastructure industries.

Our Media and Entertainment Division (M&E) grew revenues 8% in fiscal 2006 to \$172 million, while continuing to improve profitability. M&E delivered \$33 million in operating income, and increased its operating margin by 2 percentage points to 19%. Our M&E solutions are designed for digital media creation, management, and delivery across all disciplines from animation, game development and design visualization to film and television editing, color grading and visual effects. In fiscal 2006 we released powerful new versions of every product in our M&E lineup.

Demand for our animation products was robust in fiscal 2006 as a result of significant trends developing in the industry. Film studios are incorporating more feature length animation projects into their pipelines to meet box office demand. Game studios are using more animation and design tools in the development of new offerings, to meet demand for increasingly realistic and complex experiences. Revenues from Autodesk 3ds Max increased 25% over fiscal 2005. Through our acquisition of Alias, we added important new capabilities to our future offering with Alias Maya.

Revenues from our advanced systems products were approximately flat with fiscal 2005. Our systems business is in a planned transition. Film studios are moving away from proprietary, high-end solutions and adopting Linux-based workflows. In fact, revenues from our Linux-based effects and editing solutions—Discreet Flint and Discreet

Smoke more than 125% over fiscal 2005. Clearly, these products continue to appeal to a growing number of cost-conscious customers, as well as new channel partners interested in selling finishing and effects solutions at affordable prices.

Designing a future of opportunity

The most exciting thing about Autodesk is that our prospects seem even brighter than our past. Despite our very significant results and achievements over the past few years, the world continues to move in our direction, and the opportunities ahead are even more compelling. With mass customization and the proliferation of design, globalization, outsourcing, and off-shoring, our customers must look for better tools or risk being marginalized. Such tools enable them to more effectively create, manage, and share their digital assets. Autodesk is providing those tools and we believe the opportunity for future growth is substantial.

As we begin fiscal 2007, our products have never been better aligned with our customers' needs. In March, we launched the strongest product portfolio in the history of our company. These products once again demonstrate our commitment to offering the strongest suite of desktop design tools to provide our customers competitive advantage in an increasingly global marketplace. Our acquisition of Alias provides exciting new products—including Autodesk Maya, Autodesk Alias Studio and Autodesk Showcase—which further increase the breadth and depth of our portfolio across industries.

Adoption of our model-based 3D products continues to increase. The move to 3D represents a significant opportunity for revenue growth with considerably higher average selling prices. In fact, our 3D products have penetrated less than 10% of our total user base, which supplies us with future growth opportunities for years to come as customers migrate to our 3D solutions.

We remain thoroughly committed to the further development of our lifecycle management solutions, which continue to gain market awareness. We will continue to develop and introduce new products that allow our customers to manage and share their designs with extended teams. This is a unique opportunity to expand into our existing installed base with new products and to grow into adjacent departments and further into the supply chain.

With all of our accomplishments over the past two decades, there is still infinitely more to do. Our product innovation helps drive real customer innovation and success. Our customers design both the real world of automobiles, dams, and skyscrapers and the animation and special effects in the entertainment world of films, television, and electronic games. Their worlds are limited only by their imagination. Our focus remains on supplying our customers with technologies that are more innovative and comprehensive than those of our competition.

Our record performance in fiscal 2006 was driven by our employees, partners, customers, and investors. I would like to thank you all for your contributions. We could not have done it without you. We hope that you will remain with us in the future as we are confident that the best is yet to come.



Carol Bartz

Chairman, Chief Executive Officer, and President

Autodesk

Autodesk®

April 28, 2006

Dear Autodesk Stockholder:

You are cordially invited to attend Autodesk's 2006 Annual Meeting of Stockholders to be held on Thursday, June 8, 2006 at 2:00 p.m., Pacific time, at our principal executive offices, 111 McInnis Parkway, San Rafael, California 94903.

At the Annual Meeting, you will be asked to:

1. Elect ten directors; and
2. Ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending January 31, 2007.

The accompanying Notice of 2006 Annual Meeting and Proxy Statement describe these proposals in greater detail. We encourage you to read this information carefully.

We hope you will be able to attend this year's Annual Meeting. We will report to the stockholders on fiscal 2006 and describe our future strategies for products and markets. There will be an opportunity for all stockholders to ask questions. Whether or not you plan to attend the meeting, please sign and return the enclosed proxy card to ensure your representation at the meeting. Your vote is important.

On behalf of the Board of Directors, I would like to express our appreciation for your continued support of Autodesk.

Very truly yours,



Carol Bartz
Chairman, Chief Executive Officer and President

NOTICE OF 2006 ANNUAL MEETING OF STOCKHOLDERS

- Time and Date** Thursday, June 8, 2006, at 2:00 p.m., Pacific time.
- Place** Autodesk's principal executive offices, located at:
111 McInnis Parkway, San Rafael, California 94903.
- Items of Business**
- (1) To elect ten directors to serve for the ensuing year and until their successors are duly elected and qualified.
 - (2) To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending January 31, 2007.
 - (3) To transact such other business as may properly come before the Annual Meeting.
- These items of business are more fully described in the Proxy Statement accompanying this Notice of Annual Meeting.
- Adjournments and Postponements** Any action on the items of business described above may be considered at the Annual Meeting at the time and on the date specified above or at any time and date to which Annual Meeting may be properly adjourned or postponed.
- Record Date** You are entitled to vote if you were a stockholder of record as of the close of business on April 17, 2006.
- Voting** **Your vote is very important. Whether or not you plan to attend the Annual Meeting, we encourage you to read this Proxy Statement and submit your proxy card or vote on the Internet or by telephone as soon as possible. For specific instructions on how to vote your shares, please refer to the section entitled "Questions and Answers About the 2006 Annual Meeting and Procedural Matters" beginning on page 1 of the Proxy Statement and the instructions on the enclosed proxy card.**

All stockholders are cordially invited to attend the Annual Meeting in person. Any stockholder attending the Annual Meeting may vote in person even if such stockholder previously signed and returned a proxy card or voted on the Internet or by telephone.

By Order of the Board of Directors,



Pascal W. Di Fronzo
Vice President, General Counsel and Secretary

This notice of annual meeting, proxy statement and accompanying form of proxy card are being distributed on or about April 28, 2006.

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PROXY STATEMENT FOR 2006 ANNUAL MEETING OF STOCKHOLDERS

Questions and Answers About the 2006 Annual Meeting and Procedural Matters

Q: Why am I receiving these materials?

A: The Board of Directors of Autodesk (“Autodesk” or the “Company”) is providing these proxy materials to you in connection with the solicitation of proxies for use at the Annual Meeting of Stockholders (the “Annual Meeting”) to be held on Thursday, June 8, 2006, at 2:00 p.m., Pacific time, and at any adjournment or postponement thereof, for the purpose of considering and acting upon the matters set forth herein.

The Annual Meeting will be held at Autodesk’s principal executive offices, located at 111 McInnis Parkway, San Rafael, California 94903. The telephone number at that location is (415) 507-5000.

Stockholders are invited to attend the Annual Meeting and are entitled to and requested to vote on the proposals to elect ten directors and approve the ratification of the independent registered public accounting firm.

Q: Can I attend the Annual Meeting?

A: You are cordially invited to attend the Annual Meeting if you are a stockholder of record or a beneficial owner as of April 17, 2006. Please notify our Vice President of Investor Relations, Sue Pirri, by calling (415) 507-6705 or by email at investor.relations@autodesk.com if you are planning to attend the Annual Meeting. In addition, you should bring proof of identity for entrance to the Annual Meeting. If your shares are held in a brokerage account or by a bank or another nominee, you will need to bring a copy of a brokerage statement reflecting stock ownership as of the record date.

Q: Who is entitled to vote at the Annual Meeting?

A: Holders of record of Autodesk’s common stock, par value \$0.01 per share (the “Common Stock”), at the close of business on April 17, 2006 (the “Record Date”) are entitled to receive notice of and to vote their shares at the Annual Meeting. Such stockholders are entitled to cast one vote for each share of Common Stock held as of the Record Date.

As of the Record Date, there were 230,994,038 shares of Common Stock outstanding and entitled to vote at the Annual Meeting. No shares of Autodesk’s Preferred Stock were outstanding.

Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner?

A: If your shares are registered directly in your name with Autodesk’s transfer agent, Computershare Investor Services LLC, you are considered, with respect to those shares, the “stockholder of record.” The Notice of Annual Meeting, Proxy Statement and accompanying form of proxy card have been sent directly to you by Autodesk.

Many Autodesk stockholders hold their shares through a broker, bank or other nominee, rather than directly in their own name. If your shares are held in a brokerage account or by a bank or another nominee, you are considered the “beneficial owner” of shares held in “street name.” The Notice of Annual Meeting, Proxy Statement and accompanying form of proxy card have been forwarded to you by your broker, bank or other nominee who is considered, with respect to those shares, the stockholder of record.

As the beneficial owner, you have the right to direct your broker, bank or other nominee on how to vote your shares. For directions on how to vote shares beneficially held in street name, please refer to the voting instruction card provided by your broker, bank or other nominee.

Q: How can I vote my shares in person at the Annual Meeting?

A: Shares held in your name as the stockholder of record may be voted in person at the Annual Meeting. Shares held beneficially in street name may be voted in person at the Annual Meeting only if you obtain a legal proxy from the broker, bank or other nominee that holds your shares giving you the right to vote the shares. ***Even if you plan to attend the Annual Meeting, we recommend that you also submit your proxy card or voting instructions as described below, so that your vote will be counted if you later decide not to attend the meeting.***

Q: How can I vote my shares without attending the Annual Meeting?

A: If you are a stockholder of record, you may instruct the proxy holders how to vote your shares by completing, signing, dating and returning the proxy card in the enclosed, postage pre-paid envelope, or by using the Internet voting site or the toll-free telephone number listed on the proxy card. Specific instructions for using the telephone and Internet voting systems are on the proxy card. The telephone and Internet voting systems for stockholders of record will be available until 1:00 a.m. (Central Time) on June 8, 2006. Whichever of these methods you select to transmit your instructions, the proxy holders will vote your shares in accordance with those instructions. If you sign and return a proxy card without giving specific voting instructions, your shares will be voted as recommended by our Board of Directors.

If a broker, bank or other nominee holds your shares, you will receive instructions from them that you must follow in order to have your shares voted. The instructions from your broker, bank or other nominee will indicate if Internet and telephone voting is available, and if they are available, will provide details regarding Internet and telephone voting.

Q: How many shares must be present or represented to conduct business at the Annual Meeting?

A: The presence of the holders of a majority of the shares of Common Stock entitled to vote at the Annual Meeting is necessary to constitute a quorum at the Annual Meeting. Such stockholders are counted as present at the meeting if they (1) are present in person at the Annual Meeting or (2) have properly submitted a proxy card. Under the General Corporation Law of the State of Delaware, abstentions and broker “non-votes” are counted as present and entitled to vote and are, therefore, included for purposes of determining whether a quorum is present at the Annual Meeting.

A broker “non-vote” occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner.

Q: What proposals will be voted on at the Annual Meeting?

A: At the Annual Meeting, stockholders will be asked to vote:

- (1) To elect ten directors to serve for the ensuing year and until their successors are duly elected and qualified; and
- (2) To ratify the appointment of Ernst & Young LLP as the Company’s independent registered public accounting firm for the fiscal year ending January 31, 2007.

Q: What is the voting requirement to approve these proposals?

A: A plurality of the votes duly cast is required for the election of directors. The ten nominees for director receiving the highest number of affirmative votes will be elected as directors of the Company to serve until the next annual meeting or until their successors have been duly elected and qualified.

The affirmative vote of a majority of the votes duly cast is required to ratify the appointment of Ernst & Young LLP as the Company’s independent registered public accounting firm.

Q: How are votes counted?

A: You may vote “FOR” or “WITHHOLD” on each of the ten nominees for election as director. Abstentions and broker non-votes will not affect the outcome of the election.

You may vote “FOR,” “AGAINST” or “ABSTAIN” on the proposal to ratify the appointment of Ernst & Young LLP as the Company’s independent registered public accounting firm for the fiscal year ending January 31, 2007. **Abstentions are deemed to be votes cast and have the same effect as a vote against this proposal.** However, broker non-votes are not deemed to be votes cast and, therefore, are not included in the tabulation of the voting results on this proposal.

Q: How does the Board of Directors recommend that I vote?

A: The Board of Directors recommends that you vote your shares “**FOR**” the ten nominees listed in Proposal One and “**FOR**” the ratification of the appointment of Ernst & Young LLP as the Company’s independent registered public accounting firm for the fiscal year ending January 31, 2007.

Q: If I sign a proxy, how will it be voted?

A: All shares entitled to vote and represented by properly executed proxy cards received prior to the Annual Meeting, and not revoked, will be voted at the Annual Meeting in accordance with the instructions indicated on those proxy cards. If no instructions are indicated on a properly executed proxy card, the shares represented by that proxy card will be voted as recommended by the Board of Directors.

If any other matters are properly presented for consideration at the Annual Meeting, including, among other things, consideration of a motion to adjourn the Annual Meeting to another time or place (including, without limitation, for the purpose of soliciting additional proxies), the persons named in the enclosed proxy card and acting thereunder will have discretion to vote on those matters in accordance with their best judgment. Autodesk does not currently anticipate that any other matters will be raised at the Annual Meeting.

Q: Can I change my vote?

A: Subject to any rules your broker may have, you may change your proxy instructions at any time before your proxy is voted at the Annual Meeting.

If you are a stockholder of record, you may change your vote by (1) filing with Autodesk’s General Counsel, prior to your shares being voted at the Annual Meeting, a written notice of revocation or a duly executed proxy card, in either case dated later than the prior proxy card relating to the same shares, or (2) by attending the Annual Meeting and voting in person (although attendance at the Annual Meeting will not, by itself, revoke a proxy). A stockholder of record that has voted on the Internet or by telephone may also change his or her vote by making a timely and valid later Internet or telephone vote, as the case may be.

If you are a beneficial owner of shares held in street name, you may change your vote (1) by submitting new voting instructions to your broker, bank or other nominee or (2) if you have obtained a legal proxy from the broker, bank or other nominee that holds your shares giving you the right to vote the shares, by attending the Annual Meeting and voting in person.

Any written notice of revocation or subsequent proxy card must be received by Autodesk’s General Counsel prior to the taking of the vote at the Annual Meeting. Such written notice of revocation or subsequent proxy card should be hand delivered to Autodesk’s General Counsel or should be sent so as to be delivered to Autodesk, Inc., 111 McInnis Parkway, San Rafael, California 94903, Attention: General Counsel.

Q: What happens if I decide to attend the Annual Meeting but I have already voted or submitted a proxy card covering my shares?

A: Subject to any rules your broker may have, you may attend the Annual Meeting and vote in person even if you have already voted or submitted a proxy card. Any previous votes that were submitted by you will be superseded by the vote that you cast at the Annual Meeting. Please be aware that attendance at the Annual Meeting will not, by itself, revoke a proxy.

If a broker, bank or other nominee holds your shares and you wish to attend the Annual Meeting and vote in person, you must obtain a legal proxy from the broker, bank or other nominee that holds your shares giving you the right to vote the shares.

Q: What should I do if I receive more than one set of voting materials?

A: You may receive more than one set of voting materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you may receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a stockholder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each Autodesk proxy card and voting instruction card that you receive to ensure that all your shares are voted.

Q: Where can I find the voting results of the Annual Meeting?

A: We intend to announce preliminary voting results at the Annual Meeting and will provide final results in our quarterly report on Form 10-Q for the second quarter of fiscal 2007. In addition, the results will be posted on our website at www.autodesk.com under "About Us — Investors."

Q: Who pays for the proxy solicitation process?

A: Autodesk will bear all expenses of this solicitation, including the cost of preparing and mailing this proxy material. Autodesk may reimburse brokerage firms, custodians, nominees, fiduciaries and other persons representing beneficial owners of Common Stock for their reasonable expenses in forwarding solicitation material to such beneficial owners. Directors, officers and employees of Autodesk may also solicit proxies in person or by other means of communication. Such directors, officers and employees will not be additionally compensated but may be reimbursed for reasonable out-of-pocket expenses in connection with such solicitation.

Q: What is the deadline to propose actions for consideration at next year's annual meeting of stockholders or to nominate individuals to serve as directors?

A: You may submit proposals, including director nominations, for consideration at future meetings.

Requirements for stockholder proposals to be considered for inclusion in Autodesk's proxy material — Stockholders may present proper proposals for inclusion in Autodesk's proxy statement and for consideration at the next annual meeting of its stockholders by submitting their proposals in writing to Autodesk's General Counsel in a timely manner. In order to be included in the proxy statement for the 2007 annual meeting of stockholders, stockholder proposals must be received by Autodesk's General Counsel no later than December 29, 2006, and must otherwise comply with the requirements of Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Requirements for stockholder proposals to be brought before an annual meeting — In addition, Autodesk's bylaws establish an advance notice procedure for stockholders who wish to present certain matters before an annual meeting of stockholders. In general, nominations for the election of directors may be made by (1) the Board of Directors, (2) the Corporate Governance and Nominating Committee or (3) any stockholder entitled to vote who has delivered written notice to Autodesk's General Counsel no later than the Notice Deadline (as defined below), which notice must contain specified information concerning the nominees and concerning the stockholder proposing such nominations. However, if a stockholder wishes only to

recommend a candidate for consideration by the Corporate Governance and Nominating Committee as a potential nominee for director, see the procedures discussed in “Corporate Governance Principles.”

The Company’s bylaws also provide that the only business that may be conducted at an annual meeting is business that is (1) specified in the notice of meeting given by or at the direction of the Board of Directors, (2) properly brought before the meeting by or at the direction of the Board of Directors, or (3) properly brought before the meeting by a stockholder who has delivered written notice to the General Counsel of Autodesk no later than the Notice Deadline (as defined below).

The “Notice Deadline” is defined as that date which is 120 days prior to the one year anniversary of the date on which Autodesk first mailed its proxy materials to stockholders for the previous year’s annual meeting of stockholders. As a result, the Notice Deadline for the 2007 annual meeting of stockholders is December 29, 2006.

If a stockholder who has notified Autodesk of his or her intention to present a proposal at an annual meeting does not appear to present his or her proposal at such meeting, Autodesk need not present the proposal for vote at such meeting.

A copy of the full text of the bylaw provisions discussed above may be obtained by writing to the General Counsel of Autodesk. All notices of proposals by stockholders, whether or not included in Autodesk’s proxy materials, should be sent to Autodesk, Inc., 111 McInnis Parkway, San Rafael, California 94903, Attention: General Counsel.

PROPOSAL ONE
ELECTION OF DIRECTORS

Nominees

A board of ten directors is to be elected at the Annual Meeting, all of whom have been recommended for nomination by the Corporate Governance and Nominating Committee of the Board of Directors and all of whom are presently directors of Autodesk. All nominees were elected by the stockholders at last year's annual meeting with the exception of Carl Bass, who became a director in January 2006. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the ten nominees named below.

In the event that any nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who shall be designated by the Board of Directors to fill the vacancy. The term of office of each person elected as a director will continue until the next annual meeting of stockholders or until a successor has been duly elected and qualified.

The name, age and principal occupation of each nominee as of April 17, 2006, are set forth in the table below. Except as described below, each of the nominees has been engaged in his or her principal occupation during the past five years. There are no family relationships among any of our directors or executive officers.

<u>Name of Nominee</u>	<u>Age</u>	<u>Principal Occupation</u>	<u>Director Since</u>
Carol A. Bartz	57	Chairman of the Board, Chief Executive Officer and President	1992
Carl Bass	48	Chief Operating Officer	2006
Mark A. Bertelsen	62	Senior Partner, Wilson Sonsini Goodrich & Rosati, Professional Corporation, attorneys at law	1992
Crawford W. Beveridge ..	60	Executive Vice President and Chief Human Resources Officer, Sun Microsystems	1993
J. Hallam Dawson	69	Chairman of the Board, IDI Associates	1988
Michael J. Fister	51	Chief Executive Officer and President, Cadence Design Systems, Inc.	2003
Per-Kristian Halvorsen ...	54	Chief Technology Innovation Officer, Intuit, Inc.	2000
Steven L. Scheid	52	Chairman of Janus Capital Group Inc.	2002
Mary Alice Taylor	56	Independent Business Consultant	1995
Larry W. Wangberg	63	Independent Business Consultant	2000

Carol A. Bartz joined Autodesk in April 1992 and currently serves as Chairman of the Board, Chief Executive Officer and President. Effective April 30, 2006, Ms. Bartz will step down from her position as Chief Executive Officer and President and as of May 1, 2006 will be Executive Chairman. Ms. Bartz is a director of Cisco Systems, Inc. and Network Appliance, Inc. Prior to joining Autodesk, Ms. Bartz held various positions at Sun Microsystems, Inc., including Vice President, Worldwide Field Operations from July 1990 to April 1992.

Carl Bass joined Autodesk in September 1993 and has served as Chief Operating Officer since June 2004. As of May 1, 2006, Mr. Bass will become President and Chief Executive Officer. From February 2002 to June 2004, Mr. Bass served as Senior Executive Vice President, Design Solutions Group. From August 2001 to February 2002, Mr. Bass served as Executive Vice President, Emerging Business and Chief Strategy Officer. From August 1999 to July 2001, he served as President and Chief Executive Officer of Buzzsaw.com, Inc., a spin-off from Autodesk. He has also held other executive positions within Autodesk. Mr. Bass was a director of Serena Software, Inc. through February 2006.

Mark A. Bertelsen joined the law firm of Wilson Sonsini Goodrich & Rosati in 1972, was the firm's managing partner from 1991 to 1996 and is currently a member of the firm's Policy Committee of Senior Partners. Mr. Bertelsen is a director of Informatica Corporation and Taleo Corporation.

Crawford W. Beveridge serves as Executive Vice President and Chief Human Resources Officer of Sun Microsystems, Inc. Mr. Beveridge served as Chief Executive Officer of Scottish Enterprise, an economic development company, from January 1991 until March 2000. From March 1985 to December 1990, Mr. Beveridge

was the Vice President of Corporate Resources at Sun Microsystems, Inc. Mr. Beveridge is a director of Scottish Equity Partners Ltd. and Memec, Inc.

J. Hallam Dawson has served as Chairman of IDI Associates, a private investment bank specializing in Latin America, since September 1986. Mr. Dawson is a director China Trust Bank (USA) and was a director of Serena Software, Inc. through February 2006.

Michael J. Fister has served as the Chief Executive Officer and President of Cadence Design Systems, Inc. since May 2004. Previously, Mr. Fister served as Senior Vice President and General Manager of the Enterprise Platforms Group of Intel Corporation from 2002 to May 2004. Mr. Fister joined Intel in 1987 as the Chandler, Arizona operations manager for the 8-bit focus group. From 1988 through 2000, Mr. Fister was promoted to a series of engineering positions, and elected corporate Vice President in 2000.

Per-Kristian Halvorsen has served as the Chief Technology Innovation Officer of Intuit, Inc. since February 2006. Previously, he was Vice President and Director of the Solutions and Services Research Center at HPLabs from 2000 to 2005. Previously, Dr. Halvorsen served as Director and Principal Scientist of the Information Sciences and Technologies Laboratory at the Xerox Palo Alto Research Center from June 1992 until June 2000. Dr. Halvorsen is a member of the Board of Directors of FinnTech and Finn.

Steven L. Scheid has served as Chairman of Janus Capital Group, Inc. since January 2004. He served as Chief Executive Officer of Janus Capital Group Inc. from April 2004 to December 2005. Previously, Mr. Scheid served as an independent business consultant from February 2002 to April 2004, Vice Chairman of Charles Schwab & Co., Inc. from July 1999 to February 2002, as President of the Schwab Retail Group from October 2000 to February 2002 and as the Chief Financial Officer of Charles Schwab & Co., Inc. from June 1996 to July 1999. Mr. Scheid is a director of PMI Group, Inc.

Mary Alice Taylor is an independent business consultant. Previously, Ms. Taylor served as Chief Executive Officer and Chairman of the Board of HomeGrocer.com from September 1999 to September 2000. Ms. Taylor served as Executive Vice President of Global Operations and Technology of CitiCorp from January 1997 until September 1999 and served as Senior Vice President of Federal Express Corporation from September 1991 until December 1996. Ms. Taylor is a director of The Allstate Corporation, Sabre Holdings Corporation and Blue Nile, Inc.

Larry W. Wangberg served as Chief Executive Officer and Chairman of the Board of TechTV, previously ZDTV, Inc., from August 1997 until his retirement in June 2002. Previously, Mr. Wangberg was Chief Executive Officer and Chairman of the Board of StarSight Telecast, Inc., an interactive program guide company, from February 1995 to August 1997. Mr. Wangberg is a director of Charter Communications, Inc. and ADC Telecommunications, Inc.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR"
THE NOMINEES LISTED ABOVE.**

Board Meetings and Committees

The Board of Directors held a total of 5 meetings (including regularly scheduled and special meetings) during fiscal 2006. No director attended fewer than 75% of the total number of meetings of the Board of Directors and committees of which he or she is a member, if any. The Company's Board of Directors currently has three standing committees: an Audit Committee, a Compensation and Human Resources Committee, and a Corporate Governance and Nominating Committee.

Audit Committee

The Audit Committee, which has been established in accordance with Section 3(a)(58)(A) of the Exchange Act, currently consists of directors Mary Alice Taylor, Chairman, Steven L. Scheid and Larry W. Wangberg, each of whom is "independent" as such term is defined for audit committee members by the listing standards of the Nasdaq Stock Market. The Board of Directors has determined that Mr. Scheid and Ms. Taylor are each an "audit committee financial expert" as defined in rules of the Securities and Exchange Commission (the "SEC").

The principal functions of the Audit Committee and its activities during fiscal 2006 are described in "Report of the Audit Committee of the Board of Directors" below.

The Audit Committee held 10 meetings during fiscal 2006. The Audit Committee has adopted a written charter approved by the Board of Directors, which is included as *Appendix A* to this proxy statement. The Audit Committee Charter is also available on the Company's website at www.autodesk.com under "About Us — Investors — Corporate Governance."

Compensation and Human Resources Committee

The Compensation and Human Resources Committee currently consists of Crawford W. Beveridge, Chairman, J. Hallam Dawson and Michael J. Fister, each of whom qualifies as an independent director under the listing standards of The Nasdaq Stock Market.

The Compensation and Human Resources Committee reviews compensation and benefits for our executives and has sole and exclusive authority to grant stock options to executive officers under our stock plans. The Board of Directors delegated to our Chief Executive Officer authority to grant options to employees who are not executive officers. Because options are granted automatically to non-employee directors under the non-discretionary 2000 Directors' Option Plan, the Compensation and Human Resources Committee consists solely of non-employee directors ineligible to participate in the Company's discretionary employee stock programs.

The Compensation and Human Resources Committee held 5 meetings during fiscal 2006. The Compensation and Human Resources Committee has adopted a written charter approved by the Board of Directors, which is available on the Company's website at www.autodesk.com under "About Us — Investors — Corporate Governance."

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee currently consists of J. Hallam Dawson, Chairman, Per-Kristian Halvorsen and Larry W. Wangberg, each of whom qualifies as an independent director under the listing standards of The Nasdaq Stock Market.

The Corporate Governance and Nominating Committee is responsible for the development of general criteria regarding the qualifications and selection of board members and recommending candidates for election to the Board. The Corporate Governance and Nominating Committee is also responsible for developing overall governance guidelines, overseeing the performance of the Board and reviewing and making recommendations regarding the composition and mandate of Board committees. The Corporate Governance and Nominating Committee will consider recommendations of candidates for the Board of Directors submitted by stockholders of the Company; for more information, see "Corporate Governance Principles."

The Corporate Governance and Nominating Committee held 3 meetings during fiscal 2006. The Corporate Governance and Nominating Committee has adopted a written charter approved by the Board of Directors, which is available on the Company's website at www.autodesk.com under "About Us — Investors — Corporate Governance."

Lead Director

J. Hallam Dawson serves as Lead Director and liaison between management and the other non-employee directors. The Lead Director schedules and chairs meetings of the independent directors. The independent directors (including the Lead Director) hold a closed session at each regularly scheduled Board meeting.

Compensation of Directors

During fiscal 2006, we paid an annual fee of \$40,000 to each director who was not an Autodesk employee (currently eight persons). Each director may elect to receive up to fifty percent of the fee in cash, with the balance paid in the form of restricted stock issued at a rate of \$1.20 worth of stock for each \$1.00 of cash compensation foregone. Such restricted stock was issued on June 23, 2005 (the date of last year's annual meeting of stockholders) and will vest at this year's Annual Meeting, provided that the recipient is a director on such date. Directors received an additional \$10,000 for serving as Lead Director or chairman of a board committee. Directors do not receive fees for attending Board or board committee meetings.

Additionally, the Company's 2000 Directors' Option Plan provides for the automatic grant of nonstatutory stock options to our non-employee directors. Upon being elected or appointed to our Board of Directors, each non-employee director is granted an option to purchase 50,000 shares of our Common Stock, with subsequent annual option grants of 20,000 shares of our Common Stock. The exercise price of options granted under the 2000 Directors' Option Plan is equal to the fair value of our Common Stock on the date of grant. Options granted under the 2000 Directors' Option Plan upon election or appointment vest over a three-year period; subsequent annual option grants vest over a one-year period.

PROPOSAL TWO

RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has selected Ernst & Young LLP as the independent registered public accounting firm to audit the consolidated financial statements of Autodesk for the fiscal year ending January 31, 2007, and recommends that the stockholders vote for ratification of such appointment. In the event of a negative vote on such ratification, the Audit Committee will reconsider its selection.

Ernst & Young LLP has audited our financial statements annually since the fiscal year ended January 31, 1983.

We expect representatives of Ernst & Young LLP to be present at the meeting. They will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE “FOR” THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

Principal Accounting Fees and Services

The following table presents fees billed for professional audit services and other services rendered to the Company by Ernst & Young LLP for the fiscal years ended January 31, 2005 and January 31, 2006.

	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>
Audit Fees (1)	\$3,870,788	\$3,265,979
Audit-Related Fees	—	—
Tax Fees (2)	952,620	896,835
All Other Fees	—	—
Total	<u>\$4,823,408</u>	<u>\$4,162,814</u>

(1) Audit Fees consisted of fees billed for professional services rendered for the integrated audit of the Company's annual financial statements and management's report on internal control included in the Company's Annual Reports on Form 10-K and for the review of the financial statements included in the Company's Quarterly Reports on Form 10-Q, as well as services that generally only the Company's independent registered public accountants can reasonably provide, including statutory audits and services rendered in connection with SEC filings. The fiscal 2005 and fiscal 2006 fees include approximately \$1.7 million and \$1.1 million, respectively, related to services provided in connection with compliance with the Sarbanes-Oxley Act of 2002.

(2) Tax Fees consisted of fees billed for tax compliance, consultation and planning services.

Pre-Approval of Audit and Non-Audit Services

All audit and non-audit services provided by Ernst & Young LLP to the Company must be pre-approved by the Audit Committee. The Audit Committee utilizes the following procedures in pre-approving all audit and non-audit services provided by Ernst & Young LLP. At or before the first meeting of the Audit Committee each year, the Audit Committee is presented with a detailed listing of the individual audit and non-audit services and fees (separately describing audit-related services, tax services and other services) expected to be provided by Ernst & Young LLP during the year. Quarterly, the Audit Committee is presented with an update of all pre-approved audit and non-audit services conducted and any new audit and non-audit services to be provided by Ernst & Young LLP are updated, if necessary. The Audit Committee reviews the Company's update and approves the services outlined therein if such services are acceptable to the Audit Committee.

To ensure prompt handling of unexpected matters, the Audit Committee delegates to the Chairman of the Audit Committee the authority to amend or modify the list of audit and non-audit services and fees; provided, however, that such additional or amended services may not affect Ernst & Young LLP's independence under

applicable SEC rules. The Chairman reports any such action taken to the Audit Committee at the next Audit Committee meeting.

CORPORATE GOVERNANCE

Autodesk is committed to the highest standards of corporate ethics and diligent compliance with financial accounting and reporting rules. Our Board of Directors provides independent leadership in the exercise of its responsibilities. Our management oversees a strong system of internal controls and compliance with corporate policies and applicable laws and regulations, and our employees operate in a climate of responsibility, candor and integrity.

Corporate Governance Guidelines and Code of Business Conduct

We believe the highest standards of corporate governance and business conduct are essential to running our business efficiently, serving our stockholders well and maintaining our integrity in the marketplace. For a number of years, we have devoted substantial attention to the subject of corporate governance. Over ten years ago, before “corporate governance” was a watchword, the Board of Directors began work on developing Corporate Governance Guidelines. The Board of Directors first adopted these Guidelines in December 1995 and has refined them from time to time since then. The Corporate Governance Guidelines set forth the principles that guide the Board of Directors’ exercise of its responsibility to oversee corporate governance, maintain its independence, evaluate its own performance and the performance of Autodesk’s executive officers and set corporate strategy. The Corporate Governance Guidelines are available on our website at www.autodesk.com under “About Us — Investors — Corporate Governance.”

In addition, we have adopted a Code of Business Conduct for directors and employees, and a Code of Ethics for Senior Executive and Financial Officers, including our principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions, to ensure that our business is conducted in a consistently legal and ethical manner. The Code of Business Conduct and Code of Ethics for Senior Executive and Financial Officers are available on our website at www.autodesk.com under “About Us — Investors — Corporate Governance.” We will post on this section of our website any amendment to the Code of Business Conduct or Code of Ethics for Senior Executive and Financial Officers, as well as any waivers of the Code of Business Conduct or Code of Ethics for Senior Executive and Financial Officers that are required to be disclosed by the rules of the SEC or The Nasdaq Stock Market.

Stock Ownership Guidelines

Directors and officers are encouraged to be Autodesk stockholders through their participation in our stock option plans. The Board of Directors has established stock ownership guidelines for our directors and executive officers designed to encourage long-term stock ownership in Autodesk and more closely link their interests with those of our other stockholders. These guidelines provide that, within a four-year period, executive officers should attain an investment position in Autodesk stock equal to a multiple of their base salary depending on the individual’s scope of responsibilities, and directors should attain an investment position in Autodesk stock of at least 5,000 shares. The Board of Directors reviews progress against these guidelines annually and updates the stock ownership guidelines as appropriate.

Independence of the Board of Directors

The Board of Directors has determined that, with the exception of Carol A. Bartz, our Chairman of the Board, Chief Executive Officer and President, and Carl Bass, our Chief Operating Officer, all of its members are “independent directors” as that term is defined in the listing standards of The Nasdaq Stock Market. Such independence definition includes a series of objective tests, including that the director is not an employee of the company and has not engaged in various types of business dealings with the company. In addition, as further required by the Nasdaq listing standards, the Board of Directors has made a subjective determination as to each independent director that no relationships exist which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The independent directors meet regularly in executive session, without members of management present, as part of the quarterly meeting procedure.

Contacting the Board of Directors

Communications from stockholders to the non-employee directors should be addressed to the Lead Director as follows: J. Hallam Dawson, Autodesk Inc., c/o General Counsel, 111 McInnis Parkway, San Rafael, California 94903.

Attendance at Annual Stockholders Meetings by the Board of Directors

The Company does not have a formal policy regarding attendance by members of the Board of Directors at the Company's annual meeting of stockholders. The Company encourages, but does not require, directors to attend. All of our directors attended the Company's 2005 annual meeting of stockholders.

Nominating Process for Recommending Candidates for Election to the Board of Directors

The Corporate Governance and Nominating Committee is responsible for, among other things, determining the criteria for membership on the Board of Directors and recommending candidates for election to the Board of Directors. It is the policy of the Corporate Governance and Nominating Committee to consider recommendations for candidates to the Board of Directors from stockholders. Stockholder recommendations for candidates to the Board of Directors must be directed in writing to Autodesk Inc., c/o General Counsel, 111 McInnis Parkway, San Rafael, California 94903, and must include the candidate's name, home and business contact information, detailed biographical data and qualifications, information regarding any relationships between the candidate and the Company within the last three years and evidence of the nominating person's ownership of Company stock.

The Corporate Governance and Nominating Committee's criteria and process for evaluating and identifying the candidates that it selects, or recommends to the full Board for selection, as director nominees, are as follows:

- The Corporate Governance and Nominating Committee regularly reviews the current composition and size of the Board.
- The Corporate Governance and Nominating Committee oversees an annual evaluation of the performance of the Board of Directors as a whole and evaluates the performance of individual members of the Board of Directors eligible for re-election at the annual meeting of stockholders.
- In its evaluation of director candidates, including the members of the Board of Directors eligible for re-election, the Corporate Governance and Nominating Committee seeks to achieve a balance of knowledge, experience and capability on the Board and considers (1) the current size and composition of the Board of Directors and the needs of the Board of Directors and the respective committees of the Board, (2) such factors as issues of character, judgment, diversity, age, expertise, business experience, length of service, independence, other commitments and the like, and (3) such other factors as the Corporate Governance and Nominating Committee may consider appropriate.
- While the Corporate Governance and Nominating Committee has not established specific minimum qualifications for director candidates, the Corporate Governance and Nominating Committee believes that candidates and nominees must reflect a Board that is comprised of directors who (1) are predominantly independent, (2) are of high integrity, (3) have broad, business-related knowledge and experience at the policy-making level in business or technology, including their understanding of the software industry and the Company's business in particular, (4) have qualifications that will increase overall Board effectiveness and (5) meet other requirements as may be required by applicable rules, such as financial literacy or financial expertise with respect to audit committee members.
- With regard to candidates who are properly recommended by stockholders or by other means, the Corporate Governance and Nominating Committee will review the qualifications of any such candidate, which review may, in the Corporate Governance and Nominating Committee's discretion, include interviewing references for the candidate, direct interviews with the candidate, or other actions that the Corporate Governance and Nominating Committee deems necessary or proper.
- In evaluating and identifying candidates, the Corporate Governance and Nominating Committee has the authority to retain and terminate any third party search firm that is used to identify director candidates, and has the authority to approve the fees and retention terms of any search firm.

- The Corporate Governance and Nominating Committee will apply these same principles when evaluating Board candidates who may be elected initially by the full Board to fill vacancies or add additional directors prior to the annual meeting of stockholders at which directors are elected.
- After completing its review and evaluation of director candidates, the Corporate Governance and Nominating Committee selects, or recommends to the full Board of Directors for selection, the director nominees.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information concerning the beneficial ownership of Autodesk's Common Stock as of March 31, 2006, for each person or entity who is known by the Company to own beneficially more than 5% of the outstanding shares of our Common Stock, each of the Company's directors, each of the executive officers named in the Summary Compensation Table on page 15 and all directors and executive officers of the Company as a group.

<u>5% Stockholders, Directors and Officers (1)</u>	<u>Common Stock Beneficially Owned (2)</u>	<u>Percentage Beneficially Owned (3)</u>
Principal Stockholders:		
AXA Financial, Inc. (4)	12,327,768	5.3%
Barclays Global Investors, NA (5)	27,978,094	12.0%
FMR Corp. (6)	12,605,679	5.4%
Non-Employee Directors:		
Mark A. Bertelsen (7)	127,383	*
Crawford W. Beveridge (8)	131,320	*
J. Hallam Dawson (9)	205,411	*
Michael J. Fister (10)	110,825	*
Per-Kristian Halvorsen (11)	131,227	*
Steven L. Scheid (12)	46,856	*
Mary Alice Taylor (13)	247,690	*
Larry W. Wangberg (14)	149,103	*
Named Executive Officers:		
Carol A. Bartz (15)	4,302,994	1.8%
Carl Bass (16)	146,583	*
George M. Bado (17)	87,186	*
Alfred J. Castino (18)	188,625	*
Marcia K. Sterling (19)	126,844	*
All directors and current executive officers as a group (14 persons) (20)	6,412,596	2.7%

* Represents less than one percent (1%) of the outstanding Common Stock.

