AUTODESK INC
Form 10-Q
December 04, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 31, 2008

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	**94-2819853**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**
111 McInnis Parkway	
San Rafael, California	**94903**
(Address of principal executive offices)	**(Zip Code)**

(415) 507-5000

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (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 x No ¨

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

Large accelerated filer x Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company) Smaller reporting company ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of November 28, 2008, there were 226,288,975 shares of the registrant s Common Stock outstanding.

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AUTODESK, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AUTODESK, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In millions, except per share data)

(Unaudited)

	Three months ended October 31,		Nine months ended October 31,	
	2008	2007	2008	2007
Net revenue:				
License and other	$ 421.0	$ 395.8	$ 1,293.4	$ 1,172.6
Maintenance	186.1	142.6	532.0	400.2
Total net revenue	607.1	538.4	1,825.4	1,572.8
Costs of revenue:				
Cost of license and other revenue	50.3	49.7	163.5	149.8
Cost of maintenance revenue	2.4	1.9	6.5	6.3
Total cost of revenue	52.7	51.6	170.0	156.1
Gross profit	554.4	486.8	1,655.4	1,416.7
Operating expenses:				