- (1) Unless otherwise indicated in their respective footnote, the address for each listed person is c/o Autodesk, Inc., 111 McInnis Parkway, San Rafael, California 94903.
- (2) The number and percentage of shares beneficially owned is determined in accordance with Rule 13d-3 of the Exchange Act, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rule, beneficial ownership includes any shares over which the individual or entity has the right to acquire within 60 days of March 31, 2006, through the exercise of any stock option or other right. Unless otherwise indicated in the footnotes, each person or entity has sole voting and investment power (or shares such powers with his or her spouse) with respect to the shares shown as beneficially owned.
- (3) The total number of shares of Common Stock outstanding as of March 31, 2006 was 232,193,871.
- (4) Includes (i) 1,643,904 shares beneficially owned by AXA Rosenberg Investment Management LLC, (ii) 42,140 shares beneficially owned by AXA FRAMLINGTON, (iii) 10,419,175 shares beneficially owned by Alliance Capital Management L.P., and (iv) 222,549 shares beneficially owned by AXA Equitable Life Insurance

Company. The address of AXA Financial, Inc. is 1290 Avenue of the Americas, New York, NY 10104. This information was obtained from a filing made with the SEC pursuant to Section 13(g) of the Exchange Act on February 14, 2006.

- (5) Includes (i) 22,720,753 shares beneficially owned by Barclays Global Investors, NA, (ii) 1,640,395 shares beneficially owned by Barclays Global Fund Advisors, (iii) 3,403,133 shares beneficially owned by Barclays Global Investors, LTD, (iv) 199,060 shares beneficially owned by Barclays Global Investors Japan Trust and Banking Company Limited and (v) 14,753 shares beneficially owned by Barclays Bank PLC. The address of Barclays Global Investors, NA is 45 Fremont Street, San Francisco, CA 94105. This information was obtained from a filing made with the SEC pursuant to Section 13(g) of the Exchange Act on January 10, 2006 and January 31, 2006.
- (6) The address of FMR Corp. is 82 Devonshire Street, Boston, MA 02109. This information was obtained from a filing made with the SEC pursuant to Section 13(g) of the Exchange Act on February 14, 2006.
- (7) Includes 120,000 shares subject to options exercisable within 60 days of March 31, 2006.
- (8) Includes 110,000 shares subject to options exercisable within 60 days of March 31, 2006.
- (9) Includes 160,000 shares subject to options exercisable within 60 days of March 31, 2006.
- (10) Includes 107,000 shares subject to options exercisable within 60 days of March 31, 2006.
- (11) Includes 119,600 shares subject to options exercisable within 60 days of March 31, 2006.
- (12) Includes 40,000 shares subject to options exercisable within 60 days of March 31, 2006.
- (13) Includes 200,000 shares subject to options exercisable within 60 days of March 31, 2006.
- (14) Includes 120,000 shares subject to options exercisable within 60 days of March 31, 2006.
- (15) Includes 3,275,772 shares subject to options exercisable within 60 days of March 31, 2006. Ms. Bartz resigned as Chief Executive Officer and President, effective April 30, 2006. Ms. Bartz will become Executive Chairman on May 1, 2006.
- (16) Includes 131,252 shares subject to options exercisable within 60 days of March 31, 2006. Mr. Bass will become President and Chief Executive Officer on May 1, 2006.
- (17) Includes 70,000 shares subject to options exercisable within 60 days of March 31, 2006.
- (18) Includes 152,500 shares subject to options exercisable within 60 days of March 31, 2006.
- (19) Includes 88,412 shares subject to options exercisable within 60 days of March 31, 2006. Ms. Sterling retired in March 2006.
- (20) Includes 5,097,040 shares subject to options exercisable within 60 days of March 31, 2006.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who own more than 10% of a registered class of the Company's equity securities ("10% Stockholders"), to file reports of ownership on Form 3 and changes in ownership on Form 4 or 5 with the SEC and The Nasdaq Stock Market. Such executive officers, directors and 10% Stockholders are also required by SEC rules to furnish the Company with copies of all Section 16(a) forms that they file.

Based solely on its review of the copies of such reports furnished to the Company and written representations that no other reports were required to be filed during fiscal 2006, the Company is not aware of any late Section 16(a) filings.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table presents information concerning the total compensation of Autodesk's Chief Executive Officer and each of the four most highly compensated officers during the last fiscal year (the "Named Executive Officers") for services rendered to Autodesk in all capacities for the three fiscal years ended January 31, 2006.

Name and Principal Position	Year	Annual Compensation		Other Annual Compensation (\$ (1))	Long-Term Compensation Awards	All Other Compensation (\$ (2))
		Salary (\$)	Bonus (\$)		Securities Underlying Options (#)	
Carol A. Bartz (3) Chairman of the Board, Chief Executive Officer and President	2006	941,667	1,700,000	—	500,000	58,181
	2005	863,333	2,356,000	—	1,000,000	54,483
	2004	680,000	1,260,500	—	800,000	35,736
Carl Bass (3) Chief Operating Officer	2006	470,833	750,000	—	250,000	18,768
	2005	435,417	1,168,000	—	450,000	23,422
	2004	400,000	499,250	—	350,000	21,908
George M. Bado Senior Vice President, Worldwide Sales and Consulting	2006	342,500	75,000	869,398	90,000	15,761
	2005	330,000	357,600	870,719	120,000	32,108
	2004	312,577	55,630	524,696	120,000	16,421
Alfred J. Castino Senior Vice President, Chief Financial Officer	2006	345,833	350,000	—	90,000	19,176
	2005	320,833	725,000	—	150,000	3,610
	2004	300,000	315,500	—	80,000	3,940
Marcia K. Sterling (4) Senior Vice President, General Counsel and Secretary	2006	335,000	340,000	—	90,000	18,146
	2005	332,500	740,000	—	120,000	3,940
	2004	320,000	263,000	—	140,000	3,940

- (1) Represents sales commissions.
- (2) Includes matching contributions by Autodesk to one of Autodesk's pre-tax savings plans, reimbursement for certain travel expenses, and organization dues.
- (3) Ms. Bartz resigned as Chief Executive Officer and President, effective April 30, 2006. Mr. Bass will become Chief Executive Officer and President on May 1, 2006. Ms. Bartz will become Executive Chairman on May 1, 2006.
- (4) Ms. Sterling retired in March 2006.

Executive Incentive Plan

The Executive Incentive Plan sets forth the plan for payment of cash bonuses to those of our executive officers who are designated for participation. The Executive Incentive Plan is intended to increase stockholder value and the success of Autodesk by motivating executives to perform to the best of their abilities and to achieve goals relating to the performance of Autodesk or one of our business units or other objectively determinable goals, and to reward them when those objectives are satisfied. The Executive Incentive Plan was approved by the stockholders in June 2005 and is intended to permit the payment of bonuses that may qualify as performance-based compensation under Internal Revenue Code Section 162(m).

The Compensation and Human Resources Committee of the Board of Directors (the "Committee") has chosen the participants, target awards and payout formulas for fiscal year 2007 under the Executive Incentive Plan. For fiscal year 2007, the Committee determined that Carol A. Bartz, Carl Bass, George M. Bado, Jan Becker,

and Alfred J. Castino, would be participants in the Plan. For each participant, the Committee established a target award equal to a specified percentage of such participant's base salary. The Committee also determined a payout formula for each participant related to achievement of certain growth in revenues as compared to fiscal 2006 as well as certain operating margin levels. The Committee determined that attainment of each such performance goal would be measured by adjusting the evaluation of performance goal performance to exclude (i) any extraordinary non-recurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial conditions and results of operations appearing in our annual report to stockholders for the applicable year, or (ii) the effect of any changes in accounting principles affecting the Company's or a business unit's reported results.

The actual bonuses payable for fiscal year 2007 (if any) will vary depending on the extent to which actual performance meets, exceeds or falls short of the goals approved by the Committee. In addition, the Committee retains discretion to reduce or eliminate (but not increase) the bonus that otherwise would be payable based on actual performance. Moreover, each of the individuals named above must remain an employee for all of fiscal year 2007 in order to be eligible for any bonus.

Employment Agreements and Change In Control Arrangements

Employment Agreement with Carol A. Bartz. In April 1992, Autodesk entered into an agreement with Carol A. Bartz that provides, among other things, for a severance payment equal to two years' base salary and incentive compensation in the event Ms. Bartz's employment is terminated without cause within two years after commencement of employment or one year after a change in control of Autodesk not approved by the Board of Directors or two years' base compensation in the event Ms. Bartz's employment is terminated without cause under any other circumstances.

Executive Change in Control Program. In March 2006, the Board of Directors approved an amended and restated Executive Change in Control Program (the "Change in Control Program"), in an effort to ensure the continued service of Autodesk's key executives in the event of a future change in control event. Each of Autodesk's current executive officers, among other employees, participates in the Change in Control Program. Under the terms of the Change in Control Program, if, within 12 months of a Change in Control (as defined below), an executive officer who participates in the Program is terminated without cause, or voluntarily terminates his or her employment on account of good reason, he or she will receive:

- An amount equal to the executive officer's annual base compensation and average annual bonus, payable bimonthly over a 12 month period;
- The acceleration of such executive officer's stock options with respect to the number of shares that would have vested within the 12 months following the date of the executive officer's termination; and
- Continued coverage of medical, dental and vision insurance until the earlier of 12 months from the date of termination or when he or she becomes covered under another employer's employee benefit plans.

If the executive officer is terminated for any other reason, he or she will receive severance or other benefits only to the extent he or she would be entitled to receive those benefits under Autodesk's then-existing benefit plans and policies.

If the benefits provided under the Change in Control Program constitute parachute payments under Section 280G of the Internal Revenue Code and are subject to the excise tax imposed by Section 4999 of the Internal Revenue Code, then such benefits will be (1) delivered in full, or (2) delivered to such lesser extent that would result in no portion of the benefits being subject to the excise tax, whichever amount results in the receipt of the greatest amount of benefits.

As defined in the Change in Control Program, a "Change in Control" means:

- The acquisition of beneficial ownership by any person, directly or indirectly, of 50% or more of the total voting power represented by Autodesk's then-outstanding voting securities;
- The consummation of the sale or disposition of all or substantially all of Autodesk's assets;

- The consummation of a merger or consolidation of Autodesk with any other corporation, other than a merger or consolidation where the outstanding voting securities of Autodesk immediately prior to the merger or consolidation continue to represent at least 60% of the voting power of the surviving entity immediately after such merger or consolidation; or
- A change in the composition of the Board of Directors, which results in the incumbent directors representing less than a majority of the entire Board of Directors.

Rule 10b5-1 Trading Plans. During fiscal 2005 and fiscal 2006, Carol A. Bartz, Carl Bass, George M. Bado, Jan Becker, Alfred J. Castino and Marcia K. Sterling adopted pre-arranged stock trading plans to, over time, exercise certain options to purchase our Common Stock and automatically sell the shares issued on exercise of such options in accordance with each plan's specifications. These plans were established as part of the officers' individual long-term strategies for asset diversification and liquidity and must be in effect at least 90 days before trading commences. Each such plan was adopted in accordance with guidelines specified under Rule 10b5-1 of the Exchange Act, as well as guidelines adopted by our Board of Directors for individuals who elect to enter into 10b5-1 trading plans.

Related Party Transactions

During fiscal 2006, the law firm of Wilson Sonsini Goodrich & Rosati, Professional Corporation, acted as principal outside counsel to Autodesk. Mark A. Bertelsen, a director of Autodesk, is a member of Wilson Sonsini Goodrich & Rosati, Professional Corporation. Payments by Autodesk to Wilson Sonsini Goodrich & Rosati were less than one percent of such firm's revenues in the last fiscal year. We believe that the services performed by Wilson Sonsini Goodrich & Rosati were provided on terms no more or less favorable than those with unrelated parties.

William Marr, Jr., Carol A. Bartz's stepson, is employed by Autodesk Software (China) Co., Ltd., a wholly-owned subsidiary of Autodesk. In fiscal 2006, Mr. Marr received approximately \$70,946 in compensation representing annual salary and certain expatriate allowances.

Compensation Committee Interlocks and Insider Participation

No member of the Compensation and Human Resources Committee is or was formerly an officer or employee of Autodesk or any of its subsidiaries. No interlocking relationship exists between any member of our Compensation and Human Resources Committee and the compensation committee of any other company, nor has any such interlocking relationship existed in the past.

EMPLOYEE AND DIRECTOR STOCK OPTIONS

Option Program Description

Autodesk maintains two active stock option plans for the purpose of granting stock options to employees and members of Autodesk's Board of Directors: the 2006 Employee Stock Plan (available only to employees) and the 2000 Directors' Option Plan (available only to non-employee directors). The 2006 Employee Stock Plan was approved by the stockholders in November 2005 and became effective in March 2006. Additionally, there are eight expired plans or terminated plans with options outstanding, including the 1996 Stock Plan (available only to employees), which expired in March 2006, and the Nonstatutory Stock Option Plan (available only to non-executive employees and consultants), which was terminated by the Board of Directors in December 2004. In addition to its stock option plans, the Company's employees are also eligible to participate in Autodesk's 1998 Employee Qualified Stock Purchase Plan.

Our stock option program is broad-based and designed to promote long-term retention. Essentially all of our employees are eligible to participate. Approximately 85% of the options we granted during fiscal 2006 were awarded to employees other than Named Executive Officers as detailed below. Options granted under our equity plans generally vest over periods ranging from one to five years and expire within six to ten years of the date of grant. The exercise price of the stock options is equal to the closing price of our Common Stock on The Nasdaq Stock Market on the grant date.

All stock option grants to executive officers are made by the Compensation and Human Resources Committee of the Board of Directors. All members of the Compensation and Human Resources Committee are independent directors, as defined by the listing standards of The Nasdaq Stock Market. See "Report of the Compensation and Human Resources Committee of the Board of Directors" for further information concerning Autodesk's policies and procedures regarding the use of stock options. Grants to our non-employee directors are non-discretionary and are pre-determined by the terms of the 2000 Directors' Option Plan.

In 2005, our Board of Directors established a policy limiting the aggregate number of shares of our Common Stock underlying awards that could be granted under our 1996 Stock Plan and our 2006 Employee Stock Plan in any fiscal year to 3% of our outstanding Common Stock on the first day of our fiscal year (the "3% Limitation"). Certain awards granted under such plans are not used in calculating the 3% Limitation (i.e., awards granted in connection with a business combination or awards granted in connection with the hiring of a senior executive officer). In fiscal 2006, we granted awards under our 1996 Stock Plan and our 2006 Employee Stock Plan that constituted 2.92% of our outstanding Common Stock on the first day of fiscal 2006, excluding awards granted in connection with a business combination or awards granted in connection with the hiring of a senior executive officer.

The following tables provide information about our stock option programs, including distribution and dilutive effect, option plan balances and in-the-money and out-of-the-money options.

Distribution and Dilutive Effect of Options

The following table provides information about the distribution and dilutive effect of our stock options for the three fiscal years ended January 31, 2004, January 31, 2005 and January 31, 2006.

	Fiscal Year Ended January 31,		
	2004	2005	2006
Net grants during the period as % of outstanding shares	3.1%	3.9%	2.3%
Grants to Named Executive Officers during the period as % of total options granted	11.7%	15.9%	14.9%
Grants to Named Executive Officers during the period as % of outstanding shares	0.7%	0.8%	0.4%
Cumulative options held by Named Executive Officers as % of total options outstanding	20.9%	25.2%	22.5%

General Option Information

Our stock option activity for the fiscal years ended January 31, 2005 and January 31, 2006, is summarized as follows.

(Shares in thousands)	Shares Available for Options	Options Outstanding	
		Number of Shares	Weighted Average Price Per Share (\$)
Options outstanding at January 31, 2004	19,894	52,936	\$ 8.40
Granted	(11,550)	11,550	17.52
Exercised	—	(25,445)	8.46
Canceled	2,607	(2,635)	9.46
Additional shares reserved	8,455	—	—
Reduction to shares available for future issuance approved by the Board of Directors in March 2005	(10,000)	—	—
Options outstanding at January 31, 2005	9,406	36,406	11.17
Granted	(6,824)	6,824	32.39
Options assumed in an acquisition	—	198	2.28
Exercised	—	(11,875)	9.36
Canceled	1,272	(1,511)	15.33
Additional shares reserved	750	—	—
Options outstanding at January 31, 2006	4,604(1)	30,042	\$16.44

(1) This amount does not include 9.65 million shares reserved for issuance under our 2006 Employee Stock Option Plan, which became effective in March 2006.

In-the-Money and Out-of-the-Money Option Information

The following table compares the number of shares subject to option grants with exercise prices at or below the closing price of our Common Stock at January 31, 2006 (“in-the-money”) with the number of shares subject to option grants with exercise prices greater than the closing price of our Common Stock at the same date (“out-of-the-money”). The closing price of our Common Stock on January 31, 2006 was \$40.59 per share.

(Shares in thousands)	Exercisable		Unexercisable		Total	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
In-the-Money	12,514	\$10.13	16,614	\$ 19.63	29,128	\$ 15.55
Out-of-the-Money	—	—	914	44.86	914	44.86
Total Options Outstanding	12,514	\$10.13	17,528	\$ 20.95	30,042	\$ 16.44

Option Grants in Last Fiscal Year

The following table sets forth, as to the Named Executive Officers, information concerning stock options granted during the fiscal year ended January 31, 2006.

Name	Individual Grants					Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (4)	
	Number of Securities Underlying Options Granted (1)	Percent of Total Options Granted to Employees in Fiscal Year (2)	Exercise Price	Expiration Date (3)	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (4)		
					5%	10%	
Carol A. Bartz	500,000	7.33%	\$30.15	3/10/12	\$6,137,039	\$14,301,910	
Carl Bass	250,000	3.66%	30.15	3/10/12	3,068,519	7,150,955	
George M. Bado	90,000	1.32%	30.15	3/10/12	1,104,667	2,574,344	
Alfred J. Castino	90,000	1.32%	30.15	3/10/12	1,104,667	2,574,344	
Marcia K. Sterling	90,000	1.32%	30.15	3/10/12	1,104,667	2,574,344	

- (1) The options in this table are incentive stock options or nonstatutory stock options granted under the 1996 Stock Plan, and have exercise prices equal to the fair market value of our Common Stock on the date of grant. Generally, all such options have ten year terms and vest over one to five years. The shares subject to each option will immediately vest in full in the event the Company is acquired by merger or asset sale, unless the option is to be assumed by the acquiring entity. In addition, under the Change in Control Program, in the event that the Company terminates any of the Named Executive Officers within 12 months following a change in control, the shares subject to each option will vest as to the number of shares that would have vested within the 12 months following such termination.
- (2) The Company granted options to purchase 6.8 million shares of Common Stock in the fiscal year ended January 31, 2006 to 3,509 employees.
- (3) The options in this table may terminate before their expiration upon the termination of the optionee's status as an employee or upon the optionee's disability or death.
- (4) Under rules promulgated by the SEC, the amounts in these two columns represent the hypothetical gain or "option spread" that would exist for the options in this table based on assumed stock price appreciation from the date of grant until the end of such options' seven-year term at assumed annual rates of 5%, and 10%. Annual compounding results in total appreciation of 41% (at 5% per year) and 95% (at 10% per year). The 5% and 10% assumed annual rates of appreciation are specified in SEC rules and do not represent the Company's estimate or projection of future stock price growth. The Company does not necessarily agree that this method can properly determine the value of an option, and there can be no assurance that the potential realizable values shown in this table will be achieved.

Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table sets forth, as to the Named Executive Officers, certain information concerning stock options exercised during the fiscal year ended January 31, 2006, and the number of shares of our Common Stock subject to both exercisable and unexercisable stock options as of January 31, 2006. Also reported are values for “in-the-money” options that represent the positive spread between the respective exercise prices of outstanding stock options and the fair market value of our Common Stock as of January 31, 2006. The market value of the underlying securities is based on \$40.59, the closing price per share of our Common Stock on January 31, 2006.

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Securities Underlying Unexercised Options at Fiscal year End		Value of Unexercised In-The Money Options at Fiscal Year End	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Carol A. Bartz	2,623,804	\$80,451,795	3,090,772	1,810,000	\$96,675,118	\$42,614,900
Carl Bass	455,000	11,443,709	2	862,500	66	19,143,750
George M. Bado	110,000	3,262,844	—	290,000	—	6,755,425
Alfred J. Castino	84,000	2,591,213	106,500	302,500	3,287,235	7,214,375
Marcia K. Sterling	162,500	4,164,473	—	287,500	—	6,712,475

Equity Compensation Plan Information

The following table summarizes the number of outstanding options granted to employees and directors, as well as the number of securities remaining available for future issuance, under the Company’s equity compensation plans as of January 31, 2006.

(shares in thousands)	(a)	(b)	(c)
Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	26,325	\$17.40	18,755(2)
Equity compensation plans not approved by security holders (3)	<u>3,717</u>	<u>9.63</u>	<u>—</u>
Total	30,042	\$16.44	18,755

- (1) Included in these amounts are 0.2 million securities available to be issued upon exercise of outstanding options with a weighted-average exercise price of \$3.93 related to equity compensation plans assumed in connection with previous business mergers and acquisitions.
- (2) This amount includes 14.2 million securities available for future issuance under Autodesk’s 1998 Employee Qualified Stock Purchase Plan. This amount does not include 9.65 million securities available for future issuance under our 2006 Employee Stock Plan, which became effective in March 2006.
- (3) Amounts correspond to Autodesk’s Nonstatutory Stock Option Plan, which was terminated by the Board of Directors in December 2004.

The 1996 Stock Plan was adopted by the stockholders in 1996. Employees, including executive officers and the members of the Board of Directors, are eligible to participate in the 1996 Stock Plan. The 1996 Stock Plan is intended to help the Company attract and retain outstanding individuals in order to promote the Company's success. Incentive stock options (that is, options that entitle the optionee to special U.S. income tax treatment) and nonstatutory stock options may be granted under the 1996 Stock Plan. Options granted under the 1996 Stock Plan generally vest over periods ranging from one to five years and expire within ten years of date of grant. The exercise price of the stock options granted under the 1996 Stock Plan is equal to the closing price of our Common Stock on The Nasdaq Stock Market on the grant date. The 1996 Stock Plan expired in March 2006.

Our Nonstatutory Stock Option Plan, which is not subject to stockholder approval, was adopted in 1996 and terminated by the Board of Directors in December 2004. The Nonstatutory Stock Option Plan permitted the grant to eligible employees of options to purchase up to 16.9 million shares, all of which have been previously granted. Executive officers and members of the Board of Directors were not eligible to participate in this plan. The Nonstatutory Stock Option Plan was intended to help the Company attract and retain outstanding individuals in order to promote the Company's success. Only nonstatutory stock options were granted under the Nonstatutory Stock Option Plan.

Our 1998 Employee Qualified Stock Purchase Plan was adopted by the stockholders in 1998. The 1998 Employee Qualified Stock Purchase Plan is intended to help the Company attract and retain outstanding individuals in order to promote the Company's success. The 1998 Employee Qualified Stock Purchase Plan provides employees of the Company with an opportunity to purchase Common Stock through accumulated payroll deductions. Under the 1998 Employee Qualified Stock Purchase Plan, eligible employees may purchase shares of Common Stock at their discretion using up to 15% of their compensation subject to certain limitations, at not less than 85% of fair market value as defined in the plan agreement.

Our 2000 Directors' Option Plan was adopted by the stockholders in 2000. The 2000 Directors' Option Plan provides for the automatic grant of nonstatutory options to non-employee directors of the Company. The 2000 Directors' Option Plan is intended to help the Company attract and retain highly skilled individuals as directors of the Company, to provide additional incentive to the non-employee directors of the Company to serve as directors and encourage their continued service on the Board of Directors, and to encourage equity ownership by directors in order to align their interests with those of the stockholders. The exercise price of the stock options granted under the 2000 Directors' Option Plan is equal to the closing price of our Common Stock on The Nasdaq Stock Market on the grant date.

The 2006 Employee Stock Plan was adopted by the stockholders in November 2005 and became effective in March 2006. Employees, including executive officers, are eligible to participate in the 2006 Employee Stock Plan. The 2006 Employee Stock Plan is intended to help the Company attract and retain outstanding individuals in order to promote the Company's success. Incentive stock options and nonstatutory stock options may be granted under the 2006 Employee Stock Plan. Options granted under the 2006 Employee Stock Plan generally vest over periods ranging from one to four years and expire within six years of date of grant. The exercise price of the stock options granted under the 2006 Employee Stock Plan is equal to the closing price of our Common Stock on The Nasdaq Stock Market on the grant date.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Audit Committee is a committee of the Board of Directors comprised solely of independent directors as required by the listing standards of The Nasdaq Stock Market and rules of the SEC. The Audit Committee operates under a written charter adopted by the Board of Directors, a copy of which is attached to this Proxy Statement as *Appendix A*. The composition of the Audit Committee, the attributes of its members and the responsibilities of the Audit Committee, as reflected in its charter, are intended to be in accordance with applicable requirements for corporate audit committees. The Audit Committee reviews and assesses the adequacy of its charter on an annual basis.

As described more fully in its charter, the purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing the financial reporting, the systems of internal control and the audit process; and by monitoring compliance with applicable laws, regulations and policies.

The Audit Committee reviewed and discussed the audited financial statements for fiscal year 2006 with management and Ernst & Young LLP, Autodesk's independent auditors. Management is responsible for the quarterly and annual financial statements and the reporting process, including the systems of internal controls. Ernst & Young LLP is responsible for expressing an opinion on the conformity of our audited financial statements with generally accepted accounting principles. In addition, we received from and discussed with Ernst & Young LLP the written disclosures and the letter required by Independence Standards Board Standard No. 1, "Independence Discussions with Audit Committees," discussed Ernst & Young LLP's independence with them, and discussed with Ernst & Young LLP the matters required to be discussed by Statement on Auditing Standards No. 61, "Communications with Audit Committees," each as currently in effect. We also discussed with management and with Ernst & Young LLP the evaluation of Autodesk's internal controls and the effectiveness of Autodesk's internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002.

The Audit Committee discussed with Autodesk's internal and independent auditors the overall scope and plans for their respective audits. In addition, the Audit Committee met with the internal and the independent auditors, with and without management present, and discussed the results of their examinations and the overall quality of Autodesk's financial reporting.

On the basis of these reviews and discussions, the Audit Committee recommended to the Board of Directors (and the Board of Directors has approved) that Autodesk's audited financial statements be included in Autodesk's Annual Report on Form 10-K for the fiscal year ended January 31, 2006 for filing with the SEC.

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Mary Alice Taylor, Chairman
Steven L. Scheid
Larry W. Wangberg

REPORT OF THE COMPENSATION AND HUMAN RESOURCES COMMITTEE OF THE BOARD OF DIRECTORS

The Compensation and Human Resources Committee of the Board of Directors is comprised of three non-employee directors. Members of this Committee are required to meet the “independent director” requirements of the listing standards of The Nasdaq Stock Market, the “non-employee director” requirements of Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934 and the “outside director” requirements of Section 162(m) of the Internal Revenue Code of 1986. The Compensation and Human Resources Committee consists of Crawford W. Beveridge, Chairman, J. Hallam Dawson and Michael J. Fister.

The purpose of the Compensation and Human Resources Committee is to protect stockholder interests and promote stockholder value by ensuring the Company has programs in place to attract, retain and develop a highly effective management team and to discharge the Board’s responsibilities relating to certain compensation matters of the Company.

Specifically, the Compensation and Human Resources Committee is responsible for approving the philosophy and structure of the policies and programs that determine the compensation of our executive officers. The Compensation and Human Resources Committee sets base cash compensation and bonus compensation on an annual basis for the Chief Executive Officer and other executive officers of Autodesk and, in addition, has exclusive authority to grant stock options to executive officers. The Compensation and Human Resources Committee considers both internal data, including financial and non-financial corporate goals and individual performance, as well as data from outside compensation consultants and independent executive compensation data from comparable high technology companies, in determining executive officers’ compensation.

The Compensation and Human Resources Committee also reviews Autodesk’s executive and leadership development policies, practices and plans to ensure that they support the Company’s ability to retain and develop the superior executive and leadership talent required to deliver against the Company’s short term and long term business strategies.

Compensation Philosophy

Autodesk operates in an extremely competitive and rapidly changing high technology industry. When creating policies and making decisions concerning executive compensation, the Compensation and Human Resources Committee strives to:

- ensure that the executive team has clear goals and accountability with respect to financial and non-financial corporate performance;
- establish pay opportunities that are competitive based on prevailing practices for the industry, the stage of growth of Autodesk and the dynamic and challenging high technology labor markets in which Autodesk operates;
- independently assess the Company’s operating results on a regular basis as our expected performance relates to incentive compensation targets; and
- align pay incentives with the long-term interests of our stockholders.

The Compensation and Human Resources Committee’s actions for the fiscal year ended January 31, 2006, were influenced by improving general economic conditions, as well as Autodesk’s improved performance during the year.

Compensation Program

Autodesk’s executive compensation program has three major components, all of which are intended to attract, retain and motivate highly effective executives:

1. *Base salary* for executive officers is set annually by reviewing the competitive pay practices of comparable high technology companies. Local, national and, for international executives, foreign compensation data are examined and taken into account, along with the skills and performance of the individual and the needs of Autodesk.

2. *Cash incentive compensation* is designed to motivate executives to attain short-term and longer-term corporate, business unit and individual management goals. The actual annual cash bonuses received by an executive depend upon attainment of these specified business goals, together with discretionary analysis of individual contribution, within the limits of the stockholder approved Executive Incentive Plan. Incentive bonuses for fiscal year 2006 were based upon our financial results, which exceeded the established targets, as well as the achievement of other corporate and individual goals and related contributions to our success. In setting goals and measuring performance against those goals, the Compensation and Human Resources Committee considers compensation practices among companies competing for a common employee pool, as well as general economic and market conditions. It is the intention of the Compensation and Human Resources Committee in fiscal year 2007 to continue a strong correlation between the achievement of specific financial targets and corporate goals and the payment of incentive cash compensation to our officers and other executives.

3. *Equity-based incentive compensation* has been provided to employees and management through our stock incentive plans. Under these plans, officers and employees are eligible to be granted stock options based on competitive market data, as well as their responsibilities and position at Autodesk. These options allow participants to purchase shares of our Common Stock at the market price on the date of the grant, subject to vesting during the participant's employment with Autodesk. Employees are also permitted to purchase shares of our Common Stock, subject to certain limitations, at 85% of fair market value under the Employee Stock Purchase Plan. The purpose of these stock plans is to instill the economic incentives of ownership and to create management incentives to improve stockholder value. Our stock option plans utilize vesting periods to encourage employees and executives to remain with Autodesk and to focus on longer-term results. Further, in December 2004, the Compensation and Human Resources Committee and the full Board of Directors established stock ownership guidelines for executive officers that are designed to encourage long term stock ownership in the Company and more closely link executive officer interests with those of our stockholders.

In making compensation determinations, the Compensation and Human Resources Committee utilizes independent third-party executive compensation surveys as well as analysis of proxy statements for comparably-sized software companies to assess an appropriate level of pay for performance. The Compensation and Human Resources Committee believes that Autodesk's executive compensation program falls within the typical range of compensation programs offered by comparable high technology companies.

Chief Executive Officer Compensation

In determining Ms. Bartz's compensation for the fiscal year ended January 31, 2006, the Compensation and Human Resources Committee reviewed industry proxy statements and surveys of compensation paid to chief executive officers of comparable companies, with a focus on those companies located in the San Francisco Bay Area, and evaluated achievement of corporate and individual objectives for the fiscal year.

In addition, like other executive officers, Ms. Bartz was eligible to receive an incentive bonus determined on the basis of achievement of financial and non-financial individual and corporate goals and contribution to our success, within the limits of the stockholder approved Executive Incentive Plan. Based on the Company's achievement against the financial targets set at the beginning of the fiscal year, Ms. Bartz received a bonus of \$1,700,000 for fiscal year 2006. In recognition of her contribution to Autodesk's performance, Ms. Bartz was granted options to buy an aggregate of 500,000 shares of Autodesk stock during fiscal year 2006. Ms. Bartz is one of the executive officers of the Company covered by the stock ownership guidelines established in December 2004. We believe it is critical to the Company's long-term success to continue to tie our Chief Executive Officer's financial incentives to our performance and to align individual financial interests with those of stockholders.

In accordance with our Corporate Governance Guidelines, which were adopted by the Board of Directors in December 1995, the Compensation and Human Resources Committee consults with the full Board of Directors in executive session prior to finalizing Ms. Bartz's base salary, incentive compensation payout for the prior year, incentive compensation targets for the current year and stock option grants.

Other Executive Compensation

Autodesk provides certain compensation programs to executives that are also available to our other employees, including pre-tax savings plans and medical/dental/vision benefits. There are no pension programs except where prescribed by law in countries other than the United States. We generally do not provide executive perquisites such as club memberships. In fiscal year 1998, we introduced a Deferred Compensation Program for executives, which Autodesk subsequently extended to other key employees. In 2004, the Board of Directors approved a new 2005 Deferred Compensation Plan intended to comply with the requirements of Section 409A of the Code, recently enacted under the American Jobs Creation Act of 2004. Section 409A imposes a number of requirements on non-qualified deferred compensation plans, primarily relating to the timing of elections and distributions. Beginning in calendar year 2005, all participants in the Deferred Compensation Program defer compensation under the 2005 Deferred Compensation Plan.

Deductibility of Executive Compensation

Section 162(m) of the Internal Revenue Code of 1986, as amended, limits the federal income tax deductibility of compensation paid to our chief executive and to each of the other four most highly compensated executive officers. We generally may deduct compensation with respect to any of these individuals only to the extent that during any fiscal year such compensation does not exceed \$1.0 million or meets certain other conditions enabling it to be characterized as performance-based. Our 2006 Employee Stock Plan has been designed to permit this Committee to grant options and other equity compensation awards that are “performance-based” and thus fully tax-deductible. Similarly, our Executive Incentive Plan has been designed to permit us to pay cash incentives that qualify as “performance based” and thus are fully tax-deductible. However, we may from time to time pay compensation to our executives that is not deductible if we believe circumstances warrant for the good of Autodesk.

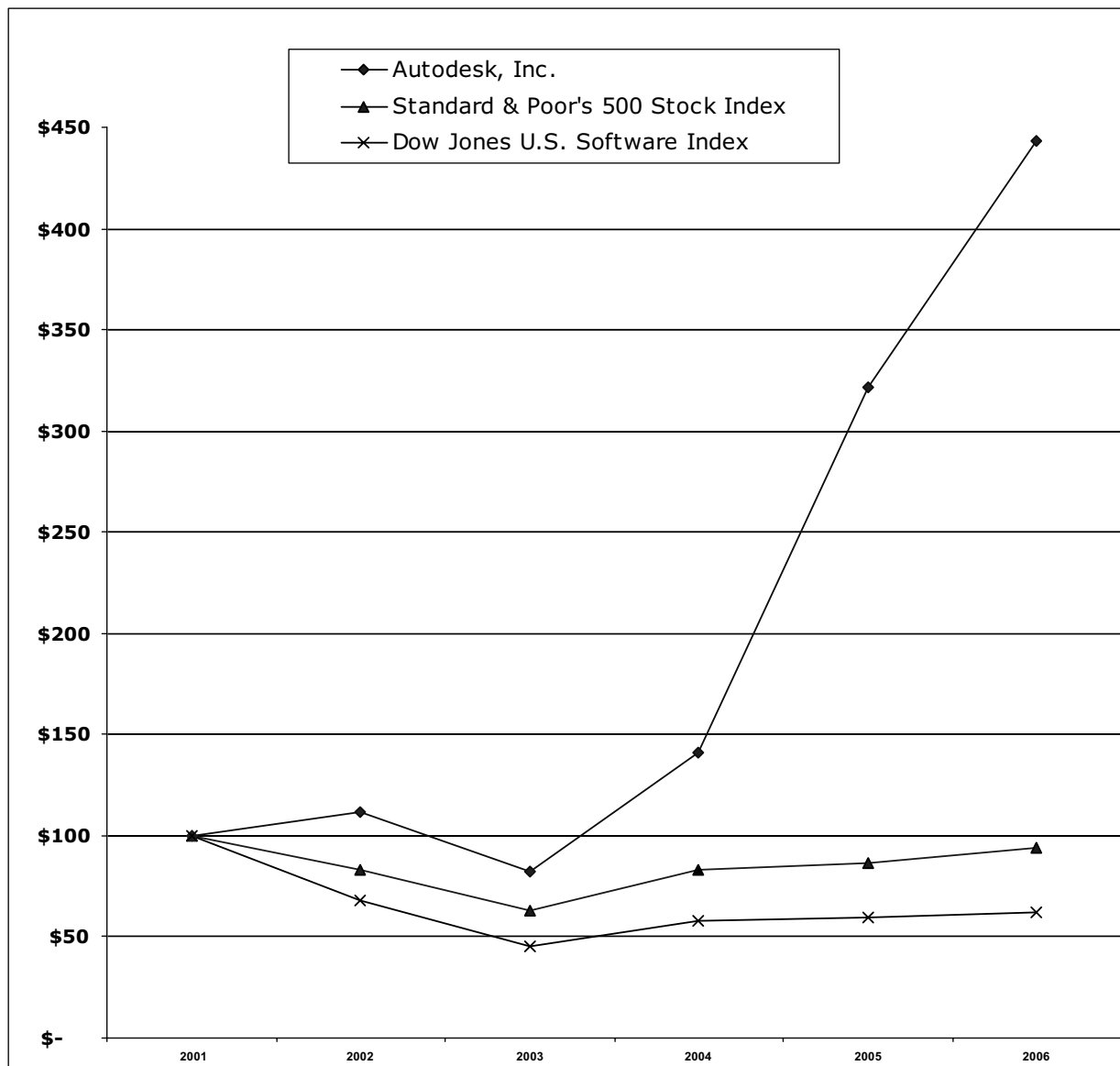
COMPENSATION AND HUMAN RESOURCES
COMMITTEE OF THE BOARD OF DIRECTORS

Crawford W. Beveridge, Chairman
J. Hallam Dawson
Michael J. Fister

COMPANY STOCK PRICE PERFORMANCE

The following graph shows a five-year comparison of cumulative total return (equal to dividends plus stock appreciation) for our Common Stock, the Standard & Poor's 500 Stock Index and the Dow Jones U.S. Software Index.

Comparison of Five Year Cumulative Total Stockholder Return (1)



(1) Assumes \$100 invested January 31, 2001, in the Company's stock, the Standard & Poor's 500 Stock Index, and the Dow Jones U.S. Software Index, with reinvestment of all dividends. Total stockholder returns for prior periods are not an indication of future investment returns.

OTHER MATTERS

The Board of Directors does not know of any other matters to be presented at the Annual Meeting. If any other matters are properly presented at the Annual Meeting, it is the intention of the persons named in the enclosed proxy to vote the shares they represent as the Board of Directors may recommend.

It is important that your shares be represented at the Annual Meeting, regardless of the number of shares that you hold. Therefore, you are urged to execute and return the accompanying proxy in the enclosed envelope at your earliest convenience.

THE BOARD OF DIRECTORS

April 28, 2006
San Rafael, California

APPENDIX A
Autodesk, Inc.
Audit Committee Charter

Purpose

Autodesk's Audit Committee is a committee of the Board of Directors. Committee members are appointed by and serve at the discretion of the Board of Directors. The Audit Committee is established to assist the Board in fulfilling its oversight responsibilities by reviewing the financial reporting, the systems of internal controls, and the audit process; and by monitoring compliance with applicable laws, regulations and policies. In discharging its responsibilities, the Committee shall have full access to all of Autodesk's books, records, facilities and personnel, and shall have full authority to engage counsel and such other advisors as it deems necessary.

The Committee's responsibility is one of oversight. The members of the Audit Committee are not employees of the Company, and they do not perform, or represent that they perform, the functions of management or the independent auditors. The Committee relies on the expertise and knowledge of management, the internal auditor and the independent registered accounting firm in carrying out its oversight responsibilities. The management of the Company is responsible for preparing accurate and complete financial statements in accordance with generally accepted accounting principles and for establishing and maintaining appropriate accounting principles and financial reporting policies and satisfactory internal control over financial reporting. The independent registered accounting firm is responsible for auditing the Company's annual consolidated financial statements and the effectiveness of the Company's internal control over financial reporting and reviewing the Company's quarterly financial statements. It is not the responsibility of the Committee to prepare or certify the Company's financial statements or guarantee the audits or reports of the independent auditors, nor is it the duty of the Audit Committee to certify that the independent auditor is "independent" under applicable rules. These are the fundamental responsibilities of management and the independent auditors.

Membership

The Audit Committee will consist of not less than three members of the Board of Directors. All members must be independent and financially literate, and at least one financially sophisticated, as such terms are defined for the purposes of service on an audit committee by the NASDAQ Marketplace Rules and the rules of the SEC. At least one member will be an "audit committee financial expert" as defined in the rules of the SEC. The Board of Directors will designate one member as Chairperson. Members of the Audit Committee will serve until a replacement member is appointed by the Board of Directors.

Meetings

The Audit Committee will generally meet eight times each year coincident with the timing of Board of Directors meetings and prior to the release of the Company's quarterly and annual fiscal year earnings. Each meeting will include an executive session, which will allow the Audit Committee to maintain free and open communications with the Company's independent auditors and internal audit department.

Reporting

The Audit Committee will keep minutes summarizing each meeting and report to the Board of Directors on its activities. If requested by the Board of Directors, the Audit Committee may invite the independent auditors to attend the full Board meeting to assist in reporting the results of their annual audit and answer questions from other directors. Alternatively, the other directors, particularly the other independent directors, may be invited to attend the Audit Committee meeting during which the results of the annual audit are reviewed or other Audit Committee meetings, as appropriate.

Responsibilities

The Audit Committee will:

1. Approve the selection, compensation, evaluation, and replacement of, and oversee the work of, the independent auditors (including the resolution of any disagreements between management and the independent auditor regarding financial reporting); and pre-approve all fees and terms of audit and non-audit engagements, including the audit engagement letter.
2. Have a clear understanding with management and the independent auditors that the independent auditors are ultimately accountable to the Audit Committee and the Board of Directors, as representatives of the Company's stockholders.
3. Monitor the independence and objectivity of the independent auditors and ensure that the Committee annually receives from the independent auditors the required formal written statement on their independence.
4. Prior to the annual independent audit, review with the independent auditors and financial management the scope of the independent audit and the areas of audit emphasis.
5. Review with management and the independent auditors the financial statements, including the Company's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations, prior to the filing of the Company's Annual Report on Form 10-K. Discuss with the independent auditors their judgment about the quality, not just acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity and completeness of the disclosures in the financial statements.
6. Discuss with management and the independent auditors the management letter and response and any other matters required to be communicated to the Audit Committee by the independent auditors.
7. Review with management and the independent auditors the interim financial statements, including the Company's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations, prior to the filing of the Company's quarterly report on Form 10-Q and discuss the results of the quarterly review and any other matters required to be communicated to the Audit Committee by the independent auditors.
8. Together with management, select and subsequently evaluate the internal audit head.
9. Approve the charter of the internal audit department and the annual internal audit plan.
10. Review the results of internal audit's activities, including evaluation of compliance with laws, regulations and Company policy.
11. Monitor actions taken to address matters noted in internal audit reports and in management letters issued by the independent auditors.
12. Discuss and review Autodesk's key internal accounting control policies and procedures and accounting policy changes.
13. Provide a forum for internal audit and the independent auditors to meet in closed session with the Audit Committee.
14. Establish and monitor the procedures for handling complaints regarding accounting, internal accounting controls, or auditing matters, including procedures for confidential, anonymous submission of concerns by employees regarding accounting and auditing matters.
15. Review compliance with Autodesk's Related Party and Non-routine Transactions Policy, including reviewing and approving in advance any proposed related party transactions.
16. Review the Company's plans and subsequent progress in addressing and resolving significant operational or other issues as they may arise.

17. Review and reassess this charter at least annually and submit it to the Board of Directors for approval.
18. Require an annual assessment of the performance of the Audit Committee.
19. Submit for inclusion in the Company's annual Proxy Statement the audit committee disclosures required by the SEC and NASDAQ Marketplace Rules, including the Audit Committee Report and the confirmation of the existence of a written charter (and its publication at least every three years), and confirm to the Board of Directors the independence and financial literacy of Audit Committee members.
20. Review and investigate other matters within the scope of the Audit Committee's duties, as deemed necessary.

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended January 31, 2006
or

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

Commission File Number: 0-14338

AUTODESK, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

**111 McInnis Parkway,
San Rafael, California**

(Address of principal executive offices)

94-2819853

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

94903

(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

None

Name of each exchange on which registered

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$0.01 Par Value

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 ("Exchange Act"). Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer

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 July 29, 2005, the last business day of the registrant's most recently completed second fiscal quarter, there were approximately 203.6 million shares of the registrant's common stock outstanding that were held by non-affiliates, and the aggregate market value of such shares held by non-affiliates of the registrant (based on the closing sale price of such shares on the NASDAQ National Market on July 29, 2005) was approximately \$7.0 billion. Shares of the registrant's common stock held by each executive officer and director and by each entity that owns 5% or more of the registrant's outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 1, 2006, registrant had outstanding approximately 230.1 million shares of common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for registrant's Annual Meeting of Stockholders to be held June 8, 2006, are incorporated by reference in Part III of this Form 10-K. The Proxy Statement will be filed within 120 days of the Registrant's fiscal year ended January 31, 2006.

AUTODESK, INC. FORM 10-K

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FORWARD-LOOKING INFORMATION

This Annual Report on Form 10-K contains forward-looking statements that are subject to assumptions, risks and uncertainties, many of which are discussed throughout this Annual Report, under Item 1A, "Risk Factors," and elsewhere. Actual results may vary from those projected in the forward-looking statements. Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. If our assumptions about the future do not materialize or prove to be incorrect, the results could differ materially from those expressed or implied by such forward-looking statements. Accordingly, you should not place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. A forward-looking statement is any statement that looks to future events, including any statements regarding the markets for our products or the success of our products in these markets, as well as any statements of expectation, plans, strategies and objectives of management for the future and any statement of assumptions underlying any of the foregoing. In some cases, you can identify a forward looking statement by such terms as "may," "believe," "could," "anticipate," "would," "might," "plan," "expect," and similar expressions or the negative of these terms or other comparable terminology. We assume no obligation to update these forward-looking statements to reflect events that occur or circumstances that exist after the date on which they were made.

PART I

ITEM 1. BUSINESS

GENERAL

Autodesk is one of the world's leading design software and services companies. We offer solutions to customers in the building, manufacturing, infrastructure and digital media markets that enable them to create, manage and share their data and designs digitally. Most of our solutions are PC-based. Our horizontal design solutions, AutoCAD and AutoCAD LT, are two of the most widely used general design software tools in the world. In addition, we offer a range of discipline-specific design and documentation tools including our AutoCAD based vertical solutions and our 3D design solutions. Our data management products allow users to more easily and efficiently manage digital design data and share it with downstream users. Our products are sold in over 160 countries, both directly and through our network of approximately 1,700 resellers and distributors. In addition, over 2,600 developers in the Autodesk Developer Network create interoperable products that further enhance our range of integrated solutions.

Our strategy is to deliver advanced solutions to create and leverage digital design data, in order to improve our customers' productivity throughout the design, building, manufacture and management of the customers' projects. To execute against this strategy, we are focused on delivering strong products on an annual release cycle, expanding our desktop offerings, migrating our customers to more advanced technologies and expanding in emerging markets such as project lifecycle management, and emerging economies, such as China, India and Eastern Europe.

We are organized into two reportable operating segments: the Design Solutions Segment, which accounted for 88.3% of net revenue in fiscal 2006, and the Media and Entertainment Segment, which accounted for 11.3% of net revenue in fiscal 2006. A summary of our net revenues and condensed results of operations for our business segments is found in Note 13, "Segments," in the Notes to Consolidated Financial Statements.

The Design Solutions Segment derives revenues from the sale of software products and services for professionals and consumers, who design, build, manage and own building projects; who design, manufacture and manage manufactured goods; and who design, build, manage and own infrastructure projects for both public and private users. The principal products sold by the Design Solutions Segment include AutoCAD and AutoCAD LT (2D design products), which accounted for 44% of our net revenues in fiscal 2006, discipline-specific design and documentation solutions built on AutoCAD and our 3D design products (Autodesk Inventor products, Autodesk Revit products and Autodesk Civil 3D), which accounted for 19% of our net revenues in fiscal 2006. In addition to software products, the Design Solutions Segment offers a range of services including consulting, support and training.

The Design Solutions Segment consists of a general design platform division and industry-specific business divisions. These are:

- Platform Technology Division and Other, which includes revenue from Autodesk Collaboration Services and Autodesk Consulting which provides integrated consulting, training and support for customers seeking maximum benefit and performance from our products
- Manufacturing Solutions Division
- Infrastructure Solutions Division
- Building Solutions Division

The Media and Entertainment Segment (formerly known as the Discreet Segment) develops software solutions which enable digital media content creators to extend their digital production pipelines across the value chain, increase their productivity and creativity, and repurpose their media across multiple distribution mediums and formats. Key markets served include PC and console game development, animation, film, television and design visualization. Our solutions provide 3D animation, color grading, visual effects compositing, editing and finishing, media mastering, encoding and workflow functionality for the creation of high-value digital media content.

In addition to the customers served by our Design Solutions Segment and our Media and Entertainment Segment, our Location Services Division offers a technology platform designed to deliver location-based applications to wired, mobile and wireless users. We market our product, LocationLogic, to wireless carriers and network operators around the world.

In the fourth quarter of fiscal 2006, we acquired Alias Systems Holdings, Inc. ("Alias"), a leading innovator of 3D graphics technology. Alias' flagship product, Maya, is an Academy-Award winning 3D application which expands Autodesk's offerings in the film and video and interactive games industries. In addition, the Alias Studio Tools products expand our offerings in the manufacturing sector with product conceptual design offerings. Alias products are being integrated into the Media and Entertainment Segment and the Manufacturing Solutions Division of the Design Solutions Segment.

We were incorporated in California in April 1982 and were reincorporated in Delaware in May 1994. Our principal executive office is located at 111 McInnis Parkway, San Rafael, California 94903. Our telephone number is (415) 507-5000.

PRODUCTS

Design Solutions Segment

The principal product offerings from the different divisions of the Design Solutions Segment are described below:

Platform Technology Division and Other

The Platform Technology Division and Other accounted for 55% of the Design Solutions Segment revenues and 48% of overall net revenues in fiscal 2006. The division's principal product offerings include:

AutoCAD

AutoCAD software, which accounted for more revenue than any other product is a customizable and extendable computer aided design (CAD) application for 2D drafting, detailing, design documentation and basic 3D design. AutoCAD provides digital tools that can be used independently and in conjunction with other specific applications in fields ranging from construction, to manufacturing, to process plant design and mapping. Architects, engineers, drafters and design related professionals use AutoCAD to create, manage and share critical design data.

AutoCAD LT

AutoCAD LT software is used for 2D drafting and detailing by design professionals in the architecture, construction, engineering, manufacturing and design industries who require full DWG file format compatibility and document sharing capability without the need for software customization or 3D functionality. Users can

share, with security, all design data with team members who use AutoCAD or Autodesk products built on AutoCAD. AutoCAD LT is our second largest revenue-generating product.

Autodesk Buzzsaw

Autodesk Buzzsaw, offered by Autodesk Collaboration Solutions, is an on-demand collaboration service that allows users to store, manage and share project information from any Internet connection. The Autodesk Buzzsaw online work environment integrates a secure project hosting service with CAD-related software, tools and services to enable increased project visibility, project reporting, project management, and integrated design review and markup. Users benefit from the ability to connect with their project team anytime, regardless of organizational or geographical boundaries. The primary markets targeted are homebuilders, retail hospitality, infrastructure, engineering and construction industries.

Manufacturing Solutions Division

The Manufacturing Solutions Division accounted for 19% of Design Solutions Segment revenues in fiscal 2006. The division provides the mainstream manufacturing industry with comprehensive design and data management solutions enabling our manufacturing customers to rapidly adopt 3D design, create designs in a simple 2D/3D environment, manage design data for additional business processes, and share design data across the enterprise and with the supply chain. The division's principal product offerings include:

Autodesk Inventor Series and Autodesk Inventor Professional

Autodesk Inventor Series and Autodesk Inventor Professional account for a majority of the Manufacturing Solution Division's revenues. The Autodesk Inventor Series delivers Autodesk Mechanical Desktop, based on AutoCAD software, and Autodesk Inventor software, in one solution. Autodesk Inventor software is a 3D mechanical design creation tool that provides users a 3D assembly-centric solid modeling system and 2D drawing production system together with adaptive design functionality. Users benefit from on-demand large assembly segment loading, adaptive design, layout and assembly functionality for solving function before form, built-in collaboration and design management tools and AutoCAD file compatibility. Customers who purchase Autodesk Inventor Professional have access to additional specialized capabilities for efficiently creating wire harness and cabling, plus integrated finite element analysis.

AutoCAD Mechanical

AutoCAD Mechanical software offers 2D mechanical design and engineering tools that are seamlessly compatible with all AutoCAD-based applications.

Autodesk AliasStudio

Autodesk AliasStudio industrial and automotive design suite of software integrates all stages of the design process from concept, to engineering, to manufacturing, adding industrial design and high-end visualization capabilities to our manufacturing solutions.

Infrastructure Solutions Division

The Infrastructure Solutions Division accounted for 13% of Design Solutions Segment revenues in fiscal 2006. The division's integrated Autodesk Spatial Information ("SIM") solutions enable our infrastructure customers to compile, analyze and maintain digital design and mapping information, design and manage physical infrastructure projects, and distribute geospatial information on the web. Our infrastructure customers include utilities, governments, and civil engineering firms. The division's principal product offerings include:

Autodesk Civil 3D

Autodesk Civil 3D design and drafting software delivers dynamic, model-based design to the civil engineering industry. It enables customers to create designs, make extensive updates, and perform multiple "what-if" scenarios with speed and flexibility.

Autodesk Map 3D

Autodesk Map 3D software provides practical mapping functionality to engineers and geospatial professionals who need an open, flexible way to integrate CAD and geographic information system (“GIS”) data throughout their organization. It contains the complete AutoCAD toolset to enhance productivity, and also offers specialized functionality for map cleanup, geospatial analysis, and access to GIS data sources.

Autodesk Land Desktop

Autodesk Land Desktop provides powerful productivity and drafting tools for planning professionals to create parcel and land plans from large data sets. Based on the AutoCAD software and built around a centralized product structure that stores critical data points, Autodesk Land Desktop facilitates sharing plans with colleagues and customers.

Building Solutions Division

The Building Solutions Division accounted for 13% of Design Solutions Segment revenues in fiscal 2006. The division’s solutions range from the most advanced technology for building information modeling (“BIM”) — a new paradigm for building design, documentation and construction — to the most widely adopted discipline-specific drawing solutions. Supporting information and management needs throughout the building lifecycle, Autodesk building industry solutions enable customers to eliminate inefficiencies in building design, construction and management. The division’s principal product offerings include:

Autodesk Architectural Desktop

Designed for architects and built on the familiar AutoCAD platform, Autodesk Architectural Desktop software supports existing 2D design practices while enabling users to gradually introduce increasingly powerful industry-specific features to save time and improve coordination. It offers flexibility in implementation, the efficiency of real-world building objects and AutoCAD-based design and documentation productivity for architects.

Autodesk Revit Building and Autodesk AutoCAD Revit Series

Purpose-built for BIM, Autodesk Revit Building and Autodesk AutoCAD Revit Series software collects information about the building project and coordinates this information across all other representations of the project so that every drawing sheet, 2D and 3D view and schedule is based on internally consistent, coordinated information from the same underlying building database. Autodesk Revit Building and Autodesk AutoCAD Revit Series software provides architects, design-build teams and other building industry professionals a complete architectural design and documentation system that works the way they think.

Autodesk Building Systems

Autodesk Building Systems software provides AutoCAD-based design and construction documentation for mechanical/electrical/plumbing (MEP) engineers, designers and drafters. It increases productivity, accuracy, and coordination by maximizing the efficiency of AutoCAD-based engineering workflows, while minimizing coordination errors within the mechanical, electrical, and plumbing engineering design team as well as with architects and structural engineers.

Media and Entertainment Segment

The principal product offerings from the Media and Entertainment Segment are described below:

Autodesk 3ds Max and Autodesk Maya

Autodesk 3ds Max software and Autodesk Maya software are comprehensive professional 3D modeling, animation and rendering applications providing advanced tools for character animation, feature film and game development, design visualization and visual effects production. Animators, designers, film and game developers

benefit from unified, object-oriented platforms, customizable real-time interfaces, multiple-processor support and 3D graphics acceleration capabilities, as well as support for a wide range of third party plug-ins. We intend to continue development of both Autodesk 3ds Max and Autodesk Maya and to improve the workflow integration of the two products as these products address different customer needs in the design workflow.

Discreet Flame, Discreet Flint and Discreet Inferno

Discreet Flame, Discreet Flint and Discreet Inferno systems are our scalable line of interactive real-time visual effects and graphics design solutions. They offer scalable performance to service a wide range of client workflows from interactive broadcast design to real-time high resolution film work. They offer the ability to interactively create, composite and edit highly challenging sequences that merge live action with computer-generated imagery using 3D graphics and mixed resolutions. Post-production facilities and broadcasters integrate these turnkey systems within their production pipelines as either dedicated suites or as networked production environments.

Discreet Smoke and Discreet Fire

Discreet Smoke and Discreet Fire systems are our scalable line of interactive real-time non-linear editing and finishing systems that enable editors to edit, conform and finish television commercials, broadcast programming, film trailers and feature films as well as other high value media content.

Discreet Lustre

Discreet Lustre is a highly scaleable and modular solution for high-end Digital Intermediate film and commercial color grading. It can be configured to scale to meet a wide range of different production requirements and productivity needs.

Autodesk VIZ

Autodesk VIZ software is a professional 3D modeling, animation and rendering application. It is designed to provide product designers, architects and design visualization artists with advanced tools for testing and communicating their projects and ideas. Autodesk VIZ provides compatibility with other Autodesk design products including AutoCAD and the Autodesk DWG format enabling customers to leverage seamless interoperability between the design and visualization phases of their projects.

Autodesk Subscription Program and Autodesk Upgrade Program

In addition to sales of new software licenses, we offer our customers two ways to migrate to the most recent version of our products: the Autodesk Subscription Program and the Autodesk Upgrade Program. These programs are available for a majority of our Design Solution products as well as Media and Entertainment's 3ds Max and Autodesk Maya. Under the Autodesk Subscription Program, customers who own the most recent version of the underlying product participate in a simplified upgrade process, feature-enhancing extensions, downloadable e-Learning courses and optional on-line support. Users benefit from incremental and new releases of the underlying product and extensions over one year and multi-year contract periods. Subscription program revenues are reported separately on our Consolidated Statements of Income as Maintenance revenue.

Under the current Autodesk Upgrade Program, a customer who is on a currently supported version of a product, which is generally the prior three versions, can upgrade to the latest release of the product. Typically, the cost to upgrade is based on a multiple of the number of versions the customer is upgrading.

PRODUCT DEVELOPMENT AND INTRODUCTION

We continue to enhance our product offerings and develop new products to meet changing customer demands. Research and development expenditures were \$301.6 million or 20% of fiscal 2006 net revenues, \$239.4 million or 19% of fiscal 2005 net revenues and \$209.4 million or 22% of fiscal 2004 net revenues. Our software is primarily developed internally; however we do contract services from software development firms,

consultants and independent contractors to supplement our development efforts. Additionally, we acquire products or technology developed by others by purchasing some or all of the assets or stock of the entity that held ownership rights to the technology. During fiscal 2006, approximately 9% of our total research and development expenditures were attributable to development work contracted from Hanna Strategies, LLC. ("Hanna Strategies"), a software development firm with operations located in the U.S. and China. Hanna Strategies performs services on behalf of our Design Solutions Segment.

The majority of our basic research and product development is performed in the U.S. and Canada, and to a growing extent in China, while translation and localization of foreign-market versions, as well as some product development, is performed by development teams or contractors in our local markets. We generally translate and localize our products into French, Italian, German, Spanish, Japanese and various Chinese dialects. Portions of product development, including some software development, localization, quality assurance and technical publications, are performed in Europe and Asia, including China, India, Singapore and the United Kingdom. We plan to increase our product development operations in the Asia/Pacific region over the next several years, particularly in China.

The technology industry is characterized by rapid technological change in computer hardware, operating systems and software, as well as changes in customer requirements and preferences. To keep pace with these changes, we maintain an aggressive program of new product development to address demands in the marketplace for our products. We dedicate considerable technical and financial resources to research and development to further enhance our existing products and to create new products and technologies. However, these investments may not result in sufficient revenue generation to justify their costs or our competitors may introduce new products and services that achieve acceptance among our current customers, either of which would likely adversely affect our competitive position.

Our software products are complex and, despite extensive testing and quality control, may contain errors or defects. These defects or errors could result in corrective releases to our software products, damage to our reputation, loss of revenues, an increase in product returns or lack of market acceptance of our products, any of which would likely harm our business.

We actively recruit and hire experienced software developers and license and acquire complementary software technologies and businesses. In addition, we actively collaborate with and support third-party software developers who offer products that enhance and complement our products.

Independent firms and contractors perform some of our product development activities. Because talented development personnel are in high demand, these independent firms and contractors may not be able to provide development support to us in the future. In addition, we license some technology from third parties. Use of this licensed technology may be restricted in ways that negatively affect our business. We may not be able to obtain and renew existing license agreements on favorable terms, if at all, and any failure to do so would likely harm our business.

In addition, our business strategy has historically depended in part on our relationships with a network of third-party developers, who develop their own products that expand the functionality of our software. Some third-party 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. These disruptions could negatively impact these third-party developers and, in turn, end users, which could harm our business.

MARKETING AND SALES

We sell our products and services both through authorized distributors and resellers and directly to customers, primarily large corporations. Our customer-related operations are divided into three geographic regions, the Americas, Europe/Middle East/Africa and Asia/Pacific, and are supported by global marketing and sales organizations. These organizations develop and manage overall marketing and sales programs and work closely with a network of domestic and foreign offices.

We also work directly with reseller and distributor sales organizations, computer manufacturers, other software developers and peripheral manufacturers in cooperative advertising, promotions and trade-show

presentations. We employ mass-marketing techniques such as web casts, seminars, telemarketing, direct mailings and advertising in business and trade journals. We have a worldwide user group organization dedicated to the exchange of information related to the use of our products.

Our ability to effectively distribute our products depends in part upon the financial and business condition of our distributor and reseller networks. Computer software dealers and distributors are typically not highly capitalized and have previously experienced difficulties during times of economic contraction and may do so in the future. While we have processes to ensure that we assess the creditworthiness of dealers and distributors prior to selling to them, if their financial condition were to deteriorate, they might not be able to make repeat purchases. The loss of, or a significant reduction in, business with any one of our major international distributors or large U.S. resellers could harm our business.

We intend to continue to make our products available in foreign languages. We believe that international sales will continue to comprise a significant portion of our net revenues. Economic weakness in any of the countries where we generate a significant portion of our net revenues would likely have a material adverse effect on our business. A summary of our financial information by geographic location is found in Note 13, "Segments" in the Notes to Consolidated Financial Statements.

CUSTOMER AND RESELLER SUPPORT

We provide technical support and training to customers through a leveraged model, augmented by programs designed to address certain specific needs directly. End users rely primarily on their resellers and distributors for technical support; however, we do provide certain direct support for our high-end Media and Entertainment Segment hardware systems. We support the resellers and distributors through technical product training, sales training classes, the Internet and direct telephone support. We also provide optional online support directly to end users through our subscription program and support content is also available on the Product Support portion of our Internet site. There are also a number of user group forums in which customers are able to share information.

DEVELOPER PROGRAMS

One of our key strategies is to maintain an open-architecture design of our software products to facilitate third-party development of complementary products and industry-specific software solutions. This approach enables customers and third parties to customize our products for a wide variety of highly specific uses. We offer several programs that provide marketing, sales, technical support and programming tools to developers who develop add-on applications for our products.

BACKLOG

We typically ship products shortly after receipt of an order, which is common in the software industry. Our backlog is primarily comprised of deferred revenue. Deferred revenue is derived from our subscription program, Autodesk Buzzsaw services, consulting services and deferred license sales. Backlog also includes current software license product orders which have not yet shipped. The category of current software license product orders which we have not yet shipped consists of orders from customers with approved credit status for currently available license software products and may include both orders with current ship dates and orders with ship dates beyond the current fiscal period. Aggregate backlog was \$302.6 million at January 31, 2006, of which \$285.6 million was deferred revenue and \$17.0 million related to current software license product orders which had not yet shipped at the end of the fiscal year. Aggregate backlog was \$226.2 million at January 31, 2005, of which \$194.2 million was deferred revenue and \$32.0 million current software license product orders which had not yet shipped at the end of the fiscal year. Deferred revenue increased over the prior year due primarily to the success of our subscription program, and we expect it to continue to increase in the future. The decrease in current software license product orders which had not yet shipped at the end of the 2006 fiscal year as compared to the 2005 fiscal year is attributable to, among other things, the change in timing of annual product retirements from the last quarter of the fiscal year to the first quarter of the fiscal year. We do not believe that backlog as of any particular date is indicative of future results.

COMPETITION

The markets for our products are highly competitive and subject to rapid change. In addition, in each of our markets, there are numerous regional and specialized software and services companies, with which we compete.

Design Solutions Segment

Our Design Solutions Segment primarily competes with vendors that specialize primarily in one of the three industry segments in which we compete. Our competitors range from large, global, publicly traded software companies to small, geographically focused firms. Our primary global competitors in this segment include Dassault Systemes and its subsidiary SolidWorks Corporation, Parametric Technology Corporation, UGS Corporation, Bentley Systems Inc. Environmental Systems Research Institute, Inc. (ESRI), and Intergraph Corporation. In addition, in each of our markets, there are numerous regional and specialized software and services companies, with which we compete.

To address the lifecycle management market opportunity, we are developing and introducing products that allow downstream users of data, both within and external to our customer enterprises, to manage and share their designs. These products allow us to expand our customer base from the design and engineering departments to adjacent departments and into the supply chain. This expansion may ultimately put us in competition with Enterprise Resource Planning (“ERP”) vendors such as Oracle Corporation and SAP AG, which have a loyal customer base within these adjacent departments. Recent consolidation within the ERP market, dominance by a few large corporations, as well as their expansion in new technologies will increase competition in this market.

Media & Entertainment Segment

Our Media and Entertainment Segment competes in highly competitive international markets that are often subject to rapid technological change. We compete with a wide range of different companies from large publicly-traded corporations to small private entities. Large organizations that produce products that compete in some or all of our markets include Avid Technology, Adobe Systems, Apple Computer Inc, SONY and Thomson. The media and entertainment market is highly fragmented with complex interdependencies between many of the larger corporations. As a result, some of our competitors also own subsidiaries that are our clients or are our partners in developing or bringing to market some of our solutions.

The software industry has limited barriers to entry, and the availability of desktop computers with continually expanding performance capacity at progressively lower prices contributes to the ease of market entry. The design software market is characterized by vigorous competition in each of the vertical markets in which we compete, both by entry of competitors with innovative technologies and by consolidation of companies with complementary products and technologies. In addition, the availability of third-party application software is a competitive factor within all of our markets.

Because of these and other factors, competitive conditions in these industries are likely to continue to intensify in the future. Increased competition could result in price reductions, reduced net revenues and profit margins and loss of market share, any of which could harm our business. Furthermore, in certain markets, some of our competitors have greater financial, technical, sales and marketing and other resources.

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

INTELLECTUAL PROPERTY AND LICENSES

We protect our intellectual property through a combination of patents, copyright and trademark laws, trade secrets, confidentiality procedures and contractual provisions. Nonetheless, our intellectual property rights may not be successfully asserted in the future or may be invalidated, circumvented or challenged. In addition, the laws of various foreign countries where our products are distributed do not protect our intellectual property rights to the same extent as U.S. laws. Enforcement of intellectual property rights against alleged infringers can

sometimes lead to costly litigation and counterclaims. Our inability to protect our proprietary information could harm our business.

From time to time, we receive claims alleging infringement of a third party's intellectual property rights, including patents. Disputes involving our intellectual property rights or those of another party have in the past and may in the future lead to, among other things, costly litigation or product shipment delays, which could harm our business.

We retain ownership of software we develop. All software is licensed to users and provided in object code pursuant to either shrink-wrap, embedded or on-line licenses, or signed license agreements. These agreements contain restrictions on duplication, disclosure and transfer.

We believe that because of the limitations of laws protecting our intellectual property and the rapid, ongoing technological changes in both the computer hardware and software industries, we must rely principally upon software engineering and marketing skills to maintain and enhance our competitive market position.

While we have recovered some revenues resulting from the unauthorized use of our software products, we are unable to measure the full extent to which piracy of our software products exists. We believe, however, that software piracy is and can be expected to be a persistent problem.

PRODUCTION AND SUPPLIERS

Production of our Design Solutions Segment and certain Media and Entertainment Segment software products involves duplication of the software media and the printing of user manuals. The purchase of media and the transfer of the software programs onto media for distribution to customers are performed by us and by licensed subcontractors. Media for our products include CD-ROMs which are available from multiple sources. User manuals for our products and packaging materials are produced to our specifications by outside sources. Production is generally performed in leased facilities operated by us. Some product assembly is also performed by independent third-party contractors. To date, we have not experienced any material difficulties or delays in the production of our software and documentation.

In addition, the Media and Entertainment Segment has historically relied on third-party vendors for the supply of hardware components used in its systems. Many of Media and Entertainment's software products currently run on workstations manufactured by Silicon Graphics, Inc. ("SGI"). There are significant risks associated with this reliance on SGI, including SGI's current financial instability and its plans for future product development, which could include curtailing development of next generation workstations targeted at our markets. SGI has recently announced its intentions to cease development of new products for the media and entertainment industry. We now offer a complete range of Media and Entertainment Segment products for use on standard, open, PC-based Linux platforms to mitigate these risks. Our customers may now choose to adopt our products using these alternative platforms, or may delay purchases while evaluating the new platforms. See Item 1A, "Risk Factors," for further discussion of this risk.

EMPLOYEES

As of January 31, 2006, we employed 4,813 people, including 517 resulting from our acquisition of Alias. None of our employees in the United States are represented by a labor union; however, in certain foreign countries, our employees are represented by work councils. We have never experienced any work stoppages and believe our employee relations are good. Reliance upon employees in other countries entails various risks that possible further government instability or regulation unfavorable to foreign-owned businesses could negatively impact our business in the future.

Competition in recruiting personnel in the software industry, especially highly skilled engineers, is intense. We believe our continued growth and future success is highly dependent on our continued ability to attract, retain and motivate highly skilled employees.

BUSINESS COMBINATIONS

Over the past three years, we acquired new technology or supplemented our technology by purchasing businesses focused in specific markets or industries. During this time period, we acquired the following businesses:

<u>Date of closing</u>	<u>Company</u>	<u>Details</u>
January 2006	Alias Systems Holdings, Inc. ("Alias")	The acquisition of Alias provides our customers with enhanced technology and industry talent for their design, animation, data management and visualization needs in both the animation, film, and game development markets and in the automotive and consumer products conceptual design markets. The acquisition is being integrated into the Media and Entertainment Segment and the Manufacturing Solutions Division of the Design Solutions Segment.
December 2005	Applied Spatial Technologies ("AST")	The assets acquired from AST serve as our entry into the facilities management space market, which is intended to enable our customers to create, manage and share building data throughout the entire building cycle. The goodwill acquired was assigned to the Building Solutions Division of our Design Solutions Segment.
October 2005	Engineering Intent Corporation ("Engineering Intent")	The assets acquired from Engineering Intent provide sales and engineering automation technology designed to help customers 'engineer-to-order' during their sales cycle, thereby reducing costs and allowing for efficient development of customized solutions. The goodwill acquired was assigned to the Manufacturing Solutions Division of our Design Solutions Segment.
August 2005	Solid Dynamics, SA ("Solid Dynamics")	The acquisition of Solid Dynamics provides kinematics and dynamics physics technology which designers use to simulate the motion of mechanical assemblies without the expense of building physical prototypes, thereby reducing costs and time-to-market. The goodwill acquired was assigned to the Manufacturing Solutions Division of our Design Solutions Segment.
June 2005	c-plan AG ("c-plan")	The acquisition of c-plan expands our geospatial technology product portfolio and strengthens our market position throughout central Europe. The goodwill acquired was assigned to the Infrastructure Solutions Division of our Design Solutions Segment.
June 2005	Colorfront Ltd. ("Colorfront")	The assets acquired from Colorfront provide us with comprehensive new expertise in film laboratory processes, digital post-production, color science, image processing and hardware platform organization. The goodwill acquired was assigned to the Media and Entertainment Segment.

<u>Date of closing</u>	<u>Company</u>	<u>Details</u>
March 2005	Compass Systems GmbH (“Compass”)	The assets acquired from Compass allow us to more quickly expand our data management solution and deliver on our plans to provide a comprehensive data management solution for small and medium-size manufacturers. The goodwill acquired was assigned to the Manufacturing Solutions Division of our Design Solutions Segment.
June 2004	DESC, Inc.	The assets acquired from DESC give Autodesk initial entry into the disaster response market with purpose-built applications developed around Autodesk MapGuide. The goodwill acquired was assigned to the Infrastructure Solutions Division of the Design Solutions Segment.
May 2004	Unreal Pictures	The acquisition of Unreal Pictures gives Autodesk complete access to a comprehensive character design software solution and a proven software development team. Autodesk integrated the Unreal Pictures technology (known as Character Studio) into the latest release of our 3ds Max product in October 2004. The acquisition has been integrated into the Media and Entertainment Segment.
April 2004	MechSoft.com, Inc.	The assets acquired from MechSoft complement Autodesk’s solutions with tools that enable users to embed engineering calculations into their designs based on how parts function. Autodesk integrated key components of MechSoft’s technology into Autodesk Inventor Series products. The goodwill acquired was assigned to the Manufacturing Solutions Division of the Design Solutions Segment.
March 2003	VIA Development Corporation	The acquisition of certain assets of VIA Development Corporation provides us with electrical schematics, wire diagram, and controls engineering automation technology. This acquisition has been integrated into our Manufacturing Solutions Division of the Design Solutions Segment.
February 2003	Linius Technologies, Inc.	The acquisition of certain assets of Linius Technologies, Inc. brought us technology that allows a wire harness designer to create 3D prototypes in our Autodesk Inventor Professional product. This acquisition has been integrated into our Manufacturing Solutions Division of the Design Solutions Segment.

For additional information on each of the acquired businesses described above, see Note 10, “Business Combinations” in the Notes to Consolidated Financial Statements.

WEBSITE ACCESS

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on our Investor Relations Web site at www.autodesk.com as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The information posted on our Web site is not incorporated into this Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

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

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

We derive a substantial portion of our net revenues from sales of AutoCAD software, including products based on AutoCAD that serve specific vertical markets, upgrades to those products and products that are interoperable with AutoCAD. As such, 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 operating results.

In the Media and Entertainment Segment, our customers' buying patterns are heavily influenced by advertising and entertainment industry cycles, which have resulted in and could have a negative impact on our operating results. In addition, a significant percentage of the Media and Entertainment Segment's Advanced Systems products rely primarily on workstations manufactured by Silicon Graphics, Inc. ("SGI"). On September 15, 2005, SGI received an opinion from their independent registered public accounting firm that the financial condition of SGI raised substantial doubt about its ability to continue as a going concern. In addition, SGI is currently reviewing its strategic options and changing the management team and refocusing its business. SGI has recently announced its intention to cease development of new products for the media and entertainment industry. Although we have reduced our dependence on SGI workstations for the Advanced Systems products and will continue to do so in the future, the near term failure of SGI to deliver products or product upgrades in a timely manner would likely result in an adverse effect upon our financial results for a given period.

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. In particular, the FASB issued SFAS 123R which will require us to record stock-based compensation charges to earnings for employee stock option grants commencing in the first quarter of fiscal 2007, using a fair-value-based method for determining such charges. We believe that the adoption of SFAS 123R will materially adversely impact our earnings and may impact the manner in which we conduct our business.

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

We anticipate that international operations will continue to account for a significant portion of our net revenues and will provide significant support to our overall development efforts. Risks inherent in our international operations include the following: the impact of fluctuating exchange rates between the U.S. dollar and foreign currencies in markets where we do business, unexpected changes in regulatory practices and tariffs, difficulties in staffing and managing foreign sales and development operations, longer collection cycles for accounts receivable, potential changes in tax laws, tax arrangements with foreign governments and laws regarding the management of data, possible future limitations upon foreign owned business, and greater difficulty in protecting intellectual property.

Our international results will also continue to be impacted by economic and political conditions in foreign markets generally and in specific large foreign markets, especially by changes in foreign exchange rates between

the U.S. dollar and foreign currencies. These factors may adversely impact our future international operations and consequently our business as a whole.

Our risk management strategy uses derivative financial instruments in the form of foreign currency forward and option contracts, for the purpose of hedging foreign currency market exposures, during each quarter, which exist as a part of our ongoing business operations. These instruments provide us some protection against currency exposures for only the current quarter. Significant fluctuations in exchange rates between the U.S. dollar and foreign currency markets may adversely impact our future net revenues.

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 of the Sarbanes-Oxley Act of 2002 ("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. Such report must also contain a statement that our independent registered public accounting firm has issued an attestation report on management's assessment of such internal controls.

While we have determined in our Management Report on Internal Control over Financial Reporting included in this Annual Report on Form 10-K that our internal control over financial reporting was effective as of January 31, 2006, 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 attest that our management's report is fairly stated or they are unable to express an opinion on the effectiveness of 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.

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

We periodically acquire or invest in businesses, software products and technologies that are complementary to our business through strategic alliances, equity investments or acquisitions. For example, during the fourth quarter of fiscal 2006, we completed the acquisition of Alias Systems Holdings, Inc. The risks associated with such acquisitions include, among others, the difficulty of assimilating the products, operations and personnel of the companies, 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, and the diversion of management's time and attention. In addition, such investments and acquisitions, may involve significant transaction or integration-related costs. We may not be successful in overcoming such risks, and such investments and acquisitions may negatively impact our business. In addition, such investments and acquisitions have in the past and may in the future contribute to potential fluctuations in quarterly results of operations. The 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. These costs or charges, including those relating to the Alias acquisition, could negatively impact results of operations for a given period or cause quarter to quarter variability in our operating results.

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

Our quarterly operating results have fluctuated in the past and may do so in the future. These fluctuations could cause our stock price to change significantly or experience declines. Some of the factors that could cause our operating results to fluctuate include the timing of the introduction of new products by us or our competitors, slowing of momentum in upgrade or maintenance revenue, the adoption of the new accounting pronouncement, SFAS 123R, that will require us to record compensation expense for shares issued under our stock plans beginning in the first quarter of fiscal 2007 with a negative impact on our results of operations, continued fluctuation in foreign currency exchange rates, failure to achieve anticipated levels of customer acceptance of key new applications, unexpected costs or changes in marketing or other operating expenses, changes in product pricing or product mix, platform changes, delays in product releases, timing of product releases and retirements, failure to continue momentum of annual release cycles or to move a significant number of customers from prior product versions in connection with our retirement programs, failure to achieve continued cost reductions and productivity increases, failure to convert our 2D customer base to 3D products, unanticipated changes in tax rates and tax laws, unexpected outcomes of matters relating to litigation, distribution channel management, changes in sales compensation practices, the timing of large systems sales, failure to effectively implement our copyright legalization programs, especially in developing countries, failure to successfully integrate Alias and other acquired businesses and technologies, failure to achieve sufficient sell-through in our channels for new or existing products, the financial and business condition of our reseller and distribution channels, renegotiation or termination of royalty or intellectual property arrangements, interruptions or terminations in the business of our consultants or third party developers, failure to grow lifecycle management or collaboration products, unanticipated impact of accounting for technology acquisitions and general economic conditions, particularly in countries where we derive a significant portion of our net revenues.

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

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

Existing and increased competition may reduce our net revenues and profits.

The software industry has limited barriers to entry, and the availability of desktop computers 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 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 continued price reductions, reduced net revenues 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.

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

During fiscal 2006, the market price for our common stock experienced significant fluctuations and may continue to fluctuate significantly. The market price for our common stock may be affected by a number of factors, including the following: net revenues or earnings shortfalls, unexpected deviations in results of key performance metrics, and changes in estimates or recommendations by securities analysts; the announcement of new products or product enhancements by our competitors; quarterly variations in our or our competitors' results of operations; developments in our industry; unusual events such as significant acquisitions, divestitures and litigation; and general market conditions and other factors, including factors unrelated to our operating performance or the operating performance of our competitors.

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.

Our efforts to develop and introduce new products and service offerings expose us to risks such as limited customer acceptance, costs related to product defects and large expenditures that may not result in additional net revenues.

Rapid technological change, as well as changes in customer requirements and preferences, characterize the software industry. We are devoting significant resources to the development of technologies, like our lifecycle management initiatives, and service offerings to address demands in the marketplace for increased connectivity and use of digital data created by computer-aided design software. As a result, we are introducing to new business models, requiring a considerable investment of technical and financial resources. Such investments may not result in sufficient revenue generation to justify their costs, or competitors may introduce new products and services that achieve acceptance among our current customers, adversely affecting our competitive position. In particular, a critical component of our growth strategy is to convert our 2D customer base, including customers of AutoCAD, AutoCAD LT, and related vertical industry products, to our 3D products such as Autodesk Inventor Series or Autodesk Revit. Should sales of AutoCAD, AutoCAD upgrades and AutoCAD LT products decrease without a corresponding conversion of customer seats to 3D products, our results of operations will be adversely affected.

Product development may also be outsourced to third-parties or developed externally and transferred to us through business or technology acquisitions. Such externally developed technologies have certain additional risks, including potential difficulties with effective integration into existing products, adequate transfer of technology know-how and ownership and protection of transferred intellectual property.

Additionally, the software products we offer are complex, and despite extensive testing and quality control, may contain errors or defects. These defects or errors could result in the need for corrective releases to our software products, damage to our reputation, loss of revenues, an increase in product returns or lack of market acceptance of our products, any of which would likely harm our business.

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

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

In addition, in the Media and Entertainment Segment we have historically relied on third-party vendors for the supply of hardware components used in our systems. Many of the systems sold to our Media and Entertainment customers include software products that currently run on workstations manufactured by SGI.

There are significant risks associated with this dependence on SGI, given SGI's financial stability and potential changes to its future product development plans, which SGI has announced will include curtailing development of next generation workstations targeted at our markets. SGI has also recently announced its intentions to cease development of new products for the media and entertainment industry. To mitigate against this risk, among other things, we offer a range of Media and Entertainment Segment products for use on standard, open, PC-based Linux platforms. Our customers may now choose to adopt our products using these alternative platforms, or may delay purchases while evaluating the new platforms, which could have a material adverse effect on our results of operations in a given period.

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, this disruption would likely negatively impact these third-party developers and end users, which could harm our business.

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.

However, our partnering strategy creates a dependency on such independent developers. Independent developers, including those who currently develop products for us in the United States 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-US 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.

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

As our business has grown, we have become increasingly subject to the risks arising from adverse changes in domestic and global economic and political conditions. If economic growth in the United States and other countries' economies is slowed, many customers may delay or reduce technology purchases. This could result in reductions in sales of our products, longer sales cycles, slower adoption of new technologies and increased price competition. In addition, weakness in the end-user market could negatively affect the cash flow of our distributors and resellers who could, in turn, delay paying their obligations to us, which would increase our credit risk exposure and cause delays in our recognition of revenues on future sales to these customers. Any of these events would likely harm our business, results of operations and financial condition.

If we do not maintain our relationships with the members of our distribution channel, or achieve anticipated levels of sell-through, our ability to generate net revenues will be adversely affected.

We sell our software products both directly to customers and through a network of distributors and resellers. Our ability to effectively distribute our products depends in part upon the financial and business condition of our reseller network. Computer software dealers and distributors are typically not highly capitalized and have previously experienced difficulties during times of economic contraction and may do so in the future. While we have processes to ensure that we assess the creditworthiness of dealers and distributors prior to our sales to

them, if their financial condition were to deteriorate, they might not be able to make repeat purchases. We rely significantly upon major distributors and resellers in both the U.S. and international regions, including Tech Data Corporation and their affiliates, who accounted for 11% of fiscal 2006 net revenues. 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 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 revenues on future sales to these customers, which could have a material adverse effect on our results of operations in a given period.

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

With the exception of contracts with some distributors, our sales contracts do not contain specific product-return privileges. However, we permit our distributors and resellers to return products in certain instances. For example, we generally allow our distributors and resellers to return older versions of products which have been superceded by new product releases. We anticipate that product returns will continue to be affected by product update cycles, new product releases and software quality.

We establish reserves for stock balancing and product rotation. These reserves are based on historical experience, estimated channel inventory levels and the timing of new product introductions and other factors. While we maintain strict measures to monitor these reserves, actual product returns may exceed our reserve estimates, and such differences could harm our business.

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

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

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

As more and more software patents are granted worldwide, as the number of products and competitors in our industry segments grows and as 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 have become more aggressive in threatening litigation in attempts to obtain fees for licensing the right to use patents. Any such claims or threats, whether with or without merit, have in the past and could in the future be time-consuming to defend, result in costly litigation and diversion of resources, or could 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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

We have received no written comments regarding our periodic or current reports from the staff of the SEC that were issued 180 days or more preceding the end of our 2005 fiscal year that remained unresolved.

ITEM 2. PROPERTIES

We lease approximately 1,447,000 square feet of office space in 110 locations in the United States and internationally through our foreign subsidiaries. Our executive offices and the principal offices for domestic marketing, sales and development are located in leased office space in San Rafael, California. Our San Rafael facilities consist of approximately 290,000 square feet under leases that have expiration dates ranging from 2006 to 2011. We and our foreign subsidiaries lease additional space in various locations throughout the world for local sales, product development and technical support personnel.

All facilities are in good condition and are operating at capacities averaging 86% occupancy worldwide. We believe that our existing facilities and offices are adequate to meet our requirements for the foreseeable future. See Note 7, "Commitments and Contingencies," in the Notes to the Consolidated Financial Statements for more information about our lease commitments.

ITEM 3. LEGAL PROCEEDINGS

On December 27, 2001, Spatial Corp. ("Spatial") filed suit in Marin County Superior Court against Autodesk and one of our consultants, D-Cubed Ltd., seeking among other things, termination of a development and license agreement between Spatial and Autodesk and an injunction preventing Autodesk from working with contractors under the agreement. On October 2, 2003, a jury found that Autodesk did not breach the agreement. As the prevailing party in the action, the court awarded Autodesk approximately \$2.4 million for reimbursement of attorneys' fees and the costs of trial, which was paid during the second quarter of fiscal 2005. Spatial filed a notice of appeal on December 2, 2003 appealing the decision of the jury. Spatial claims that certain testimony of a witness should not have been considered by the jury and as a result, Spatial asserts that it is entitled to a new trial. On March 23, 2006, the Court of Appeal denied Spatial's appeal. As a result, we believe the ultimate resolution of this matter will not have a material effect on Autodesk's financial position, results of operations or cash flows.

On August 26, 2005, Telstra Corporation Limited ("Telstra") filed suit in the Federal Court of Australia, Victoria District Registry against Autodesk Australia Pty Ltd. ("AAPL") seeking partial indemnification for claims filed against Telstra by SpatialInfo Pty Limited relating to Telstra's use of certain software in the management of its computer based cable plant records system. On December 12, 2005, SpatialInfo added AAPL as a defendant to its lawsuit against Telstra. Autodesk is currently investigating the allegations and intends to vigorously defend the case. Although this case is in the early stages and Autodesk cannot determine the final financial impact of this matter, based on the facts known at this time, we believe the ultimate resolution of this matter will not have a material effect on Autodesk's financial position, results of operations or cash flows. However, it is possible that an unfavorable resolution of this matter could occur and materially affect our future results of operations, cash flows or financial position in a particular period.

In connection with our anti-piracy program, designed to enforce copyright protection of our software and conducted both internally and through the Business Software Alliance ("BSA"), from time to time we undertake litigation against alleged copyright infringers or provide information to criminal justice authorities to conduct actions against alleged copyright infringers. Such lawsuits have lead to counter claims alleging improper use of litigation or violation of other local law and have recently increased in frequency, especially in Latin America. On March 1, 2002, Consultores en Computación y Contabilidad, S.C., a Mexican hardware/software reseller and its principals (collectively, "CCC") filed a lawsuit in the Mexico Court in the First Civil Court of the Federal District, against, Autodesk, Adobe Systems, Microsoft and Symantec (all members of the BSA and collectively the "Defendants"). CCC had been the target of a criminal anti-piracy enforcement action carried out by the Mexican police authorities on August 11, 1998 on the basis of a complaint filed by the Defendants in 1997 based on evidence provided to the Defendants that CCC had engaged in software piracy of the Defendants' products. CCC alleged in the lawsuit that it had suffered \$100 million in damages to its reputation as a result of the enforcement action, known as "moral damages." CCC did not claim economic damages. On November 11, 2002, the trial court judge ruled in favor of the Defendants, holding that no moral damage occurred, since CCC was unable to prove the illegal nature of the Defendants' actions. After subsequent appeals, all of which were won by the Defendants, a court of appeals held that the Defendants were liable to CCC for "moral" damages, and the court remanded the case to the First Civil Court for a determination of the amount. On December 13, 2005, the First Civil Court

awarded CCC \$90 million in damages. The Defendants are appealing the verdict, as are the plaintiffs, who are seeking additional damages. If, after all appeals have been exhausted, the existing verdict stands and is enforceable in the United States, Autodesk would be responsible for approximately \$10 million of the judgment. Based on the facts and circumstances of this case known at this time, we believe the ultimate resolution of this matter will not have a material effect on Autodesk's financial position, results of operations or cash flows. However, it is possible that an unfavorable resolution of this matter could occur and materially affect our future results of operations, cash flows or financial position in a particular period.

In addition, we are involved in legal proceedings from time to time arising from the normal course of business activities including claims of alleged infringement of intellectual property rights, commercial, employment, piracy prosecution 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 our financial position. However, it is possible that an unfavorable resolution of one or more such proceedings could in the future materially affect our future results of operations, cash flows or financial position in a particular period.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At our Special Meeting of Stockholders held on November 10, 2005, the following proposals were approved by the stockholders.

	<u>Affirmative Votes</u>	<u>Negative Votes</u>	<u>Votes Withheld</u>	<u>Broker Non-Votes</u>
1. Proposal to approve Autodesk's 2006 Employee Stock Plan and the reservation of 9.65 million shares of Autodesk's common stock for issuance thereunder ...	142,438,789	33,580,192	1,294,605	—
2. Proposal to approve amendments to Autodesk 2000 Directors' Plan, including the reservation of an additional 750,000 shares of Autodesk's common stock for issuance thereunder	136,938,829	39,069,517	1,305,240	—

EXECUTIVE OFFICERS OF THE REGISTRANT

On January 17, 2006, Autodesk announced that Carl Bass will become Chief Executive Officer and President, effective May 1, 2006. Carl Bass has also been appointed to Autodesk's expanded Board of Directors, effective January 17, 2006. Carol A. Bartz, Autodesk's current Chairman of the Board, Chief Executive Officer and President, will become Executive Chairman of the Board effective May 1, 2006. On May 1, 2006, the position of Chief Operating Officer will be eliminated.

In addition, Marcia Sterling will retire from serving as Autodesk's Senior Vice President, General Counsel and Secretary effective March 31, 2006. Pascal W. Di Fronzo, Vice President, Assistant General Counsel and Assistant Secretary, will become Vice President, General Counsel and Secretary.

The following sets forth certain information as of January 31, 2006 regarding our executive officers.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Carol A. Bartz	57	Chairman of the Board, Chief Executive Officer and President
Carl Bass	48	Chief Operating Officer
George M. Bado	51	Senior Vice President, Worldwide Sales and Consulting
Jan Becker	52	Senior Vice President, Human Resources and Corporate Real Estate
Alfred J. Castino	53	Senior Vice President and Chief Financial Officer
Marcia K. Sterling	62	Senior Vice President, General Counsel and Secretary

Carol A. Bartz joined Autodesk in April 1992 and serves as Chairman of the Board, Chief Executive Officer and President. Ms. Bartz is a director of Cisco Systems, Inc., Network Appliance, Inc. and BEA Systems, Inc. Prior

to joining Autodesk, Ms. Bartz held various positions at Sun Microsystems, Inc., including Vice President, Worldwide Field Operations from July 1990 through April 1992.

Carl Bass joined Autodesk in September 1993 and serves as Chief Operating Officer and as a member of the Board of Directors. From February 2002 to June 2004, Mr. Bass served as Senior Executive Vice President, Design Solutions Group. From August 2001 to February 2002, Mr. Bass served as Executive Vice President, Emerging Business and Chief Strategy Officer. From June 1999 to July 2001, he served as President and Chief Executive Officer of Buzzsaw.com, Inc., a spin-off from Autodesk. He has also held other executive positions within Autodesk. During fiscal 2006, Mr. Bass served as a director of Serena Software, Inc., but resigned from that position effective March 2006.

George M. Bado joined Autodesk in October 2002 and serves as Senior Vice President, Worldwide Sales and Consulting. From October 2002 to October 2004, Mr. Bado served as Vice President, DSG Worldwide Sales. Prior to joining Autodesk, Mr. Bado served as a consultant to the Board of Directors of ChipData, Inc., a venture backed start up involved in electronic design verification from May 2002 to October 2002. Prior to this, Mr. Bado was Executive Vice President, Sales and Consulting for Innoveda, Inc., an electronic design automation software company, from July 2001 to April 2002 (Innoveda, Inc. was acquired by Mentor Graphics Corporation in April 2002) and from March 2000 to June 2001 was Executive Vice President, Operations for Centric Software, Inc., a product lifecycle management solutions company.

Jan Becker joined Autodesk in September 1992 and has served as Senior Vice President, Human Resources and Corporate Real Estate since June 2000 and previously served in other capacities in the Human Resources Department.

Alfred J. Castino joined Autodesk in August 2002 and serves as Senior Vice President and Chief Financial Officer. Prior to joining Autodesk, Mr. Castino was Chief Financial Officer for Virage, Inc., a video and media communication software company from January 2000 to July 2002 and from August 1999 to January 2000 he served as Chief Financial Officer for RightPoint, Inc., an e-marketing company. Prior to this, Mr. Castino served as Vice President of Finance and then Senior Vice President and Chief Financial Officer at PeopleSoft, Inc., an enterprise software company, where he worked from September 1997 to August 1999. Mr. Castino holds a CPA certificate from the State of California.

Marcia K. Sterling joined Autodesk in October 1995 and serves as Senior Vice President, General Counsel and Secretary. From September 1982 to October 1995, she practiced corporate and securities law at Wilson Sonsini Goodrich & Rosati, where she was a partner.

There is no family relationship among any of our directors or executive officers.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the Nasdaq National Market under the symbol ADSK. The following table lists the high and low sales prices for each quarter in the last two fiscal years. These share prices were adjusted for the two-for-one stock split that was effective for holders of record on December 6, 2004.

	<u>High</u>	<u>Low</u>
Fiscal 2006		
First Quarter	\$ 33.97	\$28.52
Second Quarter	\$ 39.58	\$ 32.12
Third Quarter	\$46.74	\$33.83
Fourth Quarter	\$47.60	\$38.74
	<u>High</u>	<u>Low</u>
Fiscal 2005		
First Quarter	\$17.48	\$12.49
Second Quarter	\$ 21.37	\$ 15.55
Third Quarter	\$26.36	\$ 18.11
Fourth Quarter	\$ 38.55	\$26.83

Dividends

Adjusted for the stock split in December 2004, we paid quarterly dividends of \$0.015 per share in fiscal 2005 and 2004 to Autodesk stockholders. Effective after the dividend for the fourth quarter of fiscal 2005 (paid in April 2005) we discontinued our quarterly cash dividend.

Stockholders

As of January 31, 2006 the number of common stockholders of record was 686. Because many of our shares of common stock are held by brokers or other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by the record holders.

Issuer Purchases of Equity Securities

The purpose of Autodesk's stock repurchase program is to help offset the dilution to net income per share caused by the issuance of stock under our employee stock plans as well as to more effectively utilize excess cash generated from our business. The number of shares acquired and the timing of the purchases are based on several factors, including the level of our cash balances, general business and market conditions, and other investment opportunities. At January 31, 2006, 20.5 million shares remained available for repurchase under the existing repurchase authorization. See Note 8, "Stockholders' Equity," in the Notes to Consolidated Financial Statements for further discussion.

The following table provides information about the repurchase of our common stock during the three months ended January 31, 2006:

<u>(Shares in thousands)</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs</u>
November 1 – November 30	790	\$ 41.26	790	22,170
December 1 – December 31	1,710	43.54	1,710	20,460
January 1 – January 31	—	—	—	—
Total	2,500(2)	\$42.82	2,500(2)	20,460(1)

- (1) This amount corresponds to the plan approved by the Board of Directors in December 2004, which authorized the repurchase of an additional 24.0 million shares. This plan, announced in December 2004, does not have a fixed expiration date.
- (2) Represents shares purchased in open-market transactions under the stock purchase plan approved by the Board of Directors in December 2004.

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with our audited consolidated financial statements and related notes thereto and with Management's Discussion and Analysis of Financial Condition and Results of Operations, which are included elsewhere in this Form 10-K. The financial data for the years ended January 31, 2006, 2005 and 2004 are derived from, and are qualified by reference to, the audited consolidated financial statements that are included in this Form 10-K. The financial data for the years ended January 31, 2003 and 2002 are derived from audited consolidated financial statements which are not included in this Form 10-K.

	<u>Fiscal year ended January 31,</u>				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
	<u>(In millions, except per share data)</u>				
For the Fiscal Year					
Net revenues	\$ 1,523.2	\$1,233.8	\$ 951.6	\$824.9	\$ 947.5
Income from operations (1)	369.8	234.9	106.2	25.0	98.2
Net income (1)(2)(3)	328.9	221.5	120.3	31.9	90.3
At Year End					
Total Assets	\$1,360.8	\$1,142.2	\$1,017.2	\$ 883.7	\$902.4
Long-term liabilities (4)	62.6	25.8	13.3	6.2	3.4
Common stock data					
Basic net income per share	\$ 1.44	\$ 0.98	\$ 0.54	\$ 0.14	\$ 0.41
Diluted net income per share	1.33	0.90	0.52	0.14	0.40
Dividends paid per share	0.015	0.06	0.06	0.06	0.06

- (1) Fiscal 2005, 2004, 2003 and 2002 results were impacted by restructuring charges of \$26.7 million, \$3.2 million, \$25.9 million and \$33.6 million, respectively. See Note 11, "Restructuring Reserves" in the Notes to Consolidated Financial Statements for further discussion.
- (2) Fiscal 2006, 2005, 2004 and 2003 results were impacted by net tax benefits of \$19.4, \$24.4 million, \$26.7 million and \$3.8 million, respectively. See Note 5, "Income Taxes," in the Notes to Consolidated Financial Statements for further discussion. Fiscal 2002 results were also impacted by a non-cash gain of \$9.5 million related to the dissolution of an affiliate.
- (3) Fiscal 2002 results were impacted by goodwill amortization charges of \$19.9 million. See Note 1, "Business and Summary of Significant Accounting Policies," in the Notes to Consolidated Financial Statements for further discussion.
- (4) Certain amounts have been reclassified from Current liabilities to Long-term liabilities to conform with the current presentation.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We begin Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") with our overall strategy and the individual strategies for our major business units that reflect the goals of our business and the direction in which our business and products are moving. This is followed by a discussion of the Critical Accounting Policies that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results. In the next section, we discuss our Results of Operations for fiscal 2006 compared to fiscal 2005 and for fiscal 2005 compared to fiscal 2004, beginning with an Overview. We then provide an analysis of changes in our balance sheet and cash flows, and discuss our financial commitments in the sections entitled "Liquidity and Capital Resources," "Contractual Obligations" and "Off-Balance Sheet Arrangements."

The MD&A should be read in conjunction with the other sections of this Annual Report on Form 10-K, including Item 1: "Business," Item 1A: "Risk Factors," Item 6: "Selected Financial Data," and Item 8: "Financial Statements and Supplementary Data."

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 consist of, among other things, statements regarding the financial impact of the Alias acquisition, the expected impact on Autodesk's consolidated income and net income per share of the adoption of SFAS 123R in the first quarter of fiscal 2007, anticipated future operating margins, net revenues, product backlog, upgrade and maintenance revenues, the effect of fluctuations in exchange rates on net revenues and expenses, costs and expenses, including cost of revenues and operating expenses, future income, planned product retirement and annual release cycles, expectations regarding product acceptance, continuation of our share repurchase program, and short-term and long-term cash requirements, as well as statements involving trend analyses and statements including such words as "we believe" and "plan" and similar expressions. These forward-looking statements 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 above in Item 1A, "Risk Factors," and in our other reports filed with the Securities and Exchange Commission.

STRATEGY

Our goal is to be the world's leading design software and services company for the building, manufacturing, infrastructure, media and entertainment, and wireless location based services industries. Our focus is to help customers create, manage and share their data and digital assets more effectively and improve efficiencies across the entire lifecycle management process.

We believe that our ability to make technology available to mainstream markets is one of our competitive advantages. By innovating in existing technology categories, we bring powerful design products to volume markets. Our architecture allows for extensibility and integration. Our products are designed to be easy to learn and use, and to provide customers low cost of deployment, low total cost of ownership and a rapid return on investment.

We have created a large global community of resellers, third-party developers and customers, which provides us with a broad reach into volume markets. Our reseller network is extensive and provides our customers with global resources for the purchase and support of our products as well as resources for effective and cost efficient training services. We have a significant number of registered third-party developers, creating products that run on top of our products, further extending our reach into volume markets. Our installed base of millions of users has made Autodesk's products a worldwide design software standard. Users trained on Autodesk products are broadly available both from universities and the existing work force, reducing the cost of training for our customers.

Our growth strategy derives from these core strengths. We continue to increase the business value of our desktop design tools for our customers in a number of ways. We improve the performance and functionality of existing products with each new release, and we have increased the frequency of most of our releases. Beyond our horizontal design products, we develop products addressing specific vertical market needs. In addition, we

believe that migration from our 2D products to our higher priced 3D products presents a significant growth opportunity. While the rate of migration to 3D varies from industry to industry, adoption of 3D design software should increase the productivity of our customers in all industries and result in richer design data. However, this migration also poses various risks to us. In particular, if we do not successfully convert our 2D customer base to our 3D products as expected, and sales of our 2D products decrease without a corresponding increase in customer seats of our 3D products, we would not realize the growth we expect and our business would be adversely affected.

Longer term, once the mainstream market has migrated to 3D design, we believe the richer design data created by our 3D products requires better tools for design information management, also known as lifecycle management. We believe that for each author of design information, there are multiple users of that information downstream. As a result, we are developing and introducing products that will allow downstream users, both within and external to our customer enterprises, to manage and share their designs. We believe our large installed base provides an opportunity to sell additional products to design and engineering departments and to expand our customer base from these design and engineering departments to adjacent departments and into the supply chain.

Expanding our geographic coverage is a key element of our growth strategy. We believe that rapidly growing economies, including those of China, India and Eastern Europe, present significant growth opportunities for us. In support of our growth efforts in China, we opened our China Application Development Center (the "Center") during fiscal 2004. With a level of understanding of local markets that could not be obtained from remote operations, the Center develops both products for the worldwide market as well as products to specifically address the Chinese market. In addition, we believe that our products will have a competitive advantage as a result of being engineered locally. We believe our ability to conduct research and development at various locations throughout the world allows us to optimize product development and lower costs. However, international development, whether conducted by us or independent developers on our behalf, involves significant costs and challenges, including whether we can adequately protect our intellectual property and derive significant revenue in areas, such as emerging economies, where software piracy is a substantial problem.

Another significant part of our growth strategy is to improve upon our installed base. A key element of this strategy is our ability to release major products on an annual basis. Strong annual release cycles have a number of benefits. In particular, they permit us to deliver key performance and functionality improvements to customers on a regular and timely basis. Annual releases also help us to increase product maintenance revenues and significantly reduce our reliance on product upgrade revenues, thereby reducing the volatility of revenues we have experienced in the past.

We are continually focused on improving productivity and efficiency in all areas of Autodesk in order to allow us to increase our investment in growth initiatives and improve our profitability. During fiscal 2004, we conducted a rigorous study of our cost structure. Beginning in fiscal 2004, we undertook a restructuring plan that concluded at the end of fiscal 2005, implementing certain productivity and efficiency initiatives throughout Autodesk and committing to continuous improvements in our productivity. Our operating margin was 24% during fiscal 2006, 19% during fiscal 2005 and 11% during fiscal 2004. These increased operating margins were achieved at the same time we continued to invest in growth initiatives. Over the longer term, we intend to continue to balance investments in revenue growth opportunities with our goal of increasing our operating margins.

We generate significant cash flows. Our uses of cash include share repurchases to offset the dilutive impact of our employee stock plans as well as investments in acquisitions and investments in growth initiatives, such as our recent acquisition of Alias Systems Holdings, Inc. ("Alias") during the fourth quarter of fiscal 2006. See Note 10, "Business Combinations," in the Notes to Consolidated Financial Statements for further discussion. We evaluate merger and acquisition and divestiture opportunities to the extent they support our strategy. Our typical acquisitions are intended to provide adjacency to our current products and services, specific technology or expertise and rapid product integration. Additionally, we continue to invest in growth initiatives including product development and sales, market and channel development.

Design Solutions Segment

The Design Solutions Segment consists of the following divisions: Platform Technology Division and Other, which includes our general design products, AutoCAD and AutoCAD LT, and Autodesk Consulting and Autodesk Collaboration Services; Manufacturing Solutions Division; Infrastructure Solutions Division; and Building Solutions Division.

For the Manufacturing Solutions Division, our focus is to enable our customers to rapidly adopt 3D design, create designs in a simple 2D/3D environment, manage design data for additional business processes and share design data across the enterprise with the supply chain. Our primary solution offering is the Autodesk Inventor Series, which delivers Autodesk Mechanical Desktop, based on AutoCAD software, and Autodesk Inventor.

For the Infrastructure Solutions Division, our focus is to enable our customers to compile, analyze and maintain digital design information, design and manage physical infrastructure projects and distribute geospatial information on the web. Our primary product offerings are Autodesk Map 3D for precision mapping and geographic information system analysis in the AutoCAD environment, Autodesk Civil 3D and Autodesk Land Desktop. We believe customers in the web mapping market are demanding more frequent software releases, faster support for new standards, faster access to new data sources, and lower cost of ownership for their web mapping solutions.

For the Building Solutions Division, our focus is to enable our customers to create high quality designs and documentation, accurately estimate project costs and manage project workflows. Our primary product offerings are: Autodesk Architectural Desktop for architects and Autodesk Building Systems for Mechanical, Electrical, Planning (“MEP”) engineering firms, both based on AutoCAD software; and a complete suite of design software built on the Autodesk Revit platform for building information modeling (“BIM”). These include Autodesk Revit Building for architects and Autodesk Revit Structure for structural engineers. We plan to release additional products on the Revit platform in the future, including Revit Systems for the engineering of building mechanical and electrical systems. In December 2005, we acquired a line of products from Applied Spatial Technologies for facility management, supporting our strategy of extending the value of digital information further into the building lifecycle.

For the Platform Technology Division, our focus is on providing CAD design tools and technologies that allow our customers in multiple markets to create, manage, and share design data. Our primary product offerings are AutoCAD and AutoCAD LT.

To address the emerging lifecycle management opportunities, we have released the following products:

- Autodesk Buzzsaw — a project collaboration service that allows users to manage multiple projects and communicate project information among all team members. Autodesk Buzzsaw provides viewing technology, customized views, and reporting features that provide a clear status of the entire project portfolio.
- Autodesk DWF Composer — helps to reduce errors, cycle times and costs by keeping the entire design review process digital. DWF Composer also helps facilitate team communication and productivity with tools built specifically for reviewing, marking up, and measuring 2D and 3D designs without the original design creation software. The DWF file format is purpose-built to share complex design information while maintaining its integrity with file sizes that are often 1/10 the size of other file formats. Autodesk also provides a free DWF Viewer for users to view and print 2D and 3D designs published in the DWF format.
- Autodesk Productstream — automates the release management and change order management processes, allowing members of the extended team to access, review and add supporting data without overwriting the design data itself.
- Autodesk Streamline — a hosted project management service that enables manufacturing companies to manage design and project data and share it with customers and suppliers anywhere in the world.

Media and Entertainment Segment

The Media and Entertainment Segment serves the digital media sector. Our strategy is to build powerful and sophisticated solutions for high-value digital content creation. These solutions enable our clients to realize

their most imaginative creative ideas with greater ease, speed and efficiency. A key component of our strategy is the realization of a complete and comprehensive 3D animation portfolio and workflow. Our acquisition of Alias is a component of that strategy. In the film, commercial, and broadcast markets, our focus remains on visual effects design, editing and finishing tools, where we plan to continue to expand our software feature sets, improve data interoperability, while transitioning the products to lower cost standard, open, PC-based Linux platform.

Location Services Division

The Location Services Division focus is on providing a technology platform designed to deliver location-based applications to wired, mobile and wireless users. Our primary product offering is LocationLogic.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles. In preparing our consolidated financial statements, we make assumptions, judgments and estimates that can have a significant impact on amounts reported in our 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. We believe that of our significant accounting policies, which are described in Note 1, "Business and Summary of Significant Accounting Policies," in the Notes to Consolidated Financial Statements, the following policies involve a higher degree of judgment and complexity. Accordingly, these are the policies we believe are the most critical to aid in fully understanding and evaluating our financial condition and results of operations.

Revenue Recognition. Our accounting policies and practices are in compliance with Statement of Position 97-2, "Software Revenue Recognition," as amended, and SEC Staff Accounting Bulletin No. 104, "Revenue Recognition."

We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable and collection is probable. However, determining whether and when some of these criteria have been satisfied often involves assumptions and judgments that can have a significant impact on the timing and amount of revenue we report.

For multiple element arrangements that include software products, we allocate the sales price among each of the deliverables using the residual method, under which revenue is allocated to undelivered elements based on their vendor-specific objective evidence ("VSOE") of fair value. VSOE is the price charged when that element is sold separately or the price as set by management with the relevant authority. If we do not have VSOE of the undelivered element, we defer revenue recognition on the entire sales arrangement until all elements are delivered. We are required to exercise judgment in determining whether VSOE exists for each undelivered element based on whether our pricing for these elements is sufficiently consistent.

Our assessment of likelihood of collection is also a critical element in determining the timing of revenue recognition. If we do not believe that collection is probable, the revenue will be deferred until the earlier of when collection is deemed probable or cash is received.

Our product sales to distributors and resellers are generally recognized at the time title to our product passes to the distributor or reseller provided all other criteria for revenue recognition are met. This policy is predicated on our ability to estimate sales returns. We are also required to evaluate whether our distributors and resellers have the ability to honor their commitment to make fixed or determinable payments, regardless of whether they collect cash from their customers. If we were to change any of these assumptions or judgments, it could cause a material increase or decrease in the amount of revenue that we report in a particular period.

License and other revenues include revenues from the sale of new seats, upgrades, customer consulting and training. Upgrade revenues are generated under the Autodesk Upgrade Program. Our existing customers who are using a currently supported version of a product can upgrade to the latest release of the product by paying a separate fee at the time of upgrade that is based on the number of versions being upgraded. An existing customer also has the option to upgrade to a higher priced discipline specific or 3D product for a premium fee; we refer to this as a cross-grade. Revenues from the sale of new seats and upgrade fees are generally recognized

at the time of sale provided all revenue recognition criteria have been met. Customer consulting and training revenues are recognized over time, as the services are performed.

Maintenance revenues consist primarily of revenues from our subscription program. Under this program, customers are eligible to receive unspecified upgrades when-and-if-available, downloadable training courses and optional on-line support. We recognize revenues from our subscription program ratably over the subscription contract periods.

Product Returns Reserves. With the exception of contracts with certain distributors, our sales contracts do not contain specific product-return privileges. However, we permit our distributors and resellers to return product in certain instances, generally when new product releases supersede older versions. The product returns reserve is based on historical experience of actual product returns, estimated channel inventory levels, the timing of new product introductions, channel sell-in for applicable markets and other factors.

Our product returns reserves were \$14.2 million at January 31, 2006 and \$15.3 million at January 31, 2005. Product returns as a percentage of applicable revenues were 3.7% in fiscal 2006, 4.1% in fiscal 2005 and 5.4% in fiscal 2004. During fiscal year 2006, we recorded additions to our product returns reserve of \$41.0 million, which reduced our revenue.

While we believe our accounting practice for establishing and monitoring product returns reserves is adequate and appropriate, any adverse activity or unusual circumstances could result in an increase in reserve levels in the period in which such determinations are made.

Realizability of Long-Lived Assets. We assess the realizability of our long-lived assets and related intangible assets, other than goodwill, annually during the fourth fiscal quarter, or sooner should events or changes in circumstances indicate the carrying values of such assets may not be recoverable. We consider the following factors important in determining when to perform an impairment review: significant under-performance of a business or product line relative to budget; shifts in business strategies which affect the continued uses of the assets; significant negative industry or economic trends; and the results of past impairment reviews.

In assessing the recoverability of these long-lived assets, we first determine their fair values, which are based on assumptions regarding the estimated future cash flows that could reasonably be generated by these assets. When assessing long-lived assets, we use undiscounted cash flow models which include assumptions regarding projected cash flows. Variances in these assumptions could have a significant impact on our conclusion as to whether an asset is impaired or the amount of the impairment charge. Impairment charges, if any, result in situations where the fair values of these assets are less than their carrying values.

In addition to our recoverability assessments, we routinely review the remaining estimated useful lives of our long-lived assets. Any reduction in the useful life assumption will result in increased depreciation and amortization expense in the quarter when such determinations are made, as well as in subsequent quarters.

We will continue to evaluate the values of our long-lived assets in accordance with applicable accounting rules. As changes in business conditions and our assumptions occur, we may be required to record impairment charges.

Goodwill. As required under Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," we no longer amortize goodwill, but test goodwill for impairment annually in the fourth quarter or sooner should events or changes in circumstances indicate potential impairment. As changes in business conditions and our assumptions occur, we may be required to record impairment charges.

Deferred Tax Assets. We currently have \$193.6 million of net deferred tax assets, mostly arising from net operating losses, including stock option deductions, as well as tax credits, reserves and timing differences for purchased technologies and capitalized software offset by the establishment of U.S. deferred tax liabilities on unremitted earnings from certain foreign subsidiaries. We perform a quarterly assessment of the recoverability of these net deferred tax assets, which is principally dependent upon our achievement of projected future taxable income of approximately \$607 million in specific geographies. Our judgments regarding future profitability may change due to future market conditions and other factors. These changes, if any, may require possible material adjustments to these net deferred tax assets, resulting in a reduction in net income in the period when such determinations are made.

Autodesk is a U.S. based multinational company subject to tax in multiple U.S. and foreign tax jurisdictions. Our effective tax rate is based on expected geographic income, statutory rates and enacted tax rules, including transfer pricing. 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 it conducts its business. It is possible that these positions may be challenged which may have a significant impact on our effective tax rate.

Restructuring Expenses. During the fourth quarter of fiscal 2004, the Board of Directors approved a restructuring plan that resulted in the elimination of employee positions and the closure of a number of offices worldwide (“Fiscal 2004 Plan”). This plan was designed to improve efficiencies across the organization, reduce operating expense levels to help achieve our targeted operating margins and redirect resources to product development, sales development and other critical areas. The actions approved under this plan were completed by the end of fiscal 2005.

Facility lease termination costs were based upon projected rental payments through the remaining terms of the underlying operating leases, offset by projected sublease income. The projected sublease income amounts were calculated by using information provided by third-party real estate brokers as well as management judgments and were based on assumptions for each of the real estate markets where the leased facilities were located. If real estate markets worsen and we are not able to sublease the properties as expected, we will record additional expenses in the period when such rental payments are made. This situation occurred during each of fiscal 2005 and 2004; we therefore recorded additional charges as a result of the inability to sublease abandoned facilities. If the real estate markets subsequently improve, and we are able to sublease the properties earlier or at more favorable rates than projected, we will reverse a portion of the underlying restructuring accruals, which will result in increased net income in the period when such sublease becomes effective.

Stock Option Accounting. Historically, we have not recorded compensation expense when stock option grants are awarded to employees at exercise prices equal to the fair market value of Autodesk common stock on the date of grant. We disclose in Note 1, “Business and Summary of Significant Accounting Policies,” in the Notes to Consolidated Financial Statements the expense consistent with the method of Statement of Financial Accounting Standards No. 123, “Accounting for Stock Issued to Employees” (“SFAS 123”). The alternative fair value accounting provided for under SFAS 123 requires the use of option valuation models which require the input of highly subjective assumptions, including the expected life of the option and expected future volatility of our stock. Changes in the subjective input assumptions can materially affect the fair value estimate. Had we recorded compensation expense from stock option grants, our net income would have been substantially less. We are adopting Statement of Financial Accounting Standards No. 123 — revised 2004, “Share-Based Payment” (“SFAS 123R”), which replaces SFAS 123 and supersedes APB Opinion No. 25, “Accounting for Stock Issued to Employees” (“APB 25”) in the first quarter of fiscal 2007. Autodesk believes the adoption of SFAS 123R will result in amounts that are similar to the current pro forma disclosures under SFAS 123 and that the adoption of SFAS 123R will have a material adverse effect on Autodesk’s Consolidated Statements of Income and net income per share. The estimated impact is contingent upon many factors including, but not limited to, the market value of Autodesk’s common stock on the date future options are granted.

Legal Contingencies. As described in Item 3, “Legal Proceedings” and Note 7, “Commitments and Contingencies”, in the Notes to Consolidated Financial Statements, we are periodically involved in various legal claims and proceedings. We routinely review the status of each significant matter and assess our potential financial exposure. If the potential loss from any matter is considered probable and the amount can be reasonably estimated, we record a liability for the estimated loss. Because of inherent uncertainties related to these legal matters, we base our loss accruals on the best information available at the time. As additional information becomes available, we reassess our potential liability and may revise our estimates. Such revisions could have a material impact on future quarterly or annual results of operations.

Recently Issued Accounting Standards

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 — revised 2004, “Share-Based Payment” (“SFAS 123R”) which replaces Statement of Financial Accounting Standards No. 123 (“SFAS 123”) and supersedes APB Opinion No. 25, “Accounting for Stock Issued to Employees.” SFAS 123R requires

the measurement of all share-based payments to employees, including grants of employee stock options, using a fair-value based method and the recording of such expense in our consolidated statements of income. Autodesk is required to adopt SFAS 123R, and is adopting it, starting in the first quarter of fiscal 2007. The pro forma disclosures previously permitted under SFAS 123 will no longer be an alternative to financial statement recognition. See Note 1, "Business and Summary of Significant Accounting Policies," in the Notes to Consolidated Financial Statements for the pro forma net income and net income per share amounts for fiscal 2006, 2005 and 2004, as if we had used a fair-value based method similar to the methods required under SFAS 123R to measure compensation expense for employee stock awards. Autodesk believes the adoption of SFAS 123R will result in amounts that are similar to the current pro forma disclosures under SFAS 123 and that the adoption of SFAS 123R will have a material adverse effect on Autodesk's Consolidated Statements of Income and net income per share. This estimated impact is contingent upon many factors including, but not limited to, the market value of our common stock on the date future options are granted.

In March 2005, the SEC issued Staff Accounting Bulletin No. 107 ("SAB 107"), "Share-Based Payment," which provides interpretive guidance related to the interaction between SFAS 123R and certain SEC rules and regulations, as well as provides the SEC staff's views regarding the valuation of share-based payment arrangements. The relevant interpretive guidance of SAB 107 will be applied in connection with our implementation and adoption of SFAS 123R.

In June 2005, the FASB issued Statement of Financial Accounting Standards No. 154, "Accounting Changes and Error Corrections" ("SFAS 154"), a replacement of APB Opinion 20, "Accounting Changes", and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements". SFAS 154 changes the requirements for the accounting for and reporting of a change in accounting principle. Previously, most voluntary changes in accounting principles were required recognition via a cumulative effect adjustment within net income of the period of change. SFAS 154 requires retrospective application to prior periods' financial statements, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS 154 is effective for accounting changes made in fiscal years beginning after December 15, 2005; however, SFAS 154 does not change the transition provisions of any existing accounting pronouncements. We do not believe adoption of SFAS 154 will have a material effect on our consolidated financial position, results of operations or cash flows.

Overview of Fiscal 2006 Results of Operations

	For the year ended January 31, 2006	As a % of Net Revenues	For the year ended January 31, 2005	As a % of Net Revenues
	(in millions)			
Net Revenues	\$1,523.2	100%	\$1,233.8	100%
Cost of revenues	170.9	11%	169.5	14%
Operating expenses	<u>982.5</u>	65%	<u>829.4</u> (1)	67%
Income from Operations	\$ 369.8	24%	\$ 234.9	19%

(1) Includes \$26.7 million in restructuring charges.

The primary goals for fiscal 2006 were to continue our delivery of market-leading products and solutions to our customers to drive revenue growth and market share gains while increasing our profitability. We achieved these goals as demonstrated by our 23% net revenue increase during fiscal 2006 as compared to the prior fiscal year, along with the increase in our operating margin to 24% in fiscal 2006. Our fiscal 2006 product releases offered continued advancements in design and authoring productivity as well as project lifecycle management capability.

Our net revenues were higher in fiscal 2006 as compared to fiscal 2005 due primarily to strong new seat and subscription revenues. Net revenues grew despite the negative effects of changes in foreign currencies during the fourth quarter of fiscal 2006 resulting from the recent strengthening of the U.S. dollar relative to foreign currencies. The foreign currency effect on net revenues was negative \$21.0 million for the fourth quarter of fiscal 2006 and negative \$9.1 million for the entire fiscal 2006 year. Compared to fiscal 2005, new seat revenues increased 21%, subscription revenues increased 56% and upgrade revenues increased 5%. Revenue growth was

driven by volume growth in most major products as well as growing sales of the higher priced vertical and 3D products. Product sales volume has increased due to the strength of our current product releases, including AutoCAD 2006 and AutoCAD LT, Autodesk Inventor products, Autodesk Civil 3D, Autodesk Revit products and Autodesk Architectural Desktop.

Product backlog is comprised of deferred revenue and current software license product orders which have not yet shipped. The category of current software license product orders which we have not yet shipped consists of orders from customers with approved credit status for currently available license software products and may include orders with current ship dates and orders with ship dates beyond the current fiscal period. Aggregate backlog at January 31, 2006 and January 31, 2005 was \$302.6 million and \$226.2 million, respectively, of which \$17.0 million and \$32.0 million related to current software license product orders which have not yet shipped at the end of each respective fiscal year. The decrease in current software license product orders which had not yet shipped at the end of the 2006 fiscal year as compared to the 2005 fiscal year is attributable to the change in timing of annual product retirements from the last quarter of the fiscal year to the first quarter of the fiscal year.

We generate a significant amount of our revenue in the United States, Japan, Germany, United Kingdom, Italy, China, France, South Korea, Australia and Canada. The stronger value of the U.S. dollar relative to foreign currencies, particularly in the fourth quarter of fiscal 2006, had a negative impact of \$10.1 million on operating results in fiscal 2006 compared to fiscal 2005. Had exchange rates from fiscal 2005 been in effect during fiscal 2006, translated international revenue billed in local currencies would have been \$9.1 million higher and operating expenses would have been \$1.0 million lower. Changes in the value of the U.S. dollar may have a significant effect on net revenues in future periods. We use foreign currency option collar contracts to reduce the current quarter exchange rate impact on the net revenue of certain anticipated transactions.

The percentage of total costs and expenses decreased to 76% of net revenues in fiscal 2006 from 81% of net revenues in fiscal 2005. Total headcount increased to 4,813 at January 31, 2006, including 517 from the acquisition of Alias in the fourth quarter. Excluding the Alias acquisition, headcount increased by 24% from 3,477 at January 31, 2005. Our operating margins are very sensitive to changes in revenues, given the relatively fixed nature of most of our expenses, which consist primarily of employee-related expenditures, facilities costs, and depreciation and amortization expense. During fiscal 2007, we expect total costs and expenses to increase in absolute dollars as we balance investment in our growth opportunities with our focus on increasing profitability.

The required adoption of SFAS 123R in the first quarter of fiscal 2007 will result in increased employee-related expenditures related to the expensing of employee stock option grants and our employee stock purchase plan offering. As a result, we expect total costs and expenses to increase as a percentage of net revenues in fiscal 2007. See Note 1, "Business and Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements for further discussion.

Throughout fiscal 2006, we maintained a strong balance sheet and generated \$415.2 million of cash from our operating activities as compared to \$373.1 million in the previous year. We finished the year with \$377.5 million in cash and marketable securities, down from \$532.7 million at January 31, 2005. This decline is primarily a result of the \$196.8 in cash consideration paid to acquire Alias during the fourth quarter of fiscal 2006. See Note 10, "Business Combinations," in the Notes to Consolidated Financial Statements for further discussion. We completed fiscal 2006 with a higher deferred revenue balance and a higher accounts receivable balance as compared to the previous year. Seventy-five percent, or \$213.4 million, of the deferred revenues balance at January 31, 2006 consisted of customer subscription contracts which will be recognized as maintenance revenue ratably over the life of the contracts, which is predominantly one year. Accounts receivable increased \$64.6 million as compared to the same period in the prior fiscal year, driven by the increase in revenue, the increase in subscription billings, and the inclusion of \$18.2 million in accounts receivable acquired from Alias.

Results of Operations

Net Revenues

	Fiscal 2006	Increase compared to prior fiscal year		Fiscal 2005 (in millions)	Increase compared to prior fiscal year		Fiscal 2004
		\$	percent		\$	percent	
Net Revenues:							
License and Other	\$1,246.7	\$ 189.6	18%	\$ 1,057.1	\$220.4	26%	\$ 836.7
Maintenance	<u>276.5</u>	<u>99.8</u>	56%	<u>176.7</u>	<u>61.8</u>	54%	<u>114.9</u>
	<u>\$ 1,523.2</u>	<u>\$289.4</u>	23%	<u>\$1,233.8</u>	<u>\$ 282.2</u>	30%	<u>\$ 951.6</u>
Net Revenues by Geographic Area:							
Americas	\$ 609.2	\$ 98.3	19%	\$ 510.9	\$ 101.3	25%	\$409.6
Europe, Middle East and Africa	558.2	114.5	26%	443.7	106.5	32%	337.2
Asia Pacific	<u>355.8</u>	<u>76.6</u>	27%	<u>279.2</u>	<u>74.4</u>	36%	<u>204.8</u>
	<u>\$ 1,523.2</u>	<u>\$289.4</u>	23%	<u>\$1,233.8</u>	<u>\$ 282.2</u>	30%	<u>\$ 951.6</u>
Net Revenues by Operating Segment:							
Design Solutions	\$1,344.5	\$ 273.2	26%	\$1,071.3	\$ 259.6	32%	\$ 811.7
Media and Entertainment	172.3	12.3	8%	160.0	20.4	15%	139.6
Other	<u>6.4</u>	<u>3.9</u>	156%	<u>2.5</u>	<u>2.2</u>	*%	<u>0.3</u>
	<u>\$ 1,523.2</u>	<u>\$289.4</u>	23%	<u>\$1,233.8</u>	<u>\$ 282.2</u>	30%	<u>\$ 951.6</u>
Net Design Solutions Revenues:							
Platform Technology Division and Other	\$ 731.6	\$ 132.1	22%	\$ 599.5	\$ 128.4	27%	\$ 471.1
Manufacturing Solutions Division	256.9	57.2	29%	199.7	58.3	41%	141.4
Building Solutions Division	177.6	53.3	43%	124.3	43.1	53%	81.2
Infrastructure Solutions Division	<u>178.4</u>	<u>30.6</u>	21%	<u>147.8</u>	<u>29.8</u>	25%	<u>118.0</u>
	<u>\$1,344.5</u>	<u>\$ 273.2</u>	26%	<u>\$1,071.3</u>	<u>\$ 259.6</u>	32%	<u>\$ 811.7</u>

* Percentage is not meaningful

Fiscal 2006 Net Revenues Compared to Fiscal 2005 Net Revenues

The increase in net revenues during fiscal 2006 was due primarily to strong subscription and new seat revenues, continued growth in AutoCAD and AutoCAD LT revenues, along with a favorable product mix shift towards higher priced 3D products. In addition, we experienced strong growth in all three of our geographic regions and we experienced especially strong growth rates in our emerging economies of China, Eastern Europe, and India.

Growth in license and other revenues during fiscal 2006, as compared to fiscal 2005, was primarily due to increased new seat revenues from most major products and, to a lesser extent, to a modest increase in upgrade revenues. New seat revenue increases were driven by volume growth in AutoCAD, AutoCAD LT, and most major products, and growing sales of our higher priced 3D products. Upgrade revenue increased in fiscal 2006, but at a lower rate than in fiscal 2005 as customers increasingly migrate to our subscription program and as we moved the retirement date of the AutoCAD 2002-based products to the first quarter of fiscal 2007. We have now synchronized our major product retirements and new release launches to occur in the first quarter of each fiscal year. We currently anticipate that AutoCAD 2004-based products will be retired in the first quarter of fiscal 2008. The installed base of the AutoCAD 2004-based products not on subscription at the beginning of fiscal 2007 is smaller than the installed base of AutoCAD 2002-based products not on subscription at the beginning of fiscal 2006. As a result, and with the success of our subscription program, we expect subscription revenue to exceed upgrade revenue in fiscal 2007 and we expect upgrade revenues to decline. This shift away from upgrade revenues toward a more predictable and sustainable subscription revenue stream is consistent with our long-term growth strategy.

Revenue from the sales of our services, training and support are immaterial for all periods presented.

Maintenance revenues consist of revenues derived from the subscription program. As a percentage of total net revenues, maintenance revenues were 18% and 14% for fiscal 2006 and fiscal 2005, respectively. Our subscription program, available to most customers worldwide, continues to attract new and renewal customers by providing them with a cost effective and predictable budgetary option to obtain the productivity benefits of our planned annual product release cycle and enhancements. We expect maintenance revenues to continue to increase both in absolute dollars and as a percentage of total net revenues.

Net revenues in the Americas region increased during fiscal 2006, as compared to fiscal 2005, largely due to strong subscription and new seat revenues, offset in part by lower upgrade revenues.

Net revenues in the Europe, Middle East and Africa ("EMEA") region increased during fiscal 2006, as compared to fiscal 2005, primarily due to strong subscription, new seat and upgrade revenues and growth in the EMEA emerging markets of Russia, Poland, Czech Republic and the Middle East.

Net revenues in the Asia/Pacific ("APAC") region increased during fiscal 2006, as compared to fiscal 2005, primarily from strong new seat revenues, and to a lesser extent from subscription and upgrade revenues as our subscription program was introduced in the APAC region after successful introductions first in the Americas and then in EMEA. We experienced strong growth during fiscal 2006 in Japan, China, Australia and South Korea.

The increase in net revenues for the Design Solutions Segment during fiscal 2006, as compared to fiscal 2005, was primarily due to strong new seat and subscription revenues as well as a more modest increase in upgrade revenues. Maintenance revenue from our subscription program increased to 20% of Design Solutions Segment revenue in fiscal 2006, as compared to 16% in fiscal 2005. Although we have been placing increased focus on vertically-oriented and 3D product lines, sales of AutoCAD, AutoCAD upgrades and AutoCAD LT continue to comprise a significant portion of our net revenues. Such sales, which are reflected in the net revenues for the Platform Technology Division and Other, accounted for 44% of our consolidated net revenues in both fiscal 2006 and fiscal 2005, growing 23% in absolute dollars between the periods. Net revenues for our 3D design products (Autodesk Inventor products, Autodesk Revit products and Autodesk Civil 3D) increased 60% during fiscal 2006 as compared to fiscal 2005. Total sales of 3D design products accounted for 19% of consolidated net revenues in fiscal 2006 compared to 14% in fiscal 2005. A critical component of our growth strategy is to grow our 2D base while migrating our customers, including customers of AutoCAD and related vertical industry products, to our higher-priced 3D products. However, should sales of 2D products decrease without a corresponding increase in sales of 3D products, our results of operations will be adversely affected.

Net revenues for the Media and Entertainment Segment ("M&E") during fiscal 2006 increased 8% as compared to fiscal 2005, primarily due to new seat and subscription revenues of our animation product 3ds Max as well as growth in the sales of our Linux-based Advanced Systems Products. These increases were partially offset by recent declines in Advanced Systems sales on the SGI platform. Net revenues from Advanced Systems sales were \$112.3 million during fiscal 2006 as compared to \$110.4 million during fiscal 2005. The transition of our Advanced Systems customers from the higher-priced, proprietary SGI platform to lower-priced, open PC-based platforms may continue to adversely impact Advanced Systems revenue in fiscal 2007.

International sales accounted for 66% of our net revenues in fiscal 2006 as compared to 65% in the prior fiscal year. We believe that international sales will continue to comprise a significant portion of net revenues. Economic weakness in any of the countries that contribute a significant portion of our net revenues would have a material adverse effect on our business. Had exchange rates from fiscal 2005 been in effect during fiscal 2006, translated international revenues would have been \$9.1 million higher for fiscal 2006. Recent strengthening of the U.S. dollar, relative to foreign currencies, if it were to continue, could significantly and adversely impact our future financial results for a given period. Net revenues in emerging economies of China, India and Eastern Europe, grew by greater than 60% between fiscal 2005 and fiscal 2006. This growth was a significant factor in our international sales growth during fiscal 2006.

Fiscal 2005 Net Revenues Compared to Fiscal 2004 Net Revenues

Net revenues during fiscal 2005, as compared to fiscal 2004, increased in all three of our geographic areas, due primarily to strong subscription, new seat and upgrade revenues, coupled with the positive effects of changes in foreign currencies.

During the first part of fiscal 2004, customers in the industries we serve, particularly manufacturing, commercial construction and media and entertainment, were impacted by economic pressures in their own businesses, resulting in a difficult customer purchasing environment. However, by the end of fiscal 2004 and through fiscal 2005, we saw a lessening of these economic pressures.

The increase in license and other revenues for fiscal 2005, as compared to fiscal 2004, was due primarily to increased new seat and upgrade revenues across all major products as a result of our new product releases and the announced retirement of the AutoCAD 2000i-based product series for early calendar 2005. In addition, changes in foreign currencies had a positive impact on revenue. Revenue from the sales of our services, training and support are immaterial for all periods presented.

Maintenance revenues, consisting of revenues derived from the subscription program, increased during fiscal 2005, as compared to fiscal 2004, as our subscription program continued to attract new and renewal customers. As a percentage of total net revenues, maintenance revenues were 14% and 12% for fiscal 2005 and fiscal 2004, respectively.

Net revenues in the Americas increased during fiscal 2005, as compared to fiscal 2004, largely due to strong new seat, upgrade and subscription revenue. Most of the first half of fiscal 2004 was impacted by the difficult selling environment experienced in the industries we serve. However, the later half of fiscal 2004 had strong upgrade and subscription revenues which carried into fiscal 2005.

Net revenues in the EMEA region increased during fiscal 2005, as compared to fiscal 2004, due primarily to strong new seat, upgrade and subscription sales, as well as favorable exchange rates. Ignoring the effects of changes in foreign currencies during the year, net revenues for EMEA increased approximately 20% as compared to fiscal 2004.

The increase in Asia/Pacific region net revenues during fiscal 2005, as compared to fiscal 2004, was due primarily to strong new seat, subscription and upgrade revenues as well as favorable exchange rates. Revenues for fiscal 2004 were adversely affected by the impact on our sales operations of concerns regarding severe acute respiratory syndrome ("SARS") primarily during the second quarter of fiscal 2004. Ignoring the effects of changes in foreign currencies during fiscal 2005, net revenues for Asia/Pacific increased approximately 31% as compared to fiscal 2004.

The increase in net revenues for the Design Solutions Segment during fiscal 2005, as compared to fiscal 2004, was due primarily to strong new seat, upgrade and subscription revenues and favorable exchange rates. Revenue from upgrades and subscriptions combined accounted for 38% of Design Solutions Segment revenues for fiscal 2005 and 41% of Design Solutions Segment revenue for fiscal 2004. Maintenance revenue accounted for 16% of Design Solutions Segment revenue for fiscal 2005 and 14% of Design Solutions Segment Revenues for fiscal 2004. During fiscal 2005 and 2004, sales of AutoCAD, AutoCAD upgrades and AutoCAD LT continue to comprise a significant portion of our net revenues. Such sales, which are reflected in the net revenues for the Platform Technology Division and Other, accounted for 44% of our consolidated net revenues for fiscal 2005 and 45% for fiscal 2004. Net revenues for our 3D products increased approximately 69% for fiscal 2005 as compared to fiscal 2004.

Net revenues for the Media and Entertainment Segment increased during fiscal 2005 as compared to fiscal 2004, primarily due to growth in new seat and subscription revenues of our 3ds Max animation software, an entire product line refresh of our editing and effects systems during fiscal 2005 and favorable exchange rates. Net revenues from our Advanced Systems products were \$110.4 million as compared to \$91.9 million in fiscal 2004.

International sales accounted for 65% of our net revenues in fiscal 2005 as compared to 63% in the prior fiscal year. Ignoring the effects of changes in foreign currencies during fiscal 2005, international sales would have remained consistent at 63% of net revenues.

Cost of Revenues

	<u>Fiscal 2006</u>	<u>Increase (decrease) compared to prior fiscal year</u>		<u>Fiscal 2005</u> (in millions)	<u>Increase compared to prior fiscal year</u>		<u>Fiscal 2004</u>
		<u>\$</u>	<u>percent</u>		<u>\$</u>	<u>percent</u>	
Cost of revenues:							
License and other	\$ 157.8	\$ 5.3	3%	\$ 152.5	\$ 19.8	15%	\$ 132.7
Maintenance	<u>13.1</u>	<u>(3.9)</u>	(23)%	<u>17.0</u>	<u>1.6</u>	10%	<u>15.4</u>
	<u>\$170.9</u>	<u>\$ 1.4</u>	1%	<u>\$169.5</u>	<u>\$21.4</u>	14%	<u>\$148.1</u>
As a percentage of net revenues	11%			14%			16%

Cost of license and other revenues includes direct material and overhead charges, royalties, amortization of purchased technology and capitalized software, hosting costs and the labor costs of fulfilling service contracts. Direct material and overhead charges include the cost of hardware sold (mainly workstations manufactured by SGI and IBM for the Media and Entertainment 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 revenues increased slightly in dollar amount during fiscal 2006, as compared to fiscal 2005, due to higher direct material, overhead and royalty expenses for licensed technology embedded in our products, all of which result from increased volumes. These increases were partially offset by a reduction in amortization of purchased technology and capitalized software. The increase in cost of license and other revenues during fiscal 2005, as compared to fiscal 2004, was primarily due to increased volume and changes in product mix and slightly higher royalty expenses.

Cost of maintenance revenues includes direct costs of our subscription program, amortization of capitalized software and overhead charges. The decrease in cost of maintenance revenues during fiscal 2006, as compared to fiscal 2005, was due primarily to the cessation of amortization for an information technology system supporting our subscription program. The amortization reduction was partially offset by incremental direct program costs incurred as part of the growth of the subscription program. The increase in cost of maintenance revenues during fiscal 2005, as compared to fiscal 2004, was primarily due to incremental direct program costs incurred as part of the expansion of the subscription program.

Overall cost of revenues continues to decline as a percentage of net revenues due to the amount of fixed costs that are not directly impacted by the growth in our sales volumes as well as productivity measures in distribution and order management. However, despite this trend, we expect the cost of revenues as a percentage of net revenues to increase in future periods as a result of recording stock-based compensation expense beginning in fiscal 2007, as required by SFAS 123R. Absent stock-based compensation expense, we expect cost of revenues as a percentage of net revenues to remain relatively consistent with fiscal 2006. Cost of revenues, at least over the near term, are affected by the volume and mix of product sales, changing consulting and hosted service costs, software amortization costs, royalty rates for licensed technology embedded in our products and new customer support offerings.

Marketing and Sales

	<u>Fiscal 2006</u>	<u>Increase compared to prior fiscal year</u>		<u>Fiscal 2005</u> (in millions)	<u>Increase compared to prior fiscal year</u>		<u>Fiscal 2004</u>
		<u>\$</u>	<u>percent</u>		<u>\$</u>	<u>percent</u>	
Marketing and sales	\$553.8	\$91.9	20%	\$461.9	\$68.7	17%	\$393.2
As a percentage of net revenues	36%			37%			41%

Marketing and sales expenses include salaries, dealer and sales commissions, bonus, travel and facility costs for our marketing, sales, order processing, dealer training and support personnel and overhead charges. These

expenses also include costs of programs aimed at increasing revenues, such as advertising, trade shows and expositions, and various sales and promotional programs designed for specific sales channels and end users.

The increase of marketing and sales expenses during fiscal 2006, as compared to fiscal 2005, was due primarily to \$56.5 million of increased marketing and promotion costs related to product launches, trade shows and branding and \$14.3 million of higher employee-related costs reflecting increased headcount, which were partially offset by a reduction in commissions and bonus accruals, and an increase in information technology costs.

Marketing and sales expenses increased during fiscal 2005, as compared to fiscal 2004, due primarily to approximately \$40.2 million of increased commission, bonus and other incentive compensation expenses related to the increased sales volume, approximately \$23.3 million of higher advertising, branding and promotion costs as well as costs related to a customer information and customer support software project, offset in part by restructuring-related cost savings.

We expect to continue to invest in marketing and sales of our products to develop market opportunities, to promote our competitive position and to strengthen our channel support. In addition, as a result of recording stock-based compensation expense beginning in fiscal 2007, as required by SFAS 123R, we expect marketing and sales expenses to increase both in absolute dollars and as a percentage of net revenues.

Research and Development

	Fiscal 2006	Increase compared to prior fiscal year		Fiscal 2005 (in millions)	Increase compared to prior fiscal year		Fiscal 2004
		\$	percent		\$	percent	
Research and development	\$301.6	\$62.2	26%	\$239.4	\$30.0	14%	\$209.4
As a percentage of net revenues	20%			19%			22%

Research and development expenses consist primarily of salaries, benefits, and bonuses for software engineers, fees paid to software development firms and independent contractors, purchased in-process technology, depreciation of computer equipment used in software development and overhead charges.

The increase in research and development expenses during fiscal 2006, as compared to fiscal 2005, resulted primarily from efforts to invest additional resources in certain research and development-related growth initiatives. Employee-related costs increased approximately \$19.4 million, reflecting increased headcount, and professional fees increased approximately \$18.3 million in fiscal 2006 as compared to the prior fiscal year. During fiscal 2006, we incurred approximately \$27.0 million for consulting services and purchased in-process technology from Hanna Strategies for our Design Solutions Segment. The in-process technology is intended for future releases of various products that have not yet reached technological feasibility and have no alternative future use. Also contributing to the year-over-year increase was an increase in information technology costs. In addition, we recognized \$7.9 million of in-process research and development costs in connection with our acquisition of Alias and \$1.2 million related to our acquisition of Colorfront Ltd.

The increase in research and development expenses between fiscal years 2005 and 2004 was due primarily from efforts to invest additional resources, made available through restructuring-related savings, in certain growth initiatives. Employee-related costs increased approximately \$14.0 million in fiscal 2005 as compared to prior year, of which approximately \$10.9 million related to higher bonus accruals and benefits based on financial performance. In addition, we incurred \$1.4 million related to localization of new product releases and approximately \$13.5 million for consulting services and purchased in-process technology from Hanna Strategies for our Design Solutions Segment.

We expect that research and development spending will continue to increase in absolute dollars in future periods as we continue to invest in product development and continue to acquire new technology. In addition, we expect that research and development spending will continue to increase in absolute dollars and as a percentage of net revenues in the future as a result of recording stock-based compensation expense beginning in fiscal 2007, as required by SFAS 123R.

General and Administrative

	<u>Fiscal 2006</u>	<u>Increase compared to prior fiscal year</u>		<u>Fiscal 2005</u> (in millions)	<u>Increase compared to prior fiscal year</u>		<u>Fiscal 2004</u>
		<u>\$</u>	<u>percent</u>		<u>\$</u>	<u>percent</u>	
General and administrative	\$127.1	\$25.7	25%	\$101.4	\$9.9	11%	\$91.5
As a percentage of net revenues	8%			8%			10%

General and administrative expenses include our finance, human resources, legal costs and overhead charges. The amortization expense of customer relationships and trademarks acquired from Alias is also included in general and administrative expenses.

The increase in general and administrative expenses from fiscal 2005 to fiscal 2006 was primarily due to an increase of \$12.6 million in information technology project costs, \$8.1 million in employee-related costs, primarily resulting from increased headcount, and \$2.9 million increase in litigation expenses.

During fiscal 2006 and 2005, we incurred significant incremental costs related to our assessment of internal control over financial reporting as required by the Sarbanes-Oxley Act of 2002 ("SOX"). We estimate that we incurred approximately \$2.3 million during fiscal 2006, \$6.4 million during fiscal 2005, which included significant project start-up costs and approximately \$0.4 million in fiscal 2004 related to our fiscal 2005 evaluation. These cost estimates include external consulting and auditing fees and internal employee costs.

The increase in general and administrative expenses during fiscal 2005, as compared to fiscal 2004, was primarily due to approximately \$7.8 million of higher bonus accruals and benefits based on financial performance, \$2.4 million of stock compensation expense incurred in connection with the change in employment status of a senior executive officer, offset in part by a reduction in IT-related expenses and headcount reductions due to restructuring efforts. In addition, general and administrative expenses for fiscal 2004 included the effects of a \$2.5 million reversal of a litigation accrual related to the Spatial matter.

Absent the impact of recording stock-based compensation expense beginning in fiscal 2007, as required by SFAS 123R, we expect that general and administrative expenses will modestly decline as a percentage of net revenues in the future yet increase in absolute dollars due to salary increases and continued information technology projects. With the adoption of SFAS 123R and the recording of stock-based compensation expense in fiscal 2007, we expect that general and administrative expenses will increase in absolute dollars and as a percentage of net revenues.

Restructuring

	<u>Fiscal 2006</u>	<u>Increase compared to prior fiscal year</u>		<u>Fiscal 2005</u> (in millions)	<u>Increase compared to prior fiscal year</u>		<u>Fiscal 2004</u>
		<u>\$</u>	<u>percent</u>		<u>\$</u>	<u>percent</u>	
Restructuring	—	—	—	\$26.7	\$23.5	734%	\$3.2

During the fourth quarter of fiscal 2006, management implemented a restructuring plan directly resulting from the Alias acquisition which involved the elimination of employee positions, facilities and fixed assets of Alias ("Alias Restructuring Plan"). Total estimated cost of the Alias Restructuring Plan is \$11.1 million. The total restructuring reserve established for this plan was reflected in the purchase price allocation. The Alias Restructuring Plan was established in accordance with Emerging Issues Task Force 95-3, "Recognition of Liabilities in Connection with a Purchase Business Combination." Subsequent adjustments to our original estimates for this plan will not be shown as restructuring expenses but will instead be made as adjustments to the Alias purchase price allocation and will impact goodwill. See Note 10, "Business Combinations," in the Notes to Consolidated Financial Statements for further discussion.

During the fourth quarter of fiscal 2004, we implemented a restructuring plan involving the elimination of employee positions and the closure of a number of offices worldwide having a total cost of \$27.5 million ("Fiscal

2004 Plan”). This plan was designed to improve efficiencies across the organization, reduce operating expense levels to help achieve our targeted operating margins and redirect resources to product development, sales development and other critical areas. The actions approved under the Fiscal 2004 Plan were completed during the fourth quarter of fiscal 2005.

During fiscal 2005, we recorded net restructuring charges of \$26.7 million, of which \$23.7 million related to the Fiscal 2004 Plan. Of this amount, \$19.8 million related to employee termination costs for 316 employees worldwide (186 in the United States and 130 outside the United States) and \$3.9 million related to the closure of facilities. Also, we recorded net restructuring charges of approximately \$3.0 million related to the fiscal 2002 restructuring plan for additional office closure costs originally established under the fiscal 2002 restructuring plan. Since the office closures in fiscal 2002, there has been a significant downturn in the commercial real estate market, particularly in areas of the United Kingdom where some of the offices are located. As such, Autodesk is unable to either buy-out the remaining lease obligations at favorable amounts or sub-lease the space at amounts previously estimated.

During fiscal 2004, Autodesk recognized net restructuring charges of \$3.2 million, of which \$3.8 million related to the Fiscal 2004 Plan, \$1.1 million related to additional office closure costs under the fiscal 2002 restructuring plan and reversals of the accrual for changes in estimates of \$1.7 million related to underlying liabilities originally established under the fiscal 2002 and fiscal 2003 restructuring plans. Of the \$3.8 million related to the Fiscal 2004 Plan, \$3.6 million related to employee termination costs for 86 employees worldwide (71 in the United States and 15 outside the United States) and \$0.2 million related to office closure costs. Office closure costs included losses on operating leases and the write-off of leasehold improvements and equipment. Employee termination costs consisted of one-time termination benefits including severance benefits, medical benefits and outplacement costs. With respect to the \$1.7 million of reversals, the underlying liabilities, primarily related to employee termination costs outside the United States, were ultimately settled for less than originally estimated.

For additional information regarding restructuring reserves, see Note 11, “Restructuring Reserves”, in the Notes to Consolidated Financial Statements.

Interest and Other Income, Net

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>
		(in millions)	
Interest and investment income, net	\$13.2	\$ 7.2	\$10.4
Foreign-based stamp taxes	—	(2.8)	—
Gains (losses) on foreign currency transactions	(0.7)	0.8	3.3
Write-downs of cost method investments	—	—	(0.6)
Legal proceeding settlement	—	2.4	—
Net realized gains on sales of marketable securities	—	0.5	1.6
Other income	<u>0.7</u>	<u>3.3</u>	<u>2.3</u>
	<u>\$13.2</u>	<u>\$11.4</u>	<u>\$17.0</u>

Investment income fluctuates based on average cash and marketable securities balances, average maturities and interest rates. The increase in interest and investment income, net, during fiscal 2006, as compared to fiscal 2005, reflects proportionately higher interest rate yields during the current fiscal year.

During the second quarter of fiscal 2005, we determined that certain money market fund investments were subject to \$2.8 million of Swiss Transfer Stamp Taxes from the third quarter of fiscal 2001 through the second quarter of fiscal 2005. We determined that the impact of this adjustment was not material to previously reported periods.

Legal proceeding settlement of \$2.4 million was received during the second quarter of fiscal 2005 as part of a court settlement related to legal proceedings with Spatial Corp. During October 2003, Spatial was ordered to reimburse Autodesk for attorneys’ fees and trial costs.

Interest income for fiscal 2004 includes \$4.2 million related to a tax benefit realized during the second quarter of fiscal 2004 resulting from the favorable resolution with the IRS of an industry-wide issue regarding Foreign Sales Corporations.

Provision for income taxes

Autodesk accounts for income taxes and the related accounts under the liability method in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases 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 increased four percentage points from fiscal 2005 to fiscal 2006. The increase was primarily the result of a decrease in tax benefits, as a percentage of pre-tax earnings, from (1) the lapse of the statute of limitations, which resulted in the release of tax reserves with respect to prior tax years and (2) the repatriation of certain foreign dividends at a rate lower than the 35% federal statutory rate under the American Jobs Creations Act of 2004 ("DRD Legislation"). The current year increase to the effective tax rate was also partially offset by an increase in tax benefits from international profits taxed at rates less than the U.S. federal statutory rate.

Our effective tax rate increased eight percentage points from fiscal 2004 to fiscal 2005. This increase was primarily due to the absence of a \$19.7 million income tax benefit resulting from a favorable resolution of an industry-wide matter surrounding our Foreign Sales Corporation during fiscal 2004. Our effective tax rate also increased as a result of a decrease in tax benefits, as a percentage of pre-tax earnings, from the lapse of the statute of limitations, which resulted in the release of tax reserves with respect to prior tax years. The effective tax rate increase was also partially offset by (1) a benefit of \$15.5 million related to the DRD Legislation in fiscal 2005 and (2) an increase in tax benefits from international profits taxed at rates less than the U.S. federal statutory rate.

Our future effective tax rate may be materially impacted by the amount of benefits associated with our foreign earnings, which are taxed at rates different from the federal statutory rate, extraterritorial income exclusion, deduction for Domestic Production Activities, research credits, tax-exempt interest and changes in the tax law. Our adoption of SFAS 123R in the first quarter of fiscal 2007 may also affect our future effective tax rate. Further, during the past two fiscal years, our effective tax rate has benefited from the repatriation of certain foreign dividends under the American Jobs Creations Act of 2004, the provisions of which are not effective for future years.

For additional information regarding our income tax provision, see Note 5, "Income Taxes," in the Notes to Consolidated Financial Statements.

Liquidity and Capital Resources

Our primary source of cash is from the sale of 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, our primary uses of cash include funding our stock repurchase program and investing in our growth initiatives through business acquisitions. See further discussion of these items below.

At January 31, 2006, our principal sources of liquidity were cash, cash equivalents and marketable securities totaling \$377.5 million and net accounts receivable of \$261.4 million. In addition, we also have available a U.S. line of credit facility which was established during fiscal 2006. This line of credit permits unsecured short-term borrowings of up to \$100.0 million, which is available for working capital or other business needs. There were no borrowings outstanding under this agreement at January 31, 2006. See Note 6 "Borrowing Arrangements" in the Notes to Consolidated Financial Statements for further information on this line of credit.

During fiscal 2006, we generated \$415.2 million of cash from operating activities compared to \$373.1 million in fiscal 2005. This increase was primarily driven by higher revenue, higher operating earnings, higher deferred revenue and accounts payable balances, partially offset by higher working capital uses of cash related to larger bonus and other incentive compensation amounts paid during the first quarter of fiscal 2006.

During fiscal 2006, we used \$338.0 million in net cash for investing activities compared to \$175.7 million generated from investing activities during fiscal 2005. The increase in cash used in investing activities during fiscal 2006 was primarily due to \$242.1 million used in business acquisitions (Alias, Compass, Colorfront, c-plan, Solid Dynamics, Engineering Intent and AST). In addition, we also utilized \$271.3 million for purchases of available-for-sale marketable securities during the current fiscal year, partially offset by \$204.0 million of sales and maturities of such securities. These uses of cash for investing activities were primarily due to funds repatriated from Europe and Asia to the United States under the American Jobs Creation Act of 2004 ("DRD Legislation"). During fiscal 2006, under the DRD Legislation, we repatriated approximately \$512 million to the United States where we can more effectively manage our cash and invest in our business. During fiscal 2005, sales and maturities of available-for-sale marketable securities were higher primarily due to the liquidation of certain marketable securities to fund the repurchase of our common stock, as discussed below.

We used \$305.6 million in net cash for financing activities during fiscal 2006, compared to \$317.7 million during fiscal 2005. The major financing uses of cash in both periods were for the repurchase of our common stock. We repurchased 11.7 million shares of our common stock for \$446.8 million during fiscal 2006 and repurchased 25.9 million shares for \$546.4 million during fiscal 2005. As of January 31, 2006, 20.5 million shares remained available for repurchase under our stock repurchase program. We currently expect to continue making repurchases under this program. Our dividend payments declined to \$3.4 million during fiscal 2006 compared to \$13.5 million during fiscal 2005. This decline was due to the discontinuance of the payment of cash dividends after the fourth quarter of fiscal 2005. The dividend payment made during fiscal 2006 related to the dividend declaration made during the fourth quarter of fiscal 2005. These financing uses of cash were partially offset by proceeds received from the issuance of common stock under our stock option and stock purchase plans, which amounted to \$144.6 million during fiscal 2006 and \$242.2 million during fiscal 2005.

Long-term cash requirements, other than normal operating expenses, are anticipated for the development of new software products and incremental product offerings resulting from the enhancement of existing products; financing anticipated growth; the share repurchase program; the acquisition of businesses, software products, or technologies complementary to our business; and capital expenditures, including the purchase and implementation of internal-use software applications.

As noted above, during fiscal 2006, we repatriated approximately \$512 million of foreign earnings held by financial institutions outside of the United States under the DRD Legislation. As a result, at January 31, 2006, 40% of our consolidated cash, cash equivalents and marketable securities are held with financial institutions in the United States, compared to 10% at January 31, 2005. For further discussion of the DRD Legislation, see Note 5 "Income Taxes" in the Notes to Consolidated Financial Statements. In addition, \$22.4 million of our marketable securities at January 31, 2006 is reserved for deferred compensation. See Note 4, "Restricted Financial Instruments," in the Notes to Consolidated Financial Statements for further discussion.

Our international operations are subject to currency fluctuations. To minimize the impact of these fluctuations, we use foreign currency option contracts to hedge our exposure on anticipated transactions and forward contracts to hedge our exposure on firm commitments, primarily certain receivables and payables denominated in foreign currencies. Our foreign currency instruments, by policy, have maturities of less than three months and settle before the end of each quarterly period. The principal currencies hedged during fiscal 2006 were the euro, Swiss franc, Canadian dollar, British pound and Japanese yen. We monitor our foreign exchange exposures to ensure the overall effectiveness of our foreign currency hedge positions.

Contractual Obligations

The following table summarizes our significant financial contractual obligations at January 31, 2006 and the effect such obligations are expected to have on our liquidity and cash flows in future periods. This table excludes amounts already recorded on our balance sheet as current liabilities at January 31, 2006.

	Payments due by period				
	Total	FY 2007	FY 2008–2009	FY 2010–2011	Thereafter
	(in millions)				
Operating lease obligations	\$119.0	\$ 30.5	\$43.7	\$28.1	\$16.7
Purchase obligations	<u>38.5</u>	<u>35.9</u>	<u>2.6</u>	<u>—</u>	<u>—</u>
Total (1)	\$ 157.5	\$66.4	\$46.3	\$28.1	\$16.7

(1) Total does not include contractual obligations recorded on the balance sheet or certain purchase obligations as discussed below.

For the purposes of this table, contractual obligations for purchase of goods or services are defined as agreements that are enforceable and legally binding on Autodesk and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Purchase orders or contracts for the purchase of supplies, services and other goods and services are not included in the table above. We are not able to determine the aggregate amount of such purchase orders that represent contractual obligations, as purchase orders may represent authorizations to purchase rather than binding agreements. Our purchase orders are based on our current procurement or development needs and are fulfilled by our vendors within short time horizons. We do not have significant agreements for the purchase of supplies, services or other goods specifying minimum quantities or set prices that exceed our expected requirements for three months. We also enter into contracts for outsourced services; however in most instances, the obligations under these contracts were not significant and the contracts contain clauses allowing for cancellation without significant penalty. In addition, we have certain software royalty commitments associated with the shipment and licensing of certain products. Royalty expense is generally based on the number of units shipped or a percentage of the underlying revenue. Royalty expense, included in cost of license and other revenues, was \$12.1million, \$9.2 million and \$8.6 million in fiscal 2006, 2005 and 2004, respectively.

Principal commitments at January 31, 2006 shown above, consisted of obligations under operating leases for facilities and computer equipment, IT infrastructure costs, marketing costs and contractual development costs. Purchase commitments also include \$15.5 million related to a termination fee for an outsource application hosting services agreement entered into during fiscal 2006. This fee is reduced as time lapses during the five-year contract period.

The expected timing of payment of the obligations discussed above is estimated based on current information. Timing of payments and actual amounts paid may be different depending on the time of receipt of goods or services or changes to agreed-upon amounts for some obligations.

We provide indemnifications of varying scopes and certain guarantees, including limited product warranties. Historically, costs related to these warranties and indemnifications have not been significant, but because potential future costs are highly variable, we are unable to estimate the maximum potential impact of these guarantees on our future results of operations.

Off-Balance Sheet Arrangements

Other than operating leases, we do not engage in off-balance sheet financing arrangements or have any variable-interest entities. As of January 31, 2006 we did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Stock Compensation

As of January 31, 2006, we maintained two active stock option plans for the purpose of granting stock options to employees and members of Autodesk's Board of Directors: the 1996 Stock Plan (available only to employees) and the 2000 Directors' Option Plan (available only to non-employee directors). Additionally, there are six expired or terminated plans with options outstanding, including the Nonstatutory Stock Option Plan (available only to non-executive employees and consultants) which was terminated by the Board of Directors in December 2004. On November 10, 2005, our stockholders approved a new stock plan, the 2006 Employee Stock Plan, as well as amendments to the 2000 Directors' Option Plan. (See Item 4. "Submission of Matters to a Vote of Security Holders," for voting results of these proposals). The 2006 Employee Stock Plan reserves 9.65 million shares of Autodesk common stock, plus the shares that remained available for issuance under the 1996 Stock Plan upon its expiration, for issuance under the plan. The 2006 Employee Stock Plan, which will expire in fiscal year 2009, is limited to grants of stock options to employees. The 2006 Employee Stock Plan replaced the 1996 Plan on March 21, 2006.

In addition to its stock option plans, our employees are also eligible to participate in Autodesk's 1998 Employee Qualified Stock Purchase Plan.

Our stock option program is broad-based and designed to promote long-term retention. Essentially all of our employees participate. Approximately 85% of the options we granted during fiscal 2006 were awarded to employees other than our CEO and the four other most highly compensated officers for fiscal 2005, which we refer to as our Named Executive Officers. Options granted under our equity plans during fiscal 2006 vest over periods ranging from one to four years and expire within six to ten years of the date of grant. Options granted prior to fiscal 2006 expire within ten years of the date of grant. The exercise price of the stock options is equal to the closing price of our Common Stock on the Nasdaq National Market on the grant date.

All stock option grants to executive officers are made by the Compensation and Human Resources Committee of the Board of Directors. All members of the Compensation and Human Resources Committee are independent directors, as defined by the listing standards of the Nasdaq National Market. Grants to our non-employee directors are non-discretionary and are pre-determined by the terms of the 2000 Directors' Option Plan.

For further information concerning Autodesk's policies and procedures regarding the use of stock options, see (a) "Policies Related to our Equity Compensation Programs" in the Proxy Statement for our Special Meeting of Stockholders which was held on November 10, 2005, and (b) "Report of the Compensation and Human Resources Committee of the Board of Directors" in the Proxy Statement for our 2005 Annual Meeting of Stockholders.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Risk

Our revenues, earnings and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. Our risk management strategy utilizes foreign currency forward and option contracts to manage our foreign currency exposures that exist as part of our ongoing business operations, but such contracts do not extend beyond the current quarter. Contracts are primarily denominated in euro, Swiss Franc, Canadian dollar, British pounds and Japanese yen. We do not enter into any foreign exchange derivative instruments for trading or speculative purposes.

A sensitivity analysis, performed on our hedging portfolio as of January 31, 2006, indicated that a hypothetical 10% appreciation of the U.S. dollar from its value at January 31, 2006 would increase the fair value of our forward exchange and option contracts by \$5.5 million. Conversely, a hypothetical 10% depreciation of the dollar from its value at January 31, 2006 would decrease the fair value of our forward exchange and option contracts by \$2.2 million. The results of the sensitivity analysis performed on our hedging portfolio as of January 31, 2005, indicated that a hypothetical 10% appreciation of the U.S. dollar from its value at January 31, 2005 would have increased the fair value of our forward exchange and option contracts by \$8.0 million and a hypothetical

10% depreciation of the dollar from its value at January 31, 2005 would have decreased the fair value of our forward exchange and option contracts by \$6.2 million. We do not anticipate any material adverse impact to our consolidated financial position, results of operations or cash flows as a result of these foreign currency forward and option contracts.

Interest Rate Sensitivity

At January 31, 2006, we had an investment portfolio of fixed income securities and short term mutual fund balances of \$90.3 million. These securities were not subject to interest rate fluctuations. At January 31, 2005, we had an investment portfolio of \$15.0 million consisting of short term mutual fund balances which were not subject to interest rate fluctuations. The short-term mutual fund balances included \$22.4 million at January 31, 2006 and \$14.3 million at January 31, 2005 of amounts held in a rabbi trust under deferred compensation arrangements. See Note 4, "Restricted Financial Instruments," in the Notes to Consolidated Financial Statements for further discussion.

We do not use derivative financial instruments in our investment portfolio to manage interest rate risk. We place our investments in instruments that meet high credit quality standards, as specified in our investment policy guidelines, which limits the amount of credit exposure to any one issue, issuer or type of instrument.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

AUTODESK, INC.

CONSOLIDATED STATEMENTS OF INCOME

	Fiscal year ended January 31,		
	2006	2005	2004
	(In millions, except per share data)		
Net revenues:			
License and other	\$1,246.7	\$ 1,057.1	\$ 836.7
Maintenance	<u>276.5</u>	<u>176.7</u>	<u>114.9</u>
Total net revenues	<u>1,523.2</u>	<u>1,233.8</u>	<u>951.6</u>
Costs and expenses:			
Cost of license and other revenues	157.8	152.5	132.7
Cost of maintenance revenues	13.1	17.0	15.4
Marketing and sales	553.8	461.9	393.2
Research and development	301.6	239.4	209.4
General and administrative	127.1	101.4	91.5
Restructuring	<u>—</u>	<u>26.7</u>	<u>3.2</u>
Total costs and expenses	<u>1,153.4</u>	<u>998.9</u>	<u>845.4</u>
Income from operations	369.8	234.9	106.2
Interest and other income, net	<u>13.2</u>	<u>11.4</u>	<u>17.0</u>
Income before income taxes	383.0	246.3	123.2
Provision for income taxes	<u>(54.1)</u>	<u>(24.8)</u>	<u>(2.9)</u>
Net income	<u>\$ 328.9</u>	<u>\$ 221.5</u>	<u>\$ 120.3</u>
Basic net income per share	<u>\$ 1.44</u>	<u>\$ 0.98</u>	<u>\$ 0.54</u>
Diluted net income per share	<u>\$ 1.33</u>	<u>\$ 0.90</u>	<u>\$ 0.52</u>
Shares used in computing basic net income per share	<u>229.0</u>	<u>227.0</u>	<u>223.0</u>
Shares used in computing diluted net income per share	<u>247.5</u>	<u>247.0</u>	<u>231.3</u>

See accompanying Notes to Consolidated Financial Statements.

AUTODESK, INC.
CONSOLIDATED BALANCE SHEETS

	<u>January 31,</u> <u>2006</u>	<u>January 31,</u> <u>2005</u>
	(In millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 287.2	\$ 517.7
Marketable securities	82.2	15.0
Accounts receivable, net	261.4	196.8
Inventories	14.2	12.5
Deferred income taxes	64.4	14.3
Prepaid expenses and other current assets	<u>29.3</u>	<u>25.5</u>
Total current assets	<u>738.7</u>	<u>781.8</u>
Computer equipment, software, furniture and leasehold improvements, net ..	61.4	69.6
Purchased technologies and capitalized software, net	49.8	9.3
Goodwill	318.2	166.6
Deferred income taxes, net	129.2	105.1
Other assets	<u>63.5</u>	<u>9.8</u>
	<u>\$1,360.8</u>	<u>\$1,142.2</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 56.4	\$ 46.2
Accrued compensation	121.3	140.6
Accrued income taxes	10.8	41.6
Deferred revenues	249.8	178.7
Other accrued liabilities	<u>68.6</u>	<u>61.2</u>
Total current liabilities	506.9	468.3
Deferred revenues	35.8	15.5
Other liabilities	26.8	10.3
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, \$0.01 par value; 2.0 shares authorized; none issued or outstanding at January 31, 2006 and 2005	—	—
Common stock and additional paid-in capital, \$0.01 par value; 750.0 shares authorized; 229.6 shares outstanding at January 31, 2006 and 227.6 shares outstanding at January 31, 2005	773.7	625.2
Accumulated other comprehensive loss	(7.4)	(2.8)
Deferred compensation	(6.1)	(0.3)
Retained earnings	<u>31.1</u>	<u>26.0</u>
Total stockholders' equity	<u>791.3</u>	<u>648.1</u>
	<u>\$1,360.8</u>	<u>\$1,142.2</u>

See accompanying Notes to Consolidated Financial Statements.

AUTODESK, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal year ended January 31,		
	2006	2005	2004
	(In millions)		
Operating activities			
Net income	\$ 328.9	\$ 221.5	\$ 120.3
Adjustments to reconcile net income to net cash provided by operating activities:			
Charge for acquired in-process research and development	9.1	—	—
Depreciation and amortization	43.7	51.9	50.3
Stock-based compensation expense	0.4	3.9	1.8
Write-downs of cost-method investments	—	—	0.6
Net loss on fixed asset disposals	0.1	0.6	—
Tax benefits from employee stock plans	124.0	116.9	—
Restructuring related charges, net	—	9.2	3.2
Changes in operating assets and liabilities, net of business combinations:			
Accounts receivable	(45.8)	(30.0)	(34.0)
Inventories	(1.0)	4.8	(5.1)
Deferred income taxes	(87.8)	(101.7)	9.7
Prepaid expenses and other current assets	0.3	(1.3)	4.5
Accounts payable and accrued liabilities	(15.1)	39.6	23.9
Deferred revenues	85.7	66.9	34.0
Accrued income taxes	(27.3)	(9.2)	10.9
Net cash provided by operating activities	<u>415.2</u>	<u>373.1</u>	<u>220.1</u>
Investing activities			
Purchases of available-for-sale marketable securities	(271.3)	(256.6)	(417.8)
Sales and maturities of available-for-sale marketable securities	204.0	490.3	397.5
Purchases of restricted financial instruments	(8.1)	(3.0)	(3.7)
Business combinations, net of cash acquired	(242.1)	(11.7)	(5.2)
Capital and other expenditures	(20.5)	(40.8)	(25.9)
Purchases of software technologies and capitalization of software development costs	—	(1.6)	(4.2)
Other investing activities	—	(0.9)	0.3
Net cash provided by (used in) investing activities	<u>(338.0)</u>	<u>175.7</u>	<u>(59.0)</u>
Financing activities			
Proceeds from issuance of common stock, net of issuance costs	144.6	242.2	115.4
Repurchases of common stock	(446.8)	(546.4)	(178.5)
Dividends paid	(3.4)	(13.5)	(13.4)
Net cash used in financing activities	<u>(305.6)</u>	<u>(317.7)</u>	<u>(76.5)</u>
Effect of exchange rate changes on cash and cash equivalents	(2.1)	4.4	11.2
Net increase (decrease) in cash and cash equivalents	(230.5)	235.5	95.8
Cash and cash equivalents at beginning of year	517.7	282.2	186.4
Cash and cash equivalents at end of year	<u>\$ 287.2</u>	<u>\$ 517.7</u>	<u>\$ 282.2</u>
Supplemental cash flow information:			
Net cash paid (refunds received) during the period for income taxes ..	<u>\$ 44.2</u>	<u>\$ 16.5</u>	<u>\$ (19.3)</u>
Supplemental non-cash investing activity:			
Accounts receivable and other receivable reductions as partial consideration in business combinations	<u>\$ 2.4</u>	<u>\$ —</u>	<u>\$ —</u>

See accompanying Notes to Consolidated Financial Statements.

AUTODESK, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common stock and additional paid-in capital		Comprehensive income	Accumulated other comprehensive income (loss)	Deferred compensation	Retained earnings	Total stockholders' equity
	Shares	Amount					
Balances, January 31, 2003	224.5	\$479.9		(In millions) \$(11.5)	\$(2.2)	\$ 103.0	\$ 569.2
Common shares issued under stock option and stock purchase plans	17.0	115.4					115.4
Compensation expense related to stock options		0.1			1.7		1.8
Comprehensive income:							
Net income			\$ 120.3			120.3	120.3
Other comprehensive income, net of tax:							
Change in unrealized gains on available-for-sale securities			(1.5)				
Foreign currency translation adjustment			8.3				
Other comprehensive income			6.8	6.8			6.8
Comprehensive income			<u>\$ 127.1</u>				
Dividends paid						(13.4)	(13.4)
Repurchase and retirement of common shares	(18.1)	(121.7)				(56.8)	(178.5)
Balances, January 31, 2004	223.4	473.7		(4.7)	(0.5)	153.1	621.6
Common shares issued under stock option and stock purchase plans	30.1	242.3			(0.1)		242.2
Compensation expense related to stock options		3.6			0.3		3.9
Tax benefits from employee stock plans		116.9					116.9
Comprehensive income:							
Net income			\$ 221.5			221.5	221.5
Other comprehensive income, net of tax:							
Change in unrealized gains on available-for-sale securities			(1.5)				
Foreign currency translation adjustment			3.4				
Other comprehensive income			1.9	1.9			1.9
Comprehensive income			<u>\$223.4</u>				
Dividends paid						(13.5)	(13.5)
Repurchase and retirement of common shares	(25.9)	(211.3)				(335.1)	(546.4)
Balances, January 31, 2005	227.6	625.2		(2.8)	(0.3)	26.0	648.1
Common shares issued under stock option and stock purchase plans	13.7	144.6					144.6
Compensation expense related to stock options		6.2			(5.8)		0.4
Tax benefits from employee stock plans		124.0					124.0
Comprehensive income:							
Net income			\$328.9			328.9	328.9
Foreign currency translation adjustment			(4.6)	(4.6)			(4.6)
Comprehensive income			<u>\$324.3</u>				
Dividends paid						(3.4)	(3.4)
Repurchase and retirement of common shares	(11.7)	(126.3)				(320.4)	(446.7)
Balances, January 31, 2006	<u>229.6</u>	<u>\$ 773.7</u>		<u>\$(7.4)</u>	<u>\$(6.1)</u>	<u>\$ 31.1</u>	<u>\$ 791.3</u>

See accompanying Notes to Consolidated Financial Statements.

AUTODESK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
January 31, 2006
(In millions, except share and per share data)

Note 1. Business and Summary of Significant Accounting Policies

Business

Autodesk, Inc. (“Autodesk” or “the Company”) is one of the world’s leading design software and services companies, offering customers progressive business solutions through powerful technology products and services. The Company helps customers in the building, manufacturing, infrastructure and digital media sectors increase the value of their digital design data and improve efficiencies across their entire project lifecycle management processes. Autodesk provides a broad range of integrated and interoperable design software, Internet services and wireless development platforms that empower millions of users. Autodesk software products are sold in over 160 countries, both directly to customers and through a network of resellers and distributors.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Autodesk and its wholly-owned and majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in Autodesk’s consolidated financial statements and notes thereto. On a regular basis, management evaluates these estimates and assumptions. Actual results may differ materially from these estimates.

Examples of significant estimates and assumptions made by management involve the establishment of provisions for bad debts, product returns, the determination of the fair value of stock awards to employees for purposes of the pro forma disclosures within this Note 1 under “Employee Stock Compensation” and Note 9, “Employee and Director Benefit Plans,” realizability of deferred tax assets and long-lived assets, goodwill valuation, legal settlement reserves and the adequacy of lease termination and employee termination-related restructuring accruals.

Foreign Currency Translation

The assets and liabilities of foreign subsidiaries are translated from their respective functional currencies into U.S. dollars at the rates in effect at the balance sheet date, and revenue and expense amounts are translated at weighted average rates during the period. Foreign currency translation adjustments are recorded as other comprehensive income.

Gains and losses realized from foreign currency transactions, those transactions denominated in currencies other than the subsidiary’s functional currency are included in interest and other income, net.

Forward Foreign Exchange Contracts (“Forwards”) and Option Contracts (“Options”)

Autodesk hedges a portion of its European, Asian and Canadian currency exposures in certain receivables and payables as well as certain anticipated cash flows denominated in foreign currencies using forwards and options. These foreign currency instruments by policy have maturities of less than three months.

In accordance with the provisions of Statement of Financial Accounting Standards No. 133 “Accounting for Derivative Instruments and Hedging Activities” (“SFAS 133”), Autodesk recognizes all derivative instruments on the balance sheet at fair value. The accounting for gains and losses resulting from changes in fair value of derivative instruments will depend upon the use of the derivative and whether it is designated and qualifies for hedge accounting under SFAS 133.

AUTODESK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1. Business and Summary of Significant Accounting Policies (Continued)

The costs of forwards are amortized on a straight-line basis over the life of the contract to interest and other income, net, while option premiums are expensed within the quarter because of the short-term life of the options.

Cash and Cash Equivalents

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

Marketable Securities

Marketable securities are stated at fair value. Marketable securities maturing within one year that are not restricted are classified as current assets.

Autodesk determines the appropriate classification of its marketable securities at the time of purchase and re-evaluates such classification as of each balance sheet date. Autodesk classifies all of its marketable securities as available-for-sale and carries such securities at fair value, with unrealized gains and losses, net of tax, reported in stockholders' equity until disposition or maturity.

Accounts Receivable, Net

Accounts receivable, net consisted of the following as of January 31:

	<u>2006</u>	<u>2005</u>
Trade accounts receivable	\$288.7	\$224.1
Less: Allowance for doubtful accounts	(8.2)	(7.2)
Less: Product returns and other reserves	<u>(19.1)</u>	<u>(20.1)</u>
	<u>\$261.4</u>	<u>\$196.8</u>

Allowances for uncollectible trade receivables are based upon historical loss patterns, the number of days that billings are past due and an evaluation of the potential risk of loss associated with problem accounts.

The product returns and other reserves are based on historical experience of actual product returns, estimated channel inventory levels, the timing of new product introductions, channel sell-in for applicable markets and other factors.

Concentration of Credit Risk

Autodesk places its cash, cash equivalents and marketable securities with and in the custody of financial institutions with high credit standing and, by policy, limits the amounts invested with any one institution, type of security and issuer. Approximately 40% and 10% of Autodesk's consolidated cash, cash equivalents and marketable securities were held with financial institutions in the United States at January 31, 2006 and 2005, respectively. During fiscal year 2006, Autodesk utilized the repatriation provision of the American Jobs Creation Act of 2004 to repatriate approximately \$512 million of accumulated foreign earnings under the DRD Legislation (see Note 5, "Income Taxes," for further discussion).

Autodesk's accounts receivable are derived from sales to a large number of direct customers, resellers and distributors in the Americas, Europe and the Asia/Pacific region. Autodesk performs ongoing evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary, but generally requires no collateral. Tech Data Corporation, including its affiliates, accounted for 13% and 15% of gross accounts receivable at January 31, 2006 and 2005, respectively.

AUTODESK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1. Business and Summary of Significant Accounting Policies (Continued)

Inventories

Inventories consisted of the following as of January 31:

	<u>2006</u>	<u>2005</u>
Raw materials and finished goods, net	\$ 11.9	\$ 8.2
Demonstration inventory, net	<u>2.3</u>	<u>4.3</u>
	<u>\$14.2</u>	<u>\$12.5</u>

Inventories are stated at the lower of standard cost (determined on the first-in, first-out method) or market. Autodesk evaluates quantities on hand and estimates excess and obsolete inventory for purposes of establishing necessary reserves.

Computer Equipment, Software, Furniture and Leasehold Improvements

Computer equipment, software and furniture are depreciated using the straight-line method over the estimated useful lives of the assets, which range from two to five years. Leasehold improvements are amortized on a straight-line basis over the shorter of the estimated useful life or the lease term. Depreciation expense was \$33.8 million in fiscal 2006, \$36.2 million in fiscal 2005 and \$34.3 million in fiscal 2004.

Computer equipment, software, furniture, leasehold improvements and the related accumulated depreciation at January 31 were as follows:

	<u>2006</u>	<u>2005</u>
Computer equipment, software and furniture, at cost	\$208.0	\$ 191.7
Leasehold improvements, at cost	<u>35.0</u>	<u>32.6</u>
	243.0	224.3
Less: Accumulated depreciation	<u>(181.6)</u>	<u>(154.7)</u>
Computer equipment, software, furniture and leasehold improvements, net	<u>\$ 61.4</u>	<u>\$ 69.6</u>

Costs incurred for computer software developed or obtained for internal use are capitalized for application development activities and immediately expensed for preliminary project activities and post-implementation activities. These capitalized costs are amortized over the expected useful life of the software, which is generally three years.

Software Development Costs

Software development costs incurred prior to the establishment of technological feasibility are included in research and development expenses. Autodesk defines establishment of technological feasibility as the completion of a working model. Software development costs incurred subsequent to the establishment of technological feasibility through the period of general market availability of the products are capitalized, if material.

Purchased Technologies and Capitalized Software

Purchased technologies and capitalized software costs are amortized over the estimated economic life of the product, which ranges from one to seven years. Capitalized software assets were fully amortized and written-off as of January 31, 2006. Amortization expense, which is included as a component of cost of revenues, was \$9.9 million in fiscal 2006, \$15.7 million in fiscal 2005 and \$15.5 million in fiscal 2004.

AUTODESK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1. Business and Summary of Significant Accounting Policies (Continued)

Purchased technologies, capitalized software and the related accumulated amortization at January 31 were as follows:

	<u>2006</u>	<u>2005</u>
Purchased technologies	\$ 185.2	\$ 137.1
Capitalized software	—	21.8
	185.2	158.9
Less: Accumulated amortization	<u>(135.4)</u>	<u>(149.6)</u>
Purchased technologies and capitalized software, net	<u>\$ 49.8</u>	<u>\$ 9.3</u>

The weighted-average amortization period for purchased technologies and capitalized software acquired during fiscal 2006 was 5.4 years.

Expected future amortization expense for purchased technologies and capitalized software for each of the fiscal years ended thereafter is as follows:

<u>Year ending January 31,</u>	
2007	\$ 11.4
2008	10.4
2009	8.8
2010	7.3
2011	6.4
Thereafter	<u>5.5</u>
Total	<u>\$49.8</u>

Goodwill

On February 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets." Therefore, Autodesk no longer amortizes goodwill but instead tests it for impairment annually in the fourth quarter or more often if and when circumstances indicate that goodwill may not be recoverable. There was no impairment of goodwill during the year ended January 31, 2006.

The changes in the carrying amount of goodwill during the two years ended January 31, 2006 are as follows:

	<u>Design Solutions</u>	<u>Media and Entertainment</u>	<u>Total</u>
Balance as of January 31, 2004	\$ 153.7	\$ 6.4	\$ 160.1
MechSoft acquisition	3.9	—	3.9
Unreal Pictures acquisition	—	1.2	1.2
DESC acquisition	1.7	—	1.7
Other acquisitions	<u>(0.3)</u>	<u>—</u>	<u>(0.3)</u>
Balance as of January 31, 2005	159.0	7.6	166.6
Alias Systems acquisition	49.5	73.5	123.0
c-plan AG acquisition	7.0	—	7.0
Colorfront Ltd. acquisition	—	9.4	9.4
Compass Systems GmbH acquisition	5.8	—	5.8
Other acquisitions	<u>6.4</u>	<u>—</u>	<u>6.4</u>
Balance as of January 31, 2006	<u>\$227.7</u>	<u>\$90.5</u>	<u>\$318.2</u>

AUTODESK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1. Business and Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

At least annually or sooner, as circumstances dictate, Autodesk assesses the recoverability of its long-lived assets by comparing the undiscounted net cash flows associated with such assets against their respective carrying values. Impairment, if any, is based on the excess of the carrying value over the fair value. There was no impairment of long-lived assets during the year ended January 31, 2006.

During fiscal 2004 Autodesk identified an impairment related to certain intangible assets acquired in relation to the acquisition of the software division of Media 100, Inc. ("Media 100") attributed to the Media and Entertainment Segment. Autodesk wrote down the remaining net book value of these intangibles by \$1.8 million to an amount equal to the fair value of the Media 100-based products. This charge was recorded in cost of license and other revenues for the Media and Entertainment Segment of Autodesk.

In addition to the recoverability assessments, Autodesk routinely reviews the remaining estimated useful lives of its long-lived assets. Any reduction in the useful life assumption will result in increased depreciation and amortization expense in the quarter when such determinations are made, as well as in subsequent quarters.

Deferred Tax Assets

Deferred tax assets arise primarily from net operating losses, including stock option deductions, as well as tax credits, reserves and timing differences for purchased technologies and capitalized software offset by the establishment of U.S. deferred tax liabilities on unremitted earnings from certain foreign subsidiaries. They are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. Valuation allowances are established when necessary to reduce the deferred tax assets to the amount expected to be realized.

Employee Stock Compensation

Autodesk accounts for employee stock options using the intrinsic value method of accounting in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), as permitted by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). As such, no compensation expense is recognized in Autodesk's Consolidated Statements of Income, other than for stock awards that have exercise prices less than the fair market value of Autodesk's common stock at the date of grant.

AUTODESK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1. Business and Summary of Significant Accounting Policies (Continued)

The following table illustrates the effect on net income and net income per share if Autodesk had applied the fair value recognition provisions of SFAS 123 to stock-based employee compensation. For purposes of computing pro forma net income, the estimated fair value of options is amortized to expense on a straight-line basis over the options' vesting period.

	<u>Fiscal year ended January 31,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Net income — as reported	\$328.9	\$221.5	\$120.3
Add: Stock-based employee compensation cost, net of related tax effects, included in the determination of net income as reported	0.4	3.1	1.2
Deduct: Total stock-based employee compensation cost determined under the fair value based method for all awards, net of related tax effects	(71.8)	(61.5)	(48.7)
Pro forma net income	<u>\$ 257.5</u>	<u>\$ 163.1</u>	<u>\$ 72.8</u>
Net income per share:			
Basic — as reported	<u>\$ 1.44</u>	<u>\$ 0.98</u>	<u>\$ 0.54</u>
Basic — pro forma	<u>\$ 1.12</u>	<u>\$ 0.72</u>	<u>\$ 0.33</u>
Diluted — as reported	<u>\$ 1.33</u>	<u>\$ 0.90</u>	<u>\$ 0.52</u>
Diluted — pro forma	<u>\$ 1.05</u>	<u>\$ 0.67</u>	<u>\$ 0.32</u>

The weighted average estimated fair value of stock options granted was \$13.41 per share during fiscal 2006, \$7.96 during fiscal 2005 and \$4.04 during fiscal 2004. These were estimated using the Black-Scholes option-pricing model, based on the following assumptions:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Volatility.....	0.43	0.48	0.60
Weighted-average estimated life	4.2 years	4.8 years	5 years
Weighted-average risk-free interest rate	4.2%	3.6%	3.2%
Dividend yield	0.0%	0.3%	0.7%

During the third quarter of fiscal 2006, Autodesk revised its approach to estimating expected volatility on its stock awards granted during the quarter. Expected volatility is one of several assumptions in the Black-Scholes model used by Autodesk to make an estimate of the fair value of options granted under the Company's stock plans and the rights to purchase shares under the employee stock purchase plan. Prior to the third quarter of fiscal 2006, Autodesk estimated expected volatility solely based on historical stock volatility. Under its current method of estimating expected volatility, Autodesk has considered both the historical volatility in the trading market for its common stock as well as the implied volatility of tradable forward call options to purchase shares of its common stock. The Company believes this approach results in a better estimate of expected volatility.

The weighted average estimated fair value of shares granted under the employee qualified stock purchase plan was \$14.36 per share during fiscal 2006, \$9.35 during fiscal 2005 and \$3.26 during fiscal 2004. These were estimated using the Black-Scholes option-pricing model, based on the following assumptions:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Volatility	0.36	0.43	0.47
Weighted-average estimated life	1.25 years	1.25 years	1.25 years
Weighted-average risk-free interest rate	3.8%	2.2%	1.3%
Dividend yield	0.0%	0.3%	0.6%

AUTODESK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1. Business and Summary of Significant Accounting Policies (Continued)

During the fourth quarter of fiscal 2005, Autodesk modified its approach and updated certain assumptions with respect to determining the estimated fair value of shares granted under the employee qualified stock purchase plan to account for modifications to employee withholdings and the two-year offering period of the plan. As a result of these changes, pro forma net income for fiscal 2004 was reduced by \$3.4 million.

Revenue Recognition

Autodesk recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable, and collection is probable. Autodesk's revenue recognition policies are in compliance with the provisions of the American Institute of Certified Public Accountants' Statement of Position 97-2, "Software Revenue Recognition" ("SOP 97-2"), as amended, and SEC Staff Accounting Bulletin No. 104, "Revenue Recognition in Financial Statements."

Autodesk recognizes revenue as follows: Product sales, which include software licenses and any related hardware and peripherals, are recognized at the time of shipment to its distributors, resellers and direct customers, providing all other criteria for recognition of revenue have been met. In addition to product sales, Autodesk recognizes maintenance revenues from its subscription program and hosted service revenues ratably over the subscription contract periods. Customer consulting and training revenues are recognized as the services are performed. In arrangements that include multiple software products and/or services, the Company allocates the sales price among each of the deliverables using the residual method, under which revenue is allocated to undelivered elements based on vendor-specific objective evidence ("VSOE") of fair value of such undelivered elements and the residual amounts of revenue are allocated to delivered elements. VSOE is the price charged when that element is sold separately or the price as set by management with the relevant authority.

For reporting purposes, Autodesk reports revenue generated from the subscription program separately as maintenance revenue on the Consolidated Statements of Income. Revenue from all other sales types including product, consulting, training, hardware support, and hosting services, are reported as License and Other Revenue on the Consolidated Statements of Income. Revenue from the sales of Autodesk's training, support and hosting services are immaterial for all periods presented.

With the exception of contracts with certain distributors, sales contracts do not contain specific product-return privileges. However, Autodesk permits its distributors and resellers to return product in certain instances, such as during periods of product transition and during update cycles.

Autodesk establishes reserves for product returns based on historical experience of actual product returns, estimated channel inventory levels, the timing of new product introductions, channel sell-in for applicable markets and other factors. These reserves are recorded as a direct reduction of revenue and accounts receivable at the time the related revenue is recognized.

Shipping and Handling Costs

Shipping and handling costs are included in cost of revenues for all periods presented.

Advertising Expenses

Advertising costs are expensed as incurred. Total advertising expenses incurred were \$26.2 million in fiscal 2006, \$14.8 million in fiscal 2005 and \$11.7 million in fiscal 2004.

Net Income Per Share

Basic net income per share is computed using the weighted average number of common shares outstanding during the period. Diluted net income per share is computed using the combination of the dilutive effect of stock options and the weighted average number of common shares outstanding. Autodesk has no potentially dilutive securities other than stock options.

AUTODESK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1. Business and Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Standards

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 — revised 2004, “Share-Based Payment,” (“SFAS 123R”) which replaces Statement of Financial Accounting Standards No. 123 (“SFAS 123”) and supersedes APB Opinion No. 25, “Accounting for Stock Issued to Employees.” SFAS 123R requires the measurement of all share-based payments to employees, including grants of employee stock options, using a fair-value based method and the recording of such expense in the Company’s Consolidated Statements of Income. Autodesk is required to adopt SFAS 123R starting in the first quarter of fiscal 2007. The pro forma disclosures previously permitted under SFAS 123 will no longer be an alternative to financial statement recognition. See “Employee Stock Compensation” within this Note 1 for the pro forma net income and net income per share amounts for fiscal 2006, 2005 and 2004, as if the Company had used a fair-value based method similar to the methods required under SFAS 123R to measure compensation expense for employee stock awards. Autodesk believes the adoption of SFAS 123R will result in amounts that are similar to the current pro forma disclosures under SFAS 123 and that the adoption of SFAS 123R will have a material adverse effect on Autodesk’s Consolidated Statements of Income and net income per share. This estimated impact is contingent upon many factors including, but not limited to, the Company’s market value of its common stock on the date future options are granted.

In March 2005, the SEC issued Staff Accounting Bulletin No. 107 (“SAB 107”), “Share-Based Payment,” which provides interpretive guidance related to the interaction between SFAS 123R and certain SEC rules and regulations, as well as provides the SEC staff’s views regarding the valuation of share-based payment arrangements. The relevant interpretive guidance of SAB 107 will be applied in connection with its implementation and adoption of SFAS 123R.

In June 2005, the FASB issued Statement of Financial Accounting Standards No. 154, “Accounting Changes and Error Corrections” (“SFAS 154”), a replacement of APB Opinion 20, “Accounting Changes”, and SFAS No. 3, “Reporting Accounting Changes in Interim Financial Statements”. SFAS 154 changes the requirements for the accounting for and reporting of a change in accounting principle. Previously, most voluntary changes in accounting principles were required recognition via a cumulative effect adjustment within net income of the period of change. SFAS 154 requires retrospective application to prior periods’ financial statements, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS 154 is effective for accounting changes made in fiscal years beginning after December 15, 2005; however, SFAS 154 does not change the transition provisions of any existing accounting pronouncements. Autodesk does not believe adoption of SFAS 154 will have a material effect on its consolidated financial position, results of operations or cash flows.

Stock Splits

On November 16, 2004, the Company’s Board of Directors authorized a two-for-one stock split in the form of a stock dividend, payable to stockholders of record as of December 6, 2004. All references in the consolidated financial statements and notes thereto with respect to the number of shares, per share amounts and market prices of Autodesk’s common stock have been restated to reflect the effect of this stock split.

Reclassifications

Certain reclassifications have been made to the fiscal 2005 and 2004 balances to conform to the 2006 presentation. Autodesk reclassified its January 31, 2005 Consolidated Balance Sheet, conforming it to the 2006 presentation, to properly reflect the long-term portions of certain foreign pension liabilities and restructuring reserves from current liabilities to other liabilities. Prior to fiscal year 2005, Autodesk reported amortization of purchased intangibles together with amortization of goodwill separately on its Consolidated Statements of Income. Given Autodesk no longer amortizes goodwill, and total amortization of purchased intangibles is not

AUTODESK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1. Business and Summary of Significant Accounting Policies (Continued)

individually significant, Autodesk has included amortization of purchased intangibles in general and administrative expenses on its Consolidated Statements of Income. Amortization of purchased intangibles was \$1.7 million, \$0.6 million, and \$0.5 million during fiscal 2006, 2005, and 2004, respectively.

Note 2. Net Income Per Share

The following table sets forth the computation of the numerators and denominators used in the basic and diluted net income per share amounts:

	Year ended January 31,		
	2006	2005	2004
Numerator:			
Numerator for basic and diluted net income per share — net income	\$ <u>328.9</u>	\$ <u>221.5</u>	\$ <u>120.3</u>
Denominator:			
Denominator for basic net income per share — weighted average shares	229.0	227.0	223.0
Effect of dilutive common stock options	<u>18.5</u>	<u>20.0</u>	<u>8.3</u>
Denominator for diluted net income per share	<u>247.5</u>	<u>247.0</u>	<u>231.3</u>

The computation of diluted net income per share does not include 0.2 million options for fiscal 2006, 0.3 million options for fiscal 2005 and 16.4 million options for fiscal 2004. These options were excluded in the computation of basic and diluted net income per share because they had exercise prices greater than the average market prices of common stock during the respective periods and therefore were not dilutive.

Note 3. Financial Instruments

Fair Values of Financial Instruments

Estimated fair values of financial instruments are based on quoted market prices. The carrying amounts and fair value of Autodesk's financial instruments are as follows:

	January 31, 2006		January 31, 2005	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$287.2	\$287.2	\$517.7	\$517.7
Marketable securities	90.3(1)	90.3(1)	15.0	15.0
Foreign currency option contracts	0.2	0.2	0.2	0.2

(1) Includes \$8.1 million of marketable securities classified as a non-current asset and recorded in Other assets.

Autodesk uses derivative instruments to manage its earnings and cash flow exposures to fluctuations in foreign currency exchange rates. Under its risk management strategy, Autodesk uses foreign currency forward and option contracts to manage its exposures of underlying assets, liabilities and other obligations, which exist as part of the ongoing business operations. These foreign currency instruments have maturities of less than three months. Autodesk's general practice is to hedge a majority of its short-term foreign exchange transaction exposures. Contracts are primarily denominated in euros, Swiss francs, Canadian dollars, British pounds and Japanese yen. Autodesk does not enter into any foreign exchange derivative instruments for trading or speculative purposes.

AUTODESK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3. Financial Instruments (Continued)

Forwards

Autodesk's forward contracts, which are not designated as hedging instruments under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," ("SFAS 133"), have average maturities of less than three months. The forwards are used to reduce the exchange rate risk associated primarily with receivables and payables. Forward contracts are marked-to-market at the end of each reporting period, with gains and losses recognized as other income or expense to offset the gains or losses resulting from the settlement of the underlying foreign currency denominated receivables and payables.

The notional amounts of foreign currency contracts were \$10.4 million at January 31, 2006 and \$36.2 million at January 31, 2005. While the contract or notional amount is often used to express the volume of foreign exchange contracts, the amounts potentially subject to credit risk are generally limited to the amounts, if any, by which the counterparties' obligations under the agreements exceed the obligations of Autodesk to the counterparties.

Options

In addition to the forward contracts, Autodesk utilizes foreign currency option collar contracts to reduce the exchange rate impact on the net revenue of certain anticipated transactions. These option contracts, which are designated and documented as cash flow hedges and qualify for hedge accounting treatment under SFAS 133, have maturities of less than three months. For cash flow hedges, derivative gains and losses included in comprehensive income are reclassified into earnings at the time the forecasted revenue is recognized or the option expires. The cost of these foreign currency option collars are recorded as other current assets and other accrued liabilities on the Company's Consolidated Balance Sheets.

The notional amounts of foreign currency option contracts were \$77.1 million at January 31, 2006 and \$52.4 million at January 31, 2005, and the critical terms were generally the same as those of the underlying exposure. Gains, if any, from the effective portion of the option contracts, as determinable under SFAS 133, are recognized as net revenues, while the ineffective portion of the option contract is recorded in interest and other income, net. There were \$2.8 million net settlement gains recorded as net revenues during fiscal 2006 and \$0.5 million net settlement losses during fiscal 2005 recorded as net revenues. Amounts associated with the cost of the options, which were recorded in interest and other income, net, totaled \$0.8 million during both fiscal 2006 and fiscal 2005.

AUTODESK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3. Financial Instruments (Continued)

Marketable Securities

Marketable securities include the following available-for-sale securities at January 31, 2006 and 2005:

	January 31, 2006			
	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Short term:				
Mutual funds	\$ 14.3	\$—	\$—	\$ 14.3
Taxable auction-rate securities ..	66.1	—	—	66.1
Bank time deposits	<u>1.8</u>	<u>—</u>	<u>—</u>	<u>1.8</u>
	<u>\$82.2</u>	<u>\$—</u>	<u>\$—</u>	<u>\$82.2</u>
Long term:				
Mutual funds	<u>\$ 8.1</u>	<u>\$—</u>	<u>\$—</u>	<u>\$ 8.1</u>
	January 31, 2005			
	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Short-term mutual funds	<u>\$15.0</u>	<u>\$—</u>	<u>\$—</u>	<u>\$15.0</u>

Gross gains realized on the sale of available-for-sale securities were \$1.4 million in fiscal 2005 and \$1.9 million in fiscal 2004. Gross losses realized on the sale of available-for-sale securities were \$0.9 million in fiscal 2005 and \$0.3 million in fiscal 2004. The sales of available-for-sale securities in fiscal 2006 resulted in no gross gains or losses. The cost of securities sold is based on the specific identification method. Proceeds from the sale of marketable securities were \$204.0 million in fiscal 2006, \$301.6 million in fiscal 2005 and \$202.6 million in fiscal 2004.

Note 4. Restricted Financial Instruments

At January 31, 2006 Autodesk had marketable securities totaling \$90.3 million, of which \$22.4 million related to investments in debt and equity securities that are restricted and held in a rabbi trust under non-qualified deferred compensation plans. The value of restricted assets held in the rabbi trust at January 31, 2005 was \$14.3 million. The total related deferred compensation liability was \$22.4 million at January 31, 2006. Of this, \$14.3 million was classified as current and \$8.1 million was classified as non-current liabilities. The total related deferred compensation liability at January 31, 2005 of \$14.3 million was classified as current liability. The current and non-current portions of the liability are recorded in the Consolidated Balance Sheets under "Accrued compensation" and "Other liabilities," respectively.

AUTODESK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 5. Income Taxes

The provision for income taxes consists of the following:

	<u>Fiscal year ended January 31,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Federal:			
Current	\$ 1.2	\$ 2.9	\$(20.3)
Deferred	41.8	(3.1)	16.9
State:			
Current	7.1	8.5	0.8
Deferred	(1.9)	(2.7)	(4.1)
Foreign:			
Current	17.6	12.4	11.5
Deferred	<u>(11.7)</u>	<u>6.8</u>	<u>(1.9)</u>
	<u>\$54.1</u>	<u>\$24.8</u>	<u>\$ 2.9</u>

The tax benefit recognized associated with dispositions from employee stock plans was \$124.0 million in fiscal 2006, \$116.9 million in fiscal 2005, and zero in fiscal 2004. Foreign pretax income was \$276.2 million in fiscal 2006, \$183.5 million in fiscal 2005, and \$126.7 million in fiscal 2004.

The principal reasons that the aggregate income tax provisions differ from the U.S. statutory rate are as follows:

	<u>Fiscal year ended January 31,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Income tax provision at statutory rate	\$134.0	\$ 86.2	\$ 43.1
Foreign income taxed at rates different from the U.S. statutory rate	(52.6)	(30.6)	—
State income taxes, net of the federal benefit	3.1	2.1	(2.3)
Tax-exempt interest	—	(1.5)	(1.8)
Research and development tax credit benefit	(3.6)	(3.0)	(3.9)
Net income tax benefit from resolution of the Foreign Sales Corporation issue	—	—	(19.7)
Net income tax benefit from closure of income tax audits	(10.0)	(8.9)	(7.0)
Net income tax benefit from DRD Legislation on prior year foreign earnings	(12.5)	(15.5)	—
Non-deductible In-Process R&D charge	3.1	—	—
Extraterritorial income exclusion	(8.9)	(6.2)	(4.6)
Officer compensation in excess of \$1.0 million	0.6	1.3	0.2
Other	<u>0.9</u>	<u>0.9</u>	<u>(1.1)</u>
	<u>\$ 54.1</u>	<u>\$ 24.8</u>	<u>\$ 2.9</u>

AUTODESK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 5. Income Taxes (Continued)

Significant components of Autodesk's deferred tax assets and liabilities are as follows:

	<u>January 31,</u>	
	<u>2006</u>	<u>2005</u>
Purchased technology and capitalized software	\$ 9.5	\$ 28.7
Reserves for product returns and bad debts	5.4	5.9
Tax loss carryforwards	147.2	103.8
Accrued compensation and benefits	15.5	11.6
Fixed assets	11.8	11.0
Research and development credit carryforwards	42.4	27.9
Foreign tax credit carryforwards	30.2	16.8
Capitalized R&D expenditures	11.2	10.4
Other accruals not currently deductible for tax	9.7	8.0
Other	<u>4.8</u>	<u>1.8</u>
Total deferred tax assets	287.7	225.9
Less: valuation allowance	<u>(2.2)</u>	<u>(2.4)</u>
Net deferred tax assets	<u>285.5</u>	<u>223.5</u>
Unremitted earnings of foreign subsidiaries	<u>(91.9)</u>	<u>(104.1)</u>
Total deferred tax liability	<u>(91.9)</u>	<u>(104.1)</u>
Net deferred tax assets	<u>\$193.6</u>	<u>\$ 119.4</u>

The valuation allowance decreased by \$0.2 million in fiscal 2006, \$21.4 million in fiscal 2005 and increased by \$11.9 million in fiscal 2004. During fiscal 2005, Autodesk re-assessed the realizability of certain deferred tax assets related to stock option deductions that had not been previously recognized. As a result of U.S. operating results, as well as U.S. jurisdictional forecasts of pretax operating results, Autodesk believes these deferred tax assets are realizable based on the "more likely than not" standard required for recognition in accordance with Statement of Financial Accounting Standards No. 109. Accordingly, during fiscal 2005, the Company reduced the valuation allowance relating to tax benefits of stock option deductions by \$21.1 million and credited additional paid in capital by an equal and offsetting amount. As of January 31, 2005, Autodesk no longer records a valuation allowance relating to tax benefits of stock option deductions. Approximately \$21.1 million of the valuation allowance at January, 31 2004 related to tax benefits of stock option deductions.

No provision has been made for federal income taxes on unremitted earnings of certain of Autodesk's foreign subsidiaries (cumulatively \$133.0 million at January 31, 2006) because Autodesk plans to reinvest such earnings for the foreseeable future. At January 31, 2006, the unrecognized deferred tax liability for these earnings was approximately \$46.0 million.

Realization of the Company's net deferred tax assets of \$193.6 million is dependent upon the Company generating approximately \$607 million of future taxable income in appropriate tax jurisdictions to obtain benefit from the reversal of temporary differences, net operating loss carryforwards and tax credits. The amount of deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income are reduced.

Cash payments (refunds) for income taxes were approximately \$44.2 million in fiscal 2006, \$16.5 million in fiscal 2005, and (\$19.3) million in fiscal 2004.

During fiscal 2006, the increase in net operating loss carryforwards related primarily to stock option deductions, the benefit of which has been offset against additional paid in capital. Autodesk has \$567.3 million of cumulative federal tax loss carryforwards and \$151.8 million of cumulative state tax loss carryforwards, which may be available to reduce future income tax liabilities in certain jurisdictions. The federal tax loss carryforwards

AUTODESK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 5. Income Taxes (Continued)

will expire beginning January 31, 2008 through January 31, 2027. The state tax loss carryforwards will expire beginning January 31, 2010 through January 31, 2017. Approximately \$50.8 million of the federal tax loss carryforwards and \$21.5 million of the state tax loss carryforwards are expected to expire unused due to ownership change limitations provided in the Internal Revenue Code and similar state tax provisions.

Autodesk has \$32.6 million of cumulative federal research tax credit carryforwards and \$21.1 million of cumulative state research tax credit carryforwards, which may be available to reduce future income tax liabilities in the U.S. and California. The federal credit carryforwards will expire beginning January 31, 2011 through January 31, 2027. The state credit carryforwards may reduce future California income tax liabilities indefinitely.

Autodesk also has \$30.2 million of cumulative foreign tax credit carryforwards, which may be available to reduce future U.S. tax liabilities. The federal credit will expire beginning January 31, 2015 through January 31, 2017.

Utilization of net operating losses and tax credits may be subject to an annual limitation due to ownership change limitations provided in the Internal Revenue Code and similar state provisions. This annual limitation may result in the expiration of net operating losses and credits before utilization.

As a result of certain employment actions and capital investments undertaken by Autodesk, income earned in certain countries is subject to reduced tax rates and in some cases is wholly exempt from taxes for years through fiscal 2009. The income tax benefits attributable to the tax status of these subsidiaries are estimated to be \$26.0 million (\$0.11 per basic net income per share) in fiscal 2006, \$18.0 million (\$0.08 per basic net income per share) in fiscal 2005, and less than \$0.1 million in fiscal 2004. The amounts for fiscal years 2006 and 2005 include consideration of incremental tax benefits received from the American Jobs Creation Act of 2004 ("DRD Legislation").

During fiscal 2006, Autodesk repatriated approximately \$512 million of foreign earnings under the DRD Legislation, which resulted in the reclassification of \$12.6 million of federal deferred taxes to current taxes payable relating to the repatriation of prior year foreign earnings and the accrual of \$11.6 million of current federal taxes relating to the repatriation of current year foreign earnings.

During fiscal 2006, Autodesk recognized an income tax benefit of \$12.5 million relating to the DRD Legislation. Of this amount, \$10.6 million related to foreign withholding taxes previously accrued, which were no longer due as part of the repatriation of foreign earnings under the DRD Legislation, and \$1.9 million related to an Internal Revenue Service ("IRS") technical correction of the DRD Legislation.

Also during fiscal 2006, as a result of the Company's resolution and closure of its Franchise Tax Board ("FTB") audits for fiscal 2000 and 2001, as well as the closure and lapse of the statute of limitations with respect to certain federal and foreign tax years, Autodesk recognized income tax benefits of approximately \$10.0 million.

In addition, during fiscal 2006, Autodesk recognized an income tax provision of \$3.1 million relating to the non-deductible In-Process Research and Development acquired as part of the Alias acquisition (see Note 10, "Business Combinations," for further discussion).

During fiscal 2005, Autodesk recognized an income tax benefit of \$15.5 million relating to the DRD Legislation. This DRD Legislation, which was signed into law during the third quarter of fiscal 2005 as part of the American Jobs Creation Act of 2004, allowed for the repatriation of certain foreign dividends at a rate lower than the 35% federal statutory rate. Because Autodesk believed that it would be able to repatriate foreign earnings under this DRD Legislation, the deferred tax liability which was previously accrued on prior year foreign earnings was reduced, which resulted in a \$15.5 million income tax benefit. This income tax benefit related to the difference between the taxes previously provided on the earnings of a foreign subsidiary at the federal statutory tax rate and the lower rate afforded under the new DRD Legislation.

As a result of the Company's resolution and closure of its IRS audit for fiscal 2001 as well as the closure of certain state and foreign tax years, and the lapse of the statute of limitations with respect to certain federal,

AUTODESK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 5. Income Taxes (Continued)

state, and foreign tax years, Autodesk recognized an income tax benefit of approximately \$8.9 million during fiscal 2005.

Also during fiscal 2005, following certain business changes, Autodesk completed an internal reorganization of the ownership of Autodesk Canada. As a result of the reorganization, Autodesk believed that it would be able to claim U.S. tax deductions for the remaining unamortized portion of the purchase price from the March 1999 acquisition of Discreet (now Autodesk Canada). The amount of the potential deferred tax asset arising from this reorganization was approximately \$96 million, reflecting future U.S. tax amortization deductions of goodwill and other intangible assets. Autodesk determined that, at the present time, it is not probable that these tax benefits will be realized and accordingly has not yet recognized these benefits. Instead, the tax benefits arising from this reorganization will be recognized if and when the tax treatment is verified with tax authorities or such other factors occur that would permit a probable confidence level to be achieved.

During the fiscal year 2004, the Company recognized an income tax benefit of \$19.7 million due to a favorable resolution of an industry-wide matter surrounding the Company's Foreign Sales Corporation for the fiscal years ended 1993 through 1998. In connection with the refund of these tax payments previously made, the Company received payment and recognized interest income of \$4.2 million during fiscal 2004.

During the fourth quarter of fiscal 2004, the statute of limitations lapsed with respect to the fiscal year ended 2000. As a result of the Company's resolution of its IRS audit and closure for that year, the Company recognized an income tax benefit of approximately \$7.0 million for items dealing primarily with various international tax matters and research and development tax credits.

Note 6. Borrowing Arrangements

Autodesk entered into a U.S. credit facility in August 2005. This facility permits unsecured short-term borrowings of up to \$100.0 million, which is available for working capital or other business needs. The credit agreement contains customary covenants which could restrict liens, certain types of additional debt and dispositions of assets if Autodesk fails to maintain its financial covenants. Autodesk pays a quarterly commitment fee, ranging between \$25,000 and \$62,500, to maintain this facility. This facility, which matures in August 2006, had no borrowings outstanding at January 31, 2006.

Note 7. Commitments and Contingencies

Leases

Autodesk leases office space and computer equipment under noncancelable operating lease agreements. The leases generally provide that Autodesk pay taxes, insurance and maintenance expenses related to the leased assets. Future minimum lease payments for fiscal years ended January 31 are as follows:

2007	\$ 30.5
2008	24.9
2009	18.8
2010	16.4
2011	11.7
Thereafter	<u>16.7</u>
	119.0
Less: Sublease income	<u>(6.3)</u>
	<u>\$ 112.7</u>

AUTODESK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 7. Commitments and Contingencies (Continued)

Of these amounts, approximately \$7.0 million has been included in Autodesk's restructuring accruals at January 31, 2006. Rent expense was \$38.0 million in fiscal 2006, \$34.2 million in fiscal 2005 and \$33.5 million in fiscal 2004.

Purchase commitments

Autodesk, in the normal course of business, enters into various purchase commitments for goods or services. Total non-cancelable purchase commitments as of January 31, 2006, were approximately \$38.5 million for periods through fiscal 2008. These purchase commitments primarily relate to IT infrastructure costs, marketing costs and contractual development costs. Purchase commitments also include \$15.5 million related to a termination fee for an outsource application hosting services agreement entered into during fiscal 2006. This fee is reduced as time lapses during the five-year contract period.

Autodesk has certain royalty commitments associated with the shipment and licensing of certain products. Royalty expense is generally based on a dollar amount per unit shipped or a percentage of the underlying revenue. Royalty expense, which was recorded under cost of license and other revenues on Autodesk's Consolidated Statements of Income, was approximately \$12.1 million, \$9.2 million and \$8.6 million in fiscal 2006, 2005 and 2004, respectively.

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 warranty and indemnification issues if a loss is probable and can be reasonably estimated. Historically, costs related to these warranties and indemnifications have not been significant, but because potential future costs are highly variable, Autodesk is unable to estimate the maximum potential impact of these indemnities or guarantees on its future results of operations.

In connection with the purchase, sale or license transactions of assets or businesses with third parties, Autodesk has entered into or assumed customary indemnity agreements related to the assets or businesses purchased, sold or licensed. Historically, costs related to these indemnities or guarantees have not been significant, but because potential future costs are highly variable, Autodesk is unable to estimate the maximum potential impact of these indemnities or guarantees 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

On December 27, 2001, Spatial Corp. ("Spatial") filed suit in Marin County Superior Court against Autodesk and one of its consultants, D-Cubed Ltd., seeking among other things, termination of a development and license agreement between Spatial and Autodesk and an injunction preventing Autodesk from working with contractors under the agreement. On October 2, 2003, a jury found that Autodesk did not breach the agreement. As the prevailing party in the action, the court awarded Autodesk approximately \$2.4 million for reimbursement of attorneys' fees and the costs of trial, which was paid during the second quarter of fiscal 2005. Spatial filed a notice of appeal on December 2, 2003 appealing the decision of the jury. Spatial claims that certain testimony of a

AUTODESK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 7. Commitments and Contingencies (Continued)

witness should not have been considered by the jury and as a result, Spatial asserts that it is entitled to a new trial. On March 23, 2006, the Court of Appeal denied Spatial's appeal. As a result, Autodesk believes the ultimate resolution of this matter will not have a material effect on its financial position, results of operations or cash flows.

On August 26, 2005, Telstra Corporation Limited ("Telstra") filed suit in the Federal Court of Australia, Victoria District Registry against Autodesk Australia Pty Ltd. ("AAPL") seeking partial indemnification for claims filed against Telstra by SpatialInfo Pty Limited relating to Telstra's use of certain software in the management of its computer based cable plant records system. On December 12, 2005, SpatialInfo added AAPL as a defendant to its lawsuit against Telstra. Autodesk is currently investigating the allegations and intends to vigorously defend the case. Although this case is in the early stages and Autodesk cannot determine the final financial impact of this matter, based on the facts known at this time, Autodesk believes the ultimate resolution of this matter will not have a material effect on its financial position, results of operations or cash flows. However, it is possible that an unfavorable resolution of this matter could occur and materially affect its future results of operations, cash flows or financial position in a particular period.

In connection with the Company's anti-piracy program, designed to enforce copyright protection of its software and conducted both internally and through the Business Software Alliance ("BSA"), from time to time it undertakes litigation against alleged copyright infringers or provide information to criminal justice authorities to conduct actions against alleged copyright infringers. Such lawsuits have led to counter claims alleging improper use of litigation or violation of other local law and have recently increased in frequency, especially in Latin America. On March 1, 2002, Consultores en Computación y Contabilidad, S.C., a Mexican hardware/software reseller and its principals (collectively, "CCC") filed a lawsuit in the Mexico Court in the First Civil Court of the Federal District, against, Autodesk, Adobe Systems, Microsoft and Symantec (all members of the BSA and collectively the "Defendants"). CCC had been the target of a criminal anti-piracy enforcement action carried out by the Mexican police authorities on August 11, 1998 on the basis of a complaint filed by the Defendants in 1997 based on evidence provided to the Defendants that CCC had engaged in software piracy of the Defendants' products. CCC alleged in the lawsuit that it had suffered \$100 million in damages to its reputation as a result of the enforcement action, known as "moral damages." CCC did not claim economic damages. On November 11, 2002, the trial court judge ruled in favor of the Defendants, holding that no moral damage occurred, since CCC was unable to prove the illegal nature of the Defendants' actions. After subsequent appeals, all of which were won by the Defendants, a court of appeals held that the Defendants were liable to CCC for "moral" damages, and the court remanded the case to the First Civil Court for a determination of the amount. On December 13, 2005, the First Civil Court awarded CCC \$90 million in damages. The Defendants are appealing the verdict, as are the plaintiffs, who are seeking additional damages. If, after all appeals have been exhausted, the existing verdict stands and is enforceable in the United States, Autodesk would be responsible for approximately \$10 million of the judgment. Based on the facts and circumstances of this case known at this time, Autodesk believes the ultimate resolution of this matter will not have a material effect on its financial position, results of operations or cash flows. However, it is possible that an unfavorable resolution of this matter could occur and materially affect its future results of operations, cash flows or financial position in a particular period.

In addition, Autodesk is involved in legal proceedings from time to time arising from the normal course of business activities including claims of alleged infringement of intellectual property rights, commercial, employment, piracy prosecution 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 financial position. However, it is possible that an unfavorable resolution of one or more such proceedings could in the future materially affect its future results of operations, cash flows or financial position in a particular period.

AUTODESK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 8. Stockholders' Equity

Preferred Stock

Under Autodesk's Certificate of Incorporation, 2.0 million shares of preferred stock are authorized. At January 31, 2006, there were no preferred shares issued or outstanding. The Board of Directors has the authority to issue the preferred stock in one or more series and to fix rights, preferences, privileges and restrictions, including dividends, and the number of shares constituting any series or the designation of such series, without any further vote or action by the stockholders.

Autodesk entered into a Preferred Shares Rights Agreement dated December 14, 1995, as amended (the "Rights Agreement"). At the close of business on December 14, 2005, pursuant to the terms of the Rights Agreement, the Rights expired, effectively terminating the Rights Agreement.

Common Stock

In March 2005, the Board of Directors approved an amendment to the Company's Certificate of Incorporation to increase the authorized common stock of the Company from 400.0 million shares to 750.0 million shares. This amendment was approved by the stockholders of the Company at its annual meeting in June 2005.

Common Stock Repurchase Programs

Autodesk repurchased and retired 11.7 million shares in fiscal 2006 at an average repurchase price of \$38.10 per share, 25.9 million shares in fiscal 2005 at an average repurchase price of \$21.08 per share and 18.1 million shares in fiscal 2004 at an average repurchase price of \$9.85 per share. The purpose of the stock repurchase program is to help offset the dilution to net income per share caused by the issuance of stock under Autodesk's employee stock plans and to more effectively utilize excess cash generated from its business.

Between November 1999 and December 2004, the Board of Directors approved plans to repurchase up to 144.0 million shares of Autodesk common stock. Of these 144.0 million shares, 123.5 million shares were repurchased and retired as of January 31, 2006. The number of shares acquired and the timing of the purchases are based on several factors, including general market conditions and the trading price of Autodesk common stock.

In fiscal 2006, 2005 and 2004, Autodesk repurchased its common stock through open market purchases.

Dividends

During fiscal 2005 and 2004, Autodesk paid annual cash dividends of \$0.06 per share at a rate of \$0.015 each quarter, reducing retained earnings by \$13.5 million and \$13.4 million, respectively. Autodesk discontinued the payment of cash dividends after the dividend payable for the fourth quarter of fiscal 2005, was paid in April 2005.

Note 9. Employee and Director Benefit Plans

Stock Option Plans

As of January 31, 2006, Autodesk maintained two active stock option plans for the purpose of granting stock options to employees and members of Autodesk's Board of Directors: the 1996 Stock Plan (available only to employees) and the 2000 Directors' Option Plan (available only to non-employee directors). Additionally, there are six expired or terminated plans with options outstanding, including the Nonstatutory Stock Option Plan (available only to non-executive employees and consultants) which was terminated by the Board of Directors (the "Board") in December 2004. Autodesk does not have a practice of awarding stock options to consultants.

AUTODESK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 9. Employee and Director Benefit Plans (Continued)

The 1996 Stock Plan (the "1996 Plan"), which was approved by stockholders, allowed for options to be granted to employees, including officers. This plan initially allowed for the number of shares available for future issuance to be automatically increased on the first trading day of each fiscal year by an amount equal to the lesser of 20.0 million shares or 3.5% of the total of (1) outstanding shares plus (2) any shares repurchased by Autodesk during the prior fiscal year. In March 2005 the Board amended the 1996 Plan to eliminate, effective immediately, this evergreen feature. The Board also approved an amendment to the 1996 Plan to decrease the number of shares reserved for issuance under such plan by an additional 10.0 million shares. The 1996 Plan expired in March 2006.

On November 10, 2005, the Company's stockholders approved a new stock plan, the 2006 Employee Stock Plan as well as amendments to the 2000 Directors' Option Plan. The 2006 Employee Stock Plan reserves 9.65 million shares of Autodesk common stock, plus the shares that remained available for issuance under the 1996 Plan upon its expiration, for issuance under the plan. The 2006 Employee Stock Plan, which will expire in fiscal year 2009, is limited to grants of stock options to employees. The 2006 Employee Stock Plan replaced the 1996 Plan on March 21, 2006.

The 2000 Directors' Option Plan, which was approved by the stockholders, allows for an automatic annual grant of options to members of Autodesk's outside Board of Directors. At January 31, 2006, 0.8 million shares were available for future issuance, including the additional 0.75 million shares approved by the stockholders on November 10, 2005.

Options granted under the above mentioned plans vest over periods ranging from one to four years and generally expire within six to ten years from the date of grant. Under the 2006 Employee Stock Plan and the 2000 Directors' Option Plan, as amended, the option term is limited to no more than six years. The exercise price of the stock options is equal to the fair market value of the stock on the grant date.

AUTODESK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 9. Employee and Director Benefit Plans (Continued)

A summary of stock option activity is as follows:

	Number of shares	Weighted average price per share
	(Shares in thousands)	
Options outstanding at January 31, 2003	58,890	\$ 8.10
Granted	12,921	8.73
Exercised	(12,850)	7.24
Canceled	<u>(6,025)</u>	8.57
Options outstanding at January 31, 2004	52,936	\$ 8.40
Granted	11,550	17.52
Exercised	(25,445)	8.46
Canceled	<u>(2,635)</u>	9.46
Options outstanding at January 31, 2005	36,406	\$ 11.17
Granted	6,824	32.39
Options assumed in an acquisition	198	2.28
Exercised	(11,875)	9.36
Canceled	<u>(1,511)</u>	15.33
Options outstanding at January 31, 2006	30,042	\$16.44
Options exercisable at January 31, 2004	26,506	8.50
Options exercisable at January 31, 2005	12,637	8.14
Options exercisable at January 31, 2006	12,514	10.13
Options available for grant at January 31, 2006	4,604	

The following table summarizes information about options outstanding and exercisable at January 31, 2006:

	Options Exercisable		Options Outstanding		
	Number of shares (in thousands)	Weighted average exercise price	Number of shares (in thousands)	Weighted average contractual life (in years)	Weighted average exercise price
Range of per share exercise prices:					
\$ 0.20 – 7.85	3,681	\$ 6.66	6,060	6.7	\$ 6.78
\$ 7.87 – 10.25	4,928	8.71	6,086	6.0	8.81
\$10.34 – 16.42	2,607	12.26	6,612	6.9	13.33
\$17.36 – 29.37	1,033	18.64	7,330	7.2	23.60
\$30.15 – 47.24	<u>265</u>	30.79	<u>3,954</u>	6.8	34.93
	12,514	\$ 10.13	30,042	6.7	\$16.44

These options will expire if not exercised at specific dates ranging through June 2015.

At January 31, 2006, a total of 48.8 million shares of Autodesk's common stock have been reserved for future issuance under existing stock option and stock purchase programs. This amount does not include the 9.65 million shares reserved for future issuance under the 2006 Employee Stock Plan.

1998 Employee Qualified Stock Purchase Plan

Under Autodesk's employee qualified stock purchase 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 compensation subject to certain limitations, at not less than 85% of fair market value as defined in the plan

AUTODESK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 9. Employee and Director Benefit Plans (Continued)

agreement. At January 31, 2006, a total of 14.2 million shares were available for future issuance. This amount will automatically be increased on the first trading day of each fiscal year by an amount equal to the lesser of 10.0 million shares or 2.0% of the total of (1) outstanding shares plus (2) any shares repurchased by Autodesk during the prior fiscal year. Autodesk issued 1.9 million shares at an average price of \$17.99 per share in fiscal 2006, 4.6 million shares at an average price of \$5.73 per share in fiscal 2005, and 4.2 million shares at an average price of \$5.48 in fiscal 2004. The provisions of this plan expire during 2018.

Equity Compensation Plan Information

The following table summarizes the number of outstanding options granted to employees and directors, as well as the number of securities remaining available for future issuance under these plans as of January 31, 2006 (number of securities in thousands).

<u>Plan category</u>	<u>(a)</u> Number of securities to be issued upon exercise of outstanding options, warrants and rights	<u>(b)</u> Weighted-average exercise price of outstanding options, warrants and rights	<u>(c)</u> Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	26,325	\$17.40	18,755(2)
Equity compensation plans not approved by security holders (3)	<u>3,717</u>	9.63	<u>—</u>
Total	30,042	\$16.44	18,755

- (1) Included in these amounts are 0.2 million securities available to be issued upon exercise of outstanding options with a weighted-average exercise price of \$3.93 related to equity compensation plans assumed in connection with previous business mergers and acquisitions.
- (2) Included in this amount are 14.2 million securities available for future issuance under Autodesk's 1998 Employee Qualified Stock Purchase Plan. This amount does not include 9.65 million securities available for future issuance under the 2006 Employee Stock Plan, which became effective in March 2006.
- (3) Amounts correspond to Autodesk's Nonstatutory Stock Option Plan, which was terminated by the Board of Directors in December 2004.

Pretax Savings Plan

Autodesk has a 401(k) plan that covers nearly all U.S. employees. Eligible employees may contribute up to 50% of their pretax salary, subject to limitations mandated by the Internal Revenue Service; in fiscal 2004 employees were limited to contributions up to 20% of their pretax salary. Autodesk makes voluntary cash contributions and matches a portion of employee contributions in cash. Autodesk's contributions were \$6.6 million in fiscal 2006, \$6.0 million in fiscal 2005 and \$6.2 million in fiscal 2004. Autodesk does not allow participants to invest in Autodesk common stock through the 401(k) plan.

Other Plans

Autodesk provides defined-contribution plans in certain foreign countries where required by statute. Autodesk's funding policy for foreign defined-contribution plans is consistent with the local requirements in each country. Autodesk's contributions to these plans were \$5.5 million in fiscal 2006, \$4.7 million in fiscal 2005 and \$4.4 million in fiscal 2004.

AUTODESK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 9. Employee and Director Benefit Plans (Continued)

In addition, Autodesk offers a non-qualified deferred compensation plan to certain key employees whereby they may defer a portion (or all) of their annual compensation until retirement or a different date specified by the employee in accordance with terms of the plan. (See Note 4, "Restricted Financial Instruments", for further discussion).

Note 10. Business Combinations

The following acquisitions were accounted for under Statement of Financial Accounting Standards No. 141, "Business Combinations ("SFAS 141"). Accordingly, the results of operations of each acquisition are included in the accompanying Consolidated Statements of Income since the acquisition dates, and the related assets and liabilities were recorded based upon their relative fair values at their respective acquisition dates. Pro forma financial information has been presented for the Alias acquisition. Pro forma financial information for the other acquired entities has not been presented, as their historical operations were not material to Autodesk's consolidated financial statements either individually or in the aggregate.

Alias Systems Holdings, Inc. ("Alias")

In January 2006, Autodesk acquired Alias Systems Holdings, Inc., a privately held developer of 3D graphics technology for total cash consideration of \$196.8 million. A portion of the total cash consideration, \$36.4 million, has been set aside in an escrow account for two years following the acquisition date. The escrow is to be held as partial security for certain losses incurred by Autodesk in the event of certain breaches of the representations and warranties covered in the agreement.

In addition, Autodesk also assumed all outstanding unvested options to purchase shares of Alias common stock, which converted into options to purchase 198,405 shares of Autodesk common stock. The fair value of these stock options of \$8.1 million increased the total purchase price consideration. The intrinsic value of these options, which relates to future services, was \$8.2 million and is included in deferred compensation within stockholders' equity.

Autodesk incurred approximately \$1.8 million in costs directly related to the consummation of this transaction. These costs were reflected in the total purchase price consideration.

The acquisition is being integrated into the Manufacturing Solutions Divisions of the Design Solutions Segment and into the Media and Entertainment Segment.

Management's preliminary allocation of the purchase price, which was based on valuations of acquired assets and liabilities performed in-part by a third-party appraiser, is as follows:

Developed technologies (6 year useful life)	\$ 34.8
In-process research and development	7.9
Customer relationships (7 year useful life)	29.8
Tradenames (6 year useful life)	8.1
Goodwill	123.0
Deferred revenue	(5.1)
Net tangible assets	11.1
Restructuring reserve	<u>(11.1)</u>
	<u>\$198.5</u>

AUTODESK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 10. Business Combinations (Continued)

In-process research and development ("IPR&D") represents incomplete Alias research and development projects that had not reached technological feasibility and had no alternative future use as of the acquisition date. Technological feasibility is established when an enterprise has completed all planning, designing, coding, and testing activities that are necessary to establish that a product can be produced to meet its design specifications including functions, features and technical performance requirements. The total IPR&D amount was recorded in research and development on the Consolidated Statement of Income.

Customer relationships represent the underlying relationships and agreements with Alias's existing customers. Trade name represents the estimated fair value of the Alias trade name and trademarks. The \$123.0 million of goodwill, which is not deductible for tax purposes, was assigned to the Media and Entertainment Segment (\$73.5 million) and to the Manufacturing Solutions Division of the Design Solutions Segment (\$49.5 million). The goodwill represents the premium paid for Alias' established products.

The deferred revenue amount of \$5.1 million represents the estimated fair value of the support obligations assumed from Alias in connection with this acquisition. As a result of the fair value determination in accordance with Statement of Financial Accounting Standards No. 141, "Business Combinations," Autodesk recorded an adjustment to reduce the carrying value of Alias' deferred revenue balance at the acquisition date by \$12.0 million to \$5.1 million. Autodesk estimates that the support obligations assumed from Alias will be fulfilled by the middle of fiscal 2008.

Autodesk management approved a restructuring plan directly resulting from the Alias acquisition and involving the elimination of employee positions, facilities and fixed assets of Alias ("Alias Restructuring Plan"). The total restructuring reserve established for this plan was reflected as an allocation item in the total purchase price consideration of the Alias acquisition. The Alias Restructuring Plan was established in accordance with EITF 95-3, "*Recognition of Liabilities in Connection with a Purchase Business Combination.*" Total estimated cost of the Alias Restructuring Plan is \$11.1 million. This plan involves termination of approximately 130 positions worldwide at an estimated cost for severance and outplacement of approximately \$8.8 million. In addition, this plan also involves costs associated with exiting leased facilities and abandonment of certain assets of approximately \$2.3 million. Substantially all of the actions required of the Alias Restructuring Plan are expected to be completed by the fourth quarter of fiscal 2007.

Autodesk currently has not identified any material pre-acquisition contingencies where a liability is probable and the amount of the liability can be reasonably estimated. If information becomes available prior to the end of the purchase price allocation period, which would indicate that it is probable that such events had occurred and the amounts can be reasonably estimated, such items would be included in the purchase price allocation. Furthermore, the purchase price allocation is also dependent upon the final determination of costs under the Alias Restructuring Plan.

The following unaudited pro forma financial information summarized the combined results of operations of Autodesk and Alias, on a pro forma basis, as though the companies had been combined as of the beginning of each of the periods presented. The pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of each of the periods presented. The unaudited pro forma financial information in fiscal 2006 combines the historical financial results of Autodesk for the year ended January 31, 2006 and the historical financial results of Alias for the period from February 1, 2005 to January 9, 2006. Autodesk's Consolidated Statements of Income for fiscal year 2006 include Alias' financial results for the period from the acquisition date, January 10, 2006, through January 31, 2006. The unaudited pro forma financial information in fiscal 2005 combines the historical financial results for Autodesk, with the historical financial results of Alias for the twelve months ended January 31, 2005. The pro forma financial information presented includes the business combination accounting effects of amortization charges from acquired intangible assets, stock-based compensation charges

AUTODESK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 10. Business Combinations (Continued)

for unvested options assumed, adjustment to reduce the carrying value of Alias' deferred balance, adjustments to depreciation on acquired property and related tax effects.

	Year Ended January 31,	
	2006	2005
	(unaudited)	
Total net revenues	\$1,618.2	\$1,299.5
Net income	\$ 324.7	\$ 206.8
Basic net income per share	\$ 1.42	\$ 0.91
Diluted net income per share	\$ 1.31	\$ 0.84

c-plan AG ("c-plan")

In June 2005, Autodesk acquired c-plan, a privately-held Swiss company, for cash consideration of \$24.1 million. Of this amount, \$2.2 million is payable over two years and is contingent on the continued employment of key employees. This amount will be recorded as compensation expense in future periods as it is incurred and is, therefore, excluded from the total purchase price consideration. Autodesk incorporates c-plan's family of geospatial applications and data management solutions into its Infrastructure Lifecycle Management solution offerings.

This acquisition expands Autodesk's geospatial technology product portfolio and strengthens its market position throughout central Europe.

Management's allocation of the purchase consideration, based on a valuation of the acquired assets and liabilities performed in part by a third-party appraiser, is as follows:

Net tangible assets	\$ 8.2
Developed technology (5 year useful life)	4.2
Customer relationships (6 year useful life)	2.6
Trade name (2 year useful life)	0.2
Goodwill	7.0
Deferred revenue	<u>(0.3)</u>
	<u>\$21.9</u>

The goodwill balance of \$7.0 million was assigned to the Infrastructure Solutions Division of Autodesk's Design Solutions Segment and is not deductible for tax purposes. This asset is attributed to the premium paid for the established data management products.

The deferred revenue balance of \$0.3 million reflects the estimated fair value of the support obligation assumed from c-plan in connection with the acquisition.

Colorfront Ltd. ("Colorfront")

In June 2005, Autodesk acquired certain assets of Colorfront Ltd., a developer of color correction technology for film studios and digital film laboratories, for cash consideration of \$15.2 million. Of this amount, \$0.7 million is payable over the next year and is contingent upon the continued employment of a key employee. This amount will be allocated to future compensation expense in the period in which it is incurred and is, therefore, excluded from the total purchase price consideration. In addition, \$0.5 million was recorded as royalty expense during fiscal 2006 related to the settlement of a pre-existing royalty agreement with Colorfront.

This acquisition provides Autodesk with comprehensive new expertise in film laboratory processes, digital post-production, color science, image processing and hardware platform optimization.

AUTODESK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 10. Business Combinations (Continued)

Management's allocation of the purchase consideration, which is based on valuations of acquired assets performed by a third-party appraiser, is as follows:

Developed technology (4 year useful life)	\$ 3.1
In-process research and development	1.2
Customer relationships (3.5 year useful life)	0.2
Goodwill	9.4
Net tangible assets	<u>0.1</u>
	<u>\$14.0</u>

The value assigned to IPR&D, which was expensed during the second quarter of fiscal 2006, was determined by identifying projects in areas where technological feasibility had not been achieved and alternative future uses did not exist.

The goodwill balance of \$9.4 million, which is deductible for tax purposes, was assigned to the Media and Entertainment Segment. This acquired asset relates to the premium paid for Colorfront's color correction technology, which provides Autodesk with further long-term growth opportunities in the digital film industry.

Compass Systems GmbH ("Compass")

In March 2005, Autodesk acquired certain assets of Compass Systems GmbH, the European-based developer of the Compass family of data management solutions, for cash consideration of \$16.5 million. The acquisition is intended to allow Autodesk to more quickly expand its data management solution and deliver on its plans to provide a comprehensive data management solution for small- and medium-size manufacturers. Immediately prior to the acquisition, Compass was owned 50.1% by one of Autodesk's largest resellers.

Management's allocation of the purchase consideration, based on a valuation of acquired assets and liabilities performed in-part by a third-party appraiser, is as follows:

Developed technology (3 year useful life)	\$ 3.7
Customer relationships (7 year useful life)	6.5
Backlog	0.2
Goodwill	5.8
Net tangible assets	<u>0.3</u>
	<u>\$16.5</u>

The goodwill balance of \$5.8 million was assigned to the Manufacturing Solutions Division of Autodesk's Design Solutions Segment and is deductible for tax purposes. This asset is attributed to the premium paid for the electronic data management and product data management channel expertise which provides an opportunity for Autodesk to enhance its growth in these markets.

MechSoft.com, Inc. ("MechSoft")

In April 2004, Autodesk acquired certain assets of MechSoft for approximately \$6.5 million in cash. This acquisition provides technology that complements Autodesk's manufacturing solutions with tools that enable users to embed engineering calculations into their designs based on how parts function.

AUTODESK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 10. Business Combinations (Continued)

Management's allocation of the purchase consideration, which is based on valuations of acquired assets performed, in part, by a third party appraiser, is as follows (in thousands):

Developed technologies (3 year useful life)	\$ 1.9
Other assets	0.7
Goodwill	<u>3.9</u>
	<u>\$6.5</u>

The \$3.9 million of goodwill, which was deductible for tax purposes, was assigned to the Manufacturing Solutions Division of the Design Solutions Segment. The goodwill was attributed to the premium paid for a reduced time to market and competitive advantage with respect to future growth of Autodesk's 3D-based products.

Note 11. Restructuring Reserves

During the fourth quarter of fiscal 2006, management approved a restructuring plan directly resulting from the Alias acquisition and involving the elimination of employee positions, facilities and fixed assets of Alias ("Alias Restructuring Plan"). Total estimated cost of the Alias Restructuring Plan is \$11.1 million. The total restructuring reserve established for this plan was reflected as an adjustment to the total purchase price consideration of the Alias acquisition. The Alias Restructuring Plan was established in accordance with Emerging Issues Task Force 95-3, "*Recognition of Liabilities in Connection with a Purchase Business Combination.*" Therefore, the utilization from this reserve will not be reflected as a restructuring expense but instead reflected as a reduction from this reserve.

During the fourth quarter of fiscal 2004, the Board of Directors approved a restructuring plan that resulted in the elimination of 402 positions and the closure of a number of offices worldwide with a total cost of \$27.5 million ("Fiscal 2004 Plan"). This plan was designed to improve efficiencies across the organization, reduce operating expense levels to help achieve the Company's targeted operating margins and redirect resources to product development, sales development and other critical areas. Of the \$27.5 million, \$23.4 million was attributable to termination benefits including severance benefits, medical benefits and outplacement costs. In addition, approximately \$4.0 million of the restructuring charges was attributable to lease termination costs, which include losses on operating leases as well as the impairment of related leasehold improvements and equipment. The actions approved under the Fiscal 2004 Plan were completed during the fourth quarter of fiscal 2005. The remaining outstanding lease termination costs relate to operating lease agreements expiring between fiscal 2007 and fiscal 2012.

During the second quarter of fiscal 2002, the Board of Directors approved a formal restructuring plan that included employee terminations and the closure of certain facilities worldwide ("Fiscal 2002 Plan"). This plan was designed to reduce the Company's overall operating expense levels. The actions approved under the Fiscal 2002 Plan were completed during the first half of fiscal 2003. The remaining outstanding liabilities relate to on-going lease termination costs for outstanding operating lease agreements expiring between the fourth quarter of fiscal 2006 and the fourth quarter of fiscal 2015.

AUTODESK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 11. Restructuring Reserves (Continued)

The following table sets forth the restructuring activities for the fiscal years ended January 31, 2006 and 2005.

	<u>Balance at January 31, 2005</u>	<u>Additions</u>	<u>Charges Utilized (1)</u>	<u>Reversals</u>	<u>Balance at January 31, 2006</u>
<u>Alias Restructuring Plan</u>					
Lease termination and asset costs	\$ —	\$ 2.3	\$ (0.8)	\$—	\$ 1.5
Employee termination costs	—	8.8	(2.6)	—	6.2
<u>Fiscal 2004 Plan</u>					
Lease termination costs	2.0	—	(1.3)	—	0.7
Employee termination costs	4.4	—	(4.0)	—	0.4
<u>Fiscal 2002 Plan</u>					
Lease termination costs	<u>6.7</u>	<u>—</u>	<u>(2.0)</u>	<u>—</u>	<u>4.7</u>
Total	<u>\$13.1</u>	<u>\$11.1</u>	<u>\$(10.7)</u>	<u>\$—</u>	<u>\$13.5</u>
Current portion (2)	\$ 7.5				\$9.0
Non-current portion (2)	<u>5.6</u>				<u>4.5</u>
Total	<u>\$13.1</u>				<u>\$13.5</u>
	<u>Balance at January 31, 2004</u>	<u>Additions</u>	<u>Charges Utilized (1)</u>	<u>Reversals</u>	<u>Balance at January 31, 2005</u>
<u>Fiscal 2004 Plan</u>					
Lease termination costs	\$ 0.1	\$ 3.9	\$ (2.0)	\$ —	\$2.0
Employee termination costs	1.2	19.8	(16.6)	—	4.4
<u>Fiscal 2002 Plan</u>					
Lease termination costs	<u>8.1</u>	<u>3.1</u>	<u>(4.4)</u>	<u>(0.1)</u>	<u>6.7</u>
Total	<u>\$9.4</u>	<u>\$26.8</u>	<u>\$(23.0)</u>	<u>\$(0.1)</u>	<u>\$13.1</u>
Current portion (2)	\$9.4				\$ 7.5
Non-current portion (2)	<u>—</u>				<u>5.6</u>
Total	<u>\$9.4</u>				<u>\$13.1</u>

- (1) Charges utilized include \$1.2 million of non-cash charges during fiscal 2005. Autodesk expects to pay the employee termination costs within one year and the lease termination costs over a period ranging from one to five years.
- (2) Beginning January 31, 2005, the current and non-current portion of the restructuring reserves are recorded in the Consolidated Balance Sheets under "Other accrued liabilities" and "Other liabilities," respectively. Prior to January 31, 2005, the restructuring reserves were recorded in the Consolidated Balance Sheets under "Other accrued liabilities".

An analysis of the Alias Restructuring Plan and Fiscal 2004 Plan during fiscal 2006 and fiscal 2005, by reportable segment, are included in Note 13, "Segments."

AUTODESK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 12. Interest and Other Income, net

Interest and other income, net, consists of the following:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Interest and investment income, net	\$13.2	\$ 7.2	\$10.4
Foreign-based stamp taxes	—	(2.8)	—
Gains (losses) on foreign currency transactions	(0.7)	0.8	3.3
Write-downs of cost method investments	—	—	(0.6)
Legal proceeding settlement	—	2.4	—
Net realized gains on sales of marketable securities	—	0.5	1.6
Other income	<u>0.7</u>	<u>3.3</u>	<u>2.3</u>
	<u>\$13.2</u>	<u>\$11.4</u>	<u>\$17.0</u>

Note 13. Segments

Autodesk's operating results are aggregated into two reportable segments: the Design Solutions Segment and the Media and Entertainment Segment. The Location Services Division, which is not included in either reportable segment, is reflected as Other.

The Design Solutions Segment derives revenues from the sale of software products and services for professionals and consumers, who design, build, manage and own building projects; who design, manufacture and manage manufactured goods; and who design, build, manage and own infrastructure projects for both public and private users. The Design Solutions Segment consists of a general design platform division and industry-specific business divisions. These are: Platform Technology Division and Other, which includes revenue from Autodesk Collaboration Services and Autodesk Consulting; Manufacturing Solutions Division; Infrastructure Solutions Division; and Business Solutions Division. Total sales of AutoCAD and AutoCAD LT (2D design products) accounted for 44%, 44% and 45% of consolidated net revenues in fiscal 2006, 2005 and 2004, respectively. Total sales of 3D design products (Autodesk Inventor products, Autodesk Revit products and Autodesk Civil 3D) accounted for 19%, 14% and 11% of consolidated net revenues in fiscal 2006, 2005 and 2004, respectively.

The Media and Entertainment Segment (formerly known as the Discreet Segment) derives revenues from the sale of products to post production facilities, film studios, broadcasters and creative professionals for a variety of applications, including feature films, television programs, commercials, music and corporate videos, interactive game production, design visualization, Web design and interactive Web streaming.

Both reportable segments distribute their respective products primarily through authorized dealers and distributors, and, to a lesser extent, through direct sales to end-users.

AUTODESK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 13. Segments (Continued)

The accounting policies of the reportable segments are the same as those described in Note 1, "Business and Summary of Significant Accounting Policies". Autodesk evaluates each segment's performance on the basis of income from operations before income taxes. Autodesk currently does not separately accumulate and report asset information by segment, except for goodwill, which is disclosed in Note 1, "Business and Summary of Significant Accounting Policies". Information concerning the operations of Autodesk's reportable segments is as follows:

	<u>Fiscal year ended January 31,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Net revenues:			
Design Solutions	\$1,344.5	\$1,071.3	\$ 811.7
Media and Entertainment	172.3	160.0	139.6
Other	<u>6.4</u>	<u>2.5</u>	<u>0.3</u>
	<u>\$1,523.2</u>	<u>\$1,233.8</u>	<u>\$ 951.6</u>
Income from operations:			
Design Solutions	\$ 646.6	\$ 491.0	\$ 343.0
Media and Entertainment	33.0	27.9	6.2
Unallocated amounts (1)	<u>(309.8)</u>	<u>(284.0)</u>	<u>(243.0)</u>
	<u>\$ 369.8</u>	<u>\$ 234.9</u>	<u>\$ 106.2</u>
Depreciation and amortization:			
Design Solutions	\$ 18.0	\$ 24.5	\$ 22.8
Media and Entertainment	3.3	3.3	6.2
Unallocated amounts	<u>22.4</u>	<u>24.1</u>	<u>21.3</u>
	<u>\$ 43.7</u>	<u>\$ 51.9</u>	<u>\$ 50.3</u>

- (1) Unallocated amounts primarily relate to corporate expenses and other costs and expenses that are managed outside the reportable segments. Unallocated amounts in fiscal 2005 and 2004 also include \$26.7 million and \$3.2 million resulting from restructuring activity, respectively.

Net revenues attributable to the major divisions within the Design Solutions Segment are as follows:

	<u>Fiscal year ended January 31,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Net revenues:			
Platform Technology Division and Other	\$ 731.6	\$ 599.5	\$ 471.1
Manufacturing Solutions Division	256.9	199.7	141.4
Building Solutions Division	177.6	124.3	81.2
Infrastructure Solutions Division	<u>178.4</u>	<u>147.8</u>	<u>118.0</u>
	<u>\$1,344.5</u>	<u>\$1,071.3</u>	<u>\$ 811.7</u>

AUTODESK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 13. Segments (Continued)

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

	Fiscal year ended January 31,		
	2006	2005	2004
Net revenues:			
U.S.	\$ 514.6	\$ 434.5	\$ 348.7
Other Americas	<u>94.6</u>	<u>76.4</u>	<u>60.9</u>
Total Americas	<u>609.2</u>	<u>510.9</u>	<u>409.6</u>
Europe, Middle East and Africa	<u>558.2</u>	<u>443.7</u>	<u>337.2</u>
Japan	164.9	138.4	99.0
Other Asia/Pacific	<u>190.9</u>	<u>140.8</u>	<u>105.8</u>
Total Asia/Pacific	<u>355.8</u>	<u>279.2</u>	<u>204.8</u>
Total net revenues	<u>\$1,523.2</u>	<u>\$1,233.8</u>	<u>\$ 951.6</u>

	January 31,	
	2006	2005
Long-lived assets: (1)		
U.S. operations	\$ 143.6	\$ 305.6
Other Americas	<u>19.7</u>	<u>5.0</u>
Total Americas	<u>163.3</u>	<u>310.6</u>
Neuchâtel, Switzerland (2)	49.2	19.0
Other Europe, Middle East and Africa (3)	<u>592.0</u>	<u>229.8</u>
Total Europe, Middle East and Africa	<u>641.2</u>	<u>248.8</u>
Asia/Pacific	<u>9.4</u>	<u>8.7</u>
Consolidating eliminations	<u>(329.1)</u>	<u>(312.8)</u>
Total long-lived assets	<u>\$484.8</u>	<u>\$ 255.3</u>

(1) Long-lived assets exclude deferred tax assets.

(2) During fiscal 2005, an Investment in Discreet (now Autodesk Canada) held by Neuchâtel, Switzerland, was eliminated as a result of an internal reorganization (See Note 5, "Income Taxes," for further discussion). In previous periods, this investment eliminated upon consolidation.

(3) During fiscal 2006, Autodesk Development B.V. (Netherlands) acquired a \$358 million partial interest in Autodesk Asia Pte Ltd. which had previously been held by Autodesk, Inc. as a result of an internal reorganization. This investment is eliminated upon consolidation.

In fiscal 2006, 2005 and 2004, total sales to a single distributor, Tech Data Corporation, including its affiliates, accounted for 11%, 12% and 11% of Autodesk's consolidated net revenues, respectively.

AUTODESK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 13. Segments (Continued)

The following tables sets forth the Alias Restructuring Plan and the Fiscal 2004 Plan activities that relate to each reportable segment during fiscal years ended January 31, 2006 and 2005.

Alias Restructuring Plan

	<u>Design Solutions Segment</u>		<u>Media and Entertainment Segment</u>		<u>Unallocated Amounts</u>		<u>Total</u>
	<u>Lease Termination Costs</u>	<u>Employee Termination Costs</u>	<u>Lease Termination Costs</u>	<u>Employee Termination Costs</u>	<u>Lease Termination Costs</u>	<u>Employee Termination Costs</u>	
Balance at January 31, 2005 ..	\$ —	\$ —	\$ —	\$ —	\$—	\$—	\$ —
Additions	0.9	3.5	1.4	5.3	—	—	11.1
Charges utilized	<u>(0.3)</u>	<u>(1.0)</u>	<u>(0.5)</u>	<u>(1.6)</u>	<u>—</u>	<u>—</u>	<u>(3.4)</u>
Balance at January 31, 2006 ..	<u>\$ 0.6</u>	<u>\$ 2.5</u>	<u>\$ 0.9</u>	<u>\$ 3.7</u>	<u>\$—</u>	<u>\$—</u>	<u>\$ 7.7</u>

Fiscal 2004 Plan

	<u>Design Solutions Segment</u>		<u>Media and Entertainment Segment</u>		<u>Unallocated Amounts</u>		<u>Total</u>
	<u>Lease Termination Costs</u>	<u>Employee Termination Costs</u>	<u>Lease Termination Costs</u>	<u>Employee Termination Costs</u>	<u>Lease Termination Costs</u>	<u>Employee Termination Costs</u>	
Balance at January 31, 2004 ..	\$ 0.2	\$ 0.3	\$ —	\$ 0.3	\$ —	\$ 0.5	\$ 1.3
Additions	1.8	8.5	1.1	4.8	1.0	6.5	23.7
Charges utilized	<u>(1.1)</u>	<u>(7.3)</u>	<u>(0.3)</u>	<u>(4.5)</u>	<u>(0.7)</u>	<u>(4.7)</u>	<u>(18.6)</u>
Balance at January 31, 2005 ..	\$ 0.9	\$ 1.5	\$ 0.8	\$ 0.6	\$ 0.3	\$ 2.3	\$ 6.4
Additions	—	—	—	—	—	—	—
Charges utilized	<u>(0.9)</u>	<u>(1.3)</u>	<u>(0.3)</u>	<u>(0.5)</u>	<u>(0.1)</u>	<u>(2.2)</u>	<u>(5.3)</u>
Balance at January 31, 2006 ..	<u>\$ —</u>	<u>\$ 0.2</u>	<u>\$ 0.5</u>	<u>\$ 0.1</u>	<u>\$ 0.2</u>	<u>\$ 0.1</u>	<u>\$ 1.1</u>

Since the inception of the Fiscal 2004 Plan, the Design Solutions Segment and the Media and Entertainment Segment recorded restructuring charges totaling \$11.5 million and \$7.0 million, respectively.

Note 14. Comprehensive Income

The changes in the components of other comprehensive income, net of taxes, were as follows:

	<u>January 31,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Net income	\$328.9	\$ 221.5	\$120.3
Net unrealized gains on available-for-sale securities:			
Change in net unrealized gains on available-for-sale securities, net of tax benefit of \$0.8 in 2005 and \$0.3 in 2004	—	(1.2)	(0.5)
Less: net unrealized gains reclassified into earnings, net of tax charge of \$0.2 in 2005 and \$0.6 in 2004	—	0.3	1.0
Change in net unrealized gains	—	(1.5)	(1.5)
Net change in cumulative foreign currency translation adjustment	<u>(4.6)</u>	<u>3.4</u>	<u>8.3</u>
Total comprehensive income	<u>\$324.3</u>	<u>\$223.4</u>	<u>\$ 127.1</u>

Accumulated other comprehensive loss, net of taxes, was comprised of foreign currency translation adjustments of \$7.4 million at January 31, 2006 and \$2.8 million at January 31, 2005.

AUTODESK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 15. Quarterly Financial Information (Unaudited)

Summarized quarterly financial information for fiscal 2006 and 2005 is as follows:

	<u>1st quarter</u>	<u>2nd quarter</u>	<u>3rd quarter</u>	<u>4th quarter</u>	<u>Fiscal year</u>
Fiscal 2006					
Net revenues	\$ 355.1	\$373.0	\$ 378.3	\$416.8	\$ 1,523.2
Gross margin	311.6	328.5	335.9	376.3	1,352.3
Income from operations	90.6	88.9	93.0	97.3	369.8
Net income	76.1	75.3	94.5	83.0	328.9
Basic net income per share	0.33	0.33	0.41	0.36	1.44
Diluted net income per share	0.31	0.30	0.38	0.33	1.33
Fiscal 2005					
Net revenues	\$297.9	\$279.6	\$300.2	\$ 356.1	\$ 1,233.8
Gross margin	256.0	239.3	256.8	312.2	1,064.3
Income from operations	53.5	49.3	53.9	78.2	234.9
Net income	42.5	39.1	74.1	65.8	221.5
Basic net income per share	0.19	0.17	0.33	0.29	0.98
Diluted net income per share	0.18	0.16	0.30	0.26	0.90

Results for the first and third quarters of fiscal 2006 include non-recurring tax benefits of \$1.2 million and \$6.9 million, respectively, and the fourth quarter includes a non-recurring tax charge of \$1.3 million. In addition, results for the second and third quarters of fiscal 2006 include non-recurring tax benefits of \$1.9 million and \$10.6 million, respectively, related to the impact of the DRD Legislation on prior fiscal years earnings. The fourth quarter of fiscal 2006 also includes \$7.9 million of in-process research and development expenses and \$0.7 million of intangible amortization, both related to the acquisition of Alias. The acquisition of Alias is described at Note 10, "Business Combinations."

Results for the first, second, third and fourth quarters of fiscal 2005 include restructuring charges of \$8.3 million, \$3.7 million, \$2.9 million and \$11.8 million, respectively, which related to corporate restructuring activities. In addition, results for the third quarter of fiscal 2005 include non-recurring tax benefits of \$28.7 million, of which \$15.5 million related to the impact of the DRD Legislation on prior fiscal years earnings and \$4.3 million related to a cumulative catch-up adjustment for the effective tax rate impact of the DRD Legislation on the current fiscal year.

Note 16. Subsequent Events (Unaudited)

In February 2006, Autodesk entered into an agreement to acquire Constructware for approximately \$46 million cash, which is subject to a working capital adjustment. Constructware provides on-demand communication and collaboration solutions that streamline design, construction and facility project management. This acquisition, expected to close in the first quarter of fiscal 2007, is intended to enable Autodesk to rapidly expand its Buzzsaw collaborative project management solution with Constructware's cost, bid and risk management capabilities. This acquisition will be integrated into the Platform Technology Division and Other of the Design Solutions Segment.

REPORT OF ERNST & YOUNG LLP, INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of
Autodesk, Inc.

We have audited the accompanying consolidated balance sheets of Autodesk, Inc., as of January 31, 2006 and 2005 and the related consolidated statements of income, cash flows and stockholders' equity for each of the three years in the period ended January 31, 2006. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Autodesk, Inc. at January 31, 2006 and 2005, and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 31, 2006, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Autodesk, Inc.'s internal control over financial reporting as of January 31, 2006, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 27, 2006 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

San Jose, California
March 27, 2006

REPORT OF ERNST & YOUNG LLP, INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of
Autodesk, Inc.

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that Autodesk, Inc. maintained effective internal control over financial reporting as of January 31, 2006, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Autodesk, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Alias, Inc, which is included in the January 31, 2006 consolidated financial statements of Autodesk, Inc. and constituted 3% and 2% of total and net assets, respectively, as of January 31, 2006 and less than 1% of revenues and less than 1% of net income for the year then ended. Our audit of internal control over financial reporting of Autodesk, Inc. also did not include an evaluation of the internal control over financial reporting of Alias, Inc.

In our opinion, management's assessment that Autodesk Inc. maintained effective internal control over financial reporting as of January 31, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Autodesk Inc. maintained, in all material respects, effective internal control over financial reporting as of January 31, 2006, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Autodesk, Inc. as of January 31, 2006 and 2005, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended January 31, 2006 of Autodesk, Inc. and our report dated March 27, 2006 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

San Jose, California
March 27, 2006

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management evaluated, with the participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures are effective 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 our 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. Management's assessment of the effectiveness of our internal control over financial reporting is expressed at the level of reasonable assurance because a control system, no matter how well designed and operated, can provide only reasonable, but not absolute, assurance that the control system's objectives will be met.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal controls over financial reporting during the quarter ended January 31, 2006 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Our management assessed the effectiveness of our internal control over financial reporting as of January 31, 2006. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework. As allowed pursuant to guidance from the Securities and Exchange Commission, we have excluded from our evaluation the internal control over financial reporting of Alias Systems which we acquired on January 10, 2006. As of and for the year ended January 31, 2006, revenues and net income of Alias Systems represented less than 1% of consolidated revenues and less than 1% of net income, respectively, and total assets and net tangible assets of Alias Systems represented 3% of consolidated total assets and 2% of net tangible assets, respectively. Our management has concluded that, as of January 31, 2006, our internal control over financial reporting is effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals. Our independent registered public accounting firm, Ernst & Young LLP, have issued an audit report on our assessment of our internal control over financial reporting, which is included herein.

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.

ITEM 9B. OTHER INFORMATION

None.

PART III

Certain information required by Part III is omitted from this Report in that the Registrant will file a definitive proxy statement pursuant to Regulation 14A (the "Proxy Statement") not later than 120 days after the end of the fiscal year covered by this Report and certain information included therein is incorporated herein by reference. Only those sections of the Proxy Statement that specifically address the items set forth herein are incorporated by reference. Such incorporation does not include the Compensation Committee Report or the Performance Graph included in the Proxy Statement.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information concerning Autodesk's directors, compliance with Section 16 of the Securities and Exchange Act of 1934 and our code of ethics that applies to our principal executive officer, principal financial officer and principal accounting officer required by this Item are incorporated by reference to the sections of the Proxy Statement entitled "Election of Directors," "Section 16(a) — Beneficial Ownership Reporting Compliance" and "Election of Directors — Corporate Governance Matters — Code of Business Conduct."

The information concerning Autodesk's executive officers required by this Item is incorporated by reference herein to the section of this Report at the end of Part I, entitled "Executive Officers of the Registrant."

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to the sections of the Proxy Statement entitled "Election of Directors — Compensation of Directors," "Executive Officer Compensation" and "Employee and Director Stock Options."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated by reference to the sections of the Proxy Statement entitled "Management — Security Ownership of Certain Beneficial Owners and Management" and "Employee and Director Stock Options — Equity Compensation Plan Information."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated by reference to the section of the Proxy Statement entitled "Management — Employment Contracts and Certain Transactions."

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item is incorporated by reference to the section of the Proxy Statement entitled "Ratification of Appointment of Independent Registered Public Accounting Firm — Fee Disclosure."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Report:

1. *Financial Statements*: The information concerning Autodesk's financial statements, and Report of Ernst & Young LLP, Independent Registered Public Accounting Firm required by this Item is incorporated by reference herein to the section of this Report in Item 8, entitled "Financial Statements and Supplementary Data."

2. *Financial Statement Schedule*: The following financial statement schedule of Autodesk, Inc., for the fiscal years ended January 31, 2006, 2005 and 2004, is filed as part of this Report and should be read in conjunction with the Consolidated Financial Statements of Autodesk, Inc.

Schedule II Valuation and Qualifying Accounts

Schedules not listed above have been omitted because they are not applicable or are not required or the information required to be set forth therein is included in the Consolidated Financial Statements or Notes thereto.

3. *Exhibits*: See Item 15(b) below. We have filed, or incorporated into this Report by reference, the exhibits listed on the accompanying Index to Exhibits immediately following the signature page of this Form 10-K.

(b) Exhibits:

We have filed, or incorporated into the Report by reference, the exhibits listed on the accompanying Index to Exhibits immediately following the signature page of this Form 10-K.

(c) Financial Statement Schedules: See Item 15(a), above.

ITEM 15(A)(2) FINANCIAL STATEMENT SCHEDULE II

AUTODESK, INC.

VALUATION AND QUALIFYING ACCOUNTS
(In millions)

<u>Description</u>	<u>Balance at Beginning of Year</u>	<u>Additions Charged to Costs and Expenses or Revenues</u>	<u>Deductions Write-Offs</u>	<u>Balance at End of Year</u>
Fiscal year ended January 31, 2006				
Allowance for doubtful accounts	\$ 7.2	\$ 1.6	\$ 0.6	\$ 8.2
Product returns reserves	18.0	38.3	42.1	14.2
Restructuring	13.1	11.1	10.7	13.5
Fiscal year ended January 31, 2005				
Allowance for doubtful accounts	\$ 9.7	\$ (0.2)	\$ 2.3	\$ 7.2
Product returns reserves	23.2	37.7	42.9	18.0
Restructuring	9.4	26.8	23.1	13.1
Fiscal year ended January 31, 2004				
Allowance for doubtful accounts	\$ 9.2	\$ 2.4	\$ 1.9	\$ 9.7
Product returns reserves	23.9	43.5	44.2	23.2
Restructuring	21.7	4.8	17.1	9.4

Index to Exhibits

<u>Exhibit No.</u>	<u>Description</u>
2.1	Agreement and Plan of Merger dated October 4, 2005 by and among Autodesk, Inc., Maytag Acquisition Corporation, Alias Systems Holdings Inc., Accel-KKR Company, LLC and Ontario Teachers' Pension Plan Board (<i>incorporated by reference to Exhibit 2.1 filed with the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2005</i>).
3.1	Amended and Restated Certificate of Incorporation of Registrant
3.2	Bylaws of Registrant, as amended (<i>incorporated by reference to Exhibit 3.1 filed with the Registrant's Current Report on Form 8-K filed on January 18, 2006</i>)
10.1*	Registrant's 1996 Stock Plan (<i>incorporated by reference to Exhibit 10.1 filed with the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2005</i>)
10.2*	Registrant's 1996 Stock Plan Forms of Agreement (<i>incorporated by reference to Exhibit 10.5 filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2005</i>)
10.3*	Registrant's 1998 Employee Qualified Stock Purchase Plan (<i>incorporated by reference to Exhibit 10.1 filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2005</i>)
10.4*	Registrant's 1998 Employee Qualified Stock Purchase Plan Forms of Agreement (<i>incorporated by reference to Exhibit 10.2 filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2005</i>)
10.5*	Registrant's 2000 Directors' Option Plan (<i>incorporated by reference to Exhibit 10.1 filed with the Registrant's Current Report on Form 8-K filed on November 15, 2005</i>)
10.6*	Registrant's 2000 Directors' Option Plan Forms of Agreements
10.7*	Registrant's 2006 Employee Stock Plan (<i>incorporated by reference to Exhibit 10.2 filed with the Registrant's Current Report on Form 8-K filed on November 15, 2005</i>)
10.8*	Registrant's 2006 Employee Stock Plan Forms of Agreement
10.9*	Form of Indemnification Agreement executed by Autodesk and each of its officers and directors (<i>incorporated by reference to Exhibit 10.8 filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2005</i>)
10.10*	Agreement between Registrant and Carol A. Bartz dated April 7, 1992 (<i>incorporated by reference to the exhibit filed with the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 1992</i>)
10.11*	Executive Change in Control Program (<i>incorporated by reference to Exhibit 10.8 filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2003</i>)
10.12*	Registrant's 2005 Non-Qualified Deferred Compensation Plan (<i>incorporated by reference to Exhibit 10.14 filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2005</i>)
10.13*	Executive Incentive Plan
10.14*	Participants, target awards and payout formulas for fiscal year 2007 under the Registrant's Executive Incentive Plan (<i>incorporated by reference to Item 1.01 of the Registrant's Current Report on Form 8-K filed on March 14, 2006</i>)
10.15	Office Lease between Registrant and the J.H.S. Trust for 111 McInnis Parkway, San Rafael, CA, as amended (<i>incorporated by reference to Exhibit 10.1 filed with the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2004</i>)
21.1	List of Subsidiaries
23.1	Consent of Independent Registered Public Accounting Firm (Ernst & Young LLP)
24.1	Power of Attorney (contained in the signature page to this Annual Report)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934

<u>Exhibit No.</u>	<u>Description</u>
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

* Denotes a management contract or compensatory plan or arrangement.

SUBSIDIARIES OF AUTODESK, INC.

The Registrant owns 100 percent of the outstanding voting securities of the following corporations, as of January 31, 2006, all of which are included in the Registrant's consolidated financial statements:

<u>Name</u>	<u>Jurisdiction of Incorporation</u>
ADSK Canada Inc.	Canada
Autodesk (Europe) S.A.	Switzerland
Autodesk AB	Sweden
Autodesk S.A.	Switzerland
Autodesk de Argentina S.A.	Argentina
Autodesk Asia Pte Ltd.	Singapore
Autodesk Australia Pty Ltd.	Australia
Autodesk do Brazil Ltda	Brazil
Autodesk B.V.	Netherlands
Autodesk Canada Co.	Canada
Autodesk Canada Inc.	Canada
Autodesk Consulting (Shanghai) Co, Ltd.	China
Autodesk Development B.V.	Netherlands
Autodesk Development S.a.r.l.	Switzerland
Autodesk (EMEA) S.a.r.l.	Switzerland
Autodesk Far East Ltd.	Hong Kong
Autodesk GesmbH	Austria
Autodesk GmbH	Germany
Autodesk India Private Ltd.	India
Autodesk International Holding Co.	Delaware
Autodesk Kft	Hungary
Autodesk Korea Ltd.	South Korea
Autodesk Ltd.	United Kingdom
Autodesk Ltd Japan	Japan
Autodesk de Mexico S.A. de C.V.	Mexico
Autodesk S.A. (Spain)	Spain
Autodesk S.A.S.	France
Autodesk S.p.A.	Italy
Autodesk Software Lda	Portugal
Autodesk Software (China) Co., Ltd.	China
Autodesk Spol. S.R.O.	Czech Republic
Autodesk, Taiwan Ltd.	Taiwan
Autodesk de Venezuela S.A.	Venezuela
Buzzsaw, Inc.	Delaware
Discreet Logic Inc.	Delaware
Discreet, Inc.	Delaware
Revit Technology Corporation	Delaware
Revit Technology Limited	United Kingdom
Revit Security Corporation	Massachusetts
Alias Systems Inc.	Canada
Alias Systems KK	Japan
Alias Systems GmbH	Germany
Alias Systems SAS	France
Alias Systems Srl.	Italy
Alias Systems Limited	United Kingdom
Alias Systems Korea Limited Company	South Korea
Alias Systems Singapore Pte. Ltd.	Singapore
Systemes Alias Quebec Inc.	Canada

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

Form S-8	33-54683	1987 Stock Option Plan, 1990 Directors' Option Plan, and Employee Qualified Stock Purchase Plan of Autodesk
Form S-8	33-61015	1987 Stock Option Plan and 1990 Directors' Option Plan of Autodesk
Form S-8	33-08693	1996 Stock Plan, 1990 Directors' Option Plan, Employee Qualified Stock Purchase Plan and Teleos Research 1996 Stock Plan of Autodesk
Form S-8	333-15037	Autodesk, Inc. Nonstatutory Stock Option Plan
Form S-8	333-24469	Softdesk, Inc. 1992 Stock Option Plan, Softdesk, Inc. 1993 Director Stock Option Plan and Softdesk, Inc. 1993 Equity Incentive Plan
Form S-8	333-45045	Autodesk, Inc. Nonstatutory Stock Option Plan
Form S-8	333-62655	1998 Employee Qualified Stock Purchase Plan and 1996 Stock Plan of Autodesk
Form S-8	333-74651	Discreet Logic Inc. Amended and Restated 1994 Restricted Stock and Stock Option Plan, Discreet Logic Inc. 1995 Employee Stock Purchase Plan, Discreet Logic Inc. 1995 Non-Employee Director Stock Option Plan and Discreet Logic Inc. 1997 Special Limited Non-Employee Directory Stock Plan
Form S-8	333-81207	Autodesk, Inc. 1996 Stock Plan, Autodesk, Inc Nonstatutory Stock Option Plan and Autodesk, Inc. 1998 Employee Qualified Stock Purchase Plan
Form S-8	333-92539	Autodesk, Inc. Nonstatutory Stock Option Plan
Form S-8	333-45928	Autodesk, Inc. 1996 Stock Plan, Autodesk, Inc. 2000 Directors' Option Plan and Autodesk, Inc. 1998 Employee Qualified Stock Purchase Plan
Form S-8	333-67974	Autodesk, Inc. 1996 Stock Plan, Autodesk, Inc. 1998 Employee Qualified Stock Purchase Plan and Autodesk, Inc. Nonstatutory Stock Option Plan
Form S-8	333-88682	Revit Technology Corporation 1998 Stock Plan, Autodesk, Inc. 1996 Stock Plan and Autodesk, Inc. and 1998 Employee Qualified Stock Purchase Plan
Form S-8	333-106556	Autodesk, Inc. 1996 Stock Plan and Autodesk, Inc. 1998 Employee Qualified
Form S-8	333-116203	Autodesk, Inc. 1996 Stock Plan and Autodesk, Inc. 1998 Employee Qualified Stock Purchase Plan

of our reports dated March 27, 2006, with respect to the consolidated financial statements and schedule of Autodesk, Inc., Autodesk, Inc.'s management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Autodesk, Inc., included in this Annual Report (Form 10-K) for the year ended January 31, 2006.

/s/ Ernst & Young LLP

San Jose, California
March 27, 2006

CERTIFICATIONS

I, Carol A. Bartz, certify that:

1. I have reviewed this annual report on Form 10-K of Autodesk, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2006

/s/ CAROL A. BARTZ

Carol A. Bartz
Chairman, Chief Executive Officer
and President

CERTIFICATIONS

I, Alfred J. Castino, certify that:

1. I have reviewed this annual report on Form 10-K of Autodesk, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2006

/s/ ALFRED J. CASTINO

Alfred J. Castino
Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

**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**

Based on my knowledge, I, Carol A. Bartz, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Autodesk, Inc. on Form 10-K for the annual period ended January 31, 2006 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-K fairly presents in all material respects the financial condition and results of operations of Autodesk, Inc.

March 30, 2006

/s/ CAROL A. BARTZ

Carol A. Bartz
Chairman, Chief Executive Officer
and President

Based on my knowledge, I, Alfred J. Castino, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Autodesk, Inc. on Form 10-K for the annual period ended January 31, 2006 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-K fairly presents in all material respects the financial condition and results of operations of Autodesk, Inc.

March 30, 2006

/s/ ALFRED J. CASTINO

Alfred J. Castino
Senior Vice President and
Chief Financial Officer

Board of Directors

Carol A. Bartz

Chairman of the Board, Chief Executive Officer and President

Carl Bass

Chief Operating Officer

Mark A. Bertelsen

Senior Partner,
Wilson, Sonsini, Goodrich
& Rosati
Attorneys-at-Law

Crawford W. Beveridge (1)

Executive Vice President and
Chief Human Resources Officer
Sun Microsystems

J. Hallam Dawson (1) (2) (3)

Chairman
IDI Associates

Michael J. Fister (1)

Chief Executive Officer
and President
Cadence Design Systems, Inc.

Per-Kristian Halvorsen (2)

Chief Technology Innovation
Officer
Intuit, Inc.

Steven L. Scheid (4)

Chairman
Janus Capital Group Inc.

Mary Alice Taylor (4)

Independent Business Consultant

Larry W. Wangberg (2) (4)

Independent Business Consultant

Executive Officers

Carol A. Bartz (5)

Chairman of the Board, Chief Executive Officer and President

Carl Bass (6)

Chief Operating Officer

George M. Bado

Senior Vice President, Worldwide
Sales and Consulting

Jan Becker

Senior Vice President,
Human Resources and Corporate
Real Estate

Alfred J. Castino

Senior Vice President and Chief
Financial Officer

Corporate Headquarters

Worldwide Headquarters

Autodesk, Inc.
111 McInnis Parkway
San Rafael, CA 94903
USA

Asia Pacific Headquarters

Autodesk Asia PTE Ltd.
391B Orchard Road #12-06
Ngee Ann City, Tower B
Singapore 238874
Singapore

European Headquarters

Autodesk Devel. BV
Autodesk AG
Rue du Puits-Godet-6
Case Postale 35
Neuchatel CH-2005
Switzerland

Legal Counsel

Wilson, Sonsini, Goodrich & Rosati

650 Page Mill Road
Palo Alto, CA 94304
USA

Transfer Agent

Computershare Investor Services, L.L.C.

2 North LaSalle Street
Chicago, IL 60602
USA

Independent Registered Public Accounting Firm

Ernst & Young, LLP

560 Mission Street, Suite 1600
San Francisco, CA 94105
USA

(1) Member of the Compensation and Human Resources Committee

(2) Member of the Corporate Governance and Nominating Committee

(3) Serves as Lead Director and liaison between management and the other non-employee directors.

(4) Member of the Audit Committee

(5) Effective April 30, 2006, Ms. Bartz will step down from her position as Chief Executive Officer and President and as of May 1, 2006 will be Executive Chairman.

(6) As of May 1, 2006, Mr. Bass will become President and Chief Executive Officer.

Annual Meeting

Autodesk's Annual Meeting of Stockholders will be held at 2:00 p.m., Pacific time, on June 8, 2006, at Autodesk's principal executive office, located at 111 McInnis Parkway, San Rafael, California.

Investor Relations

For more information, including copies of this annual report free of charge, write to us at Investor Relations, Autodesk, Inc., 111 McInnis Parkway, San Rafael, CA 94903, USA; phone us at 415-507-6705; or visit our website at www.autodesk.com.

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Autodesk®

111 McInnis Pkwy
San Rafael, California
94903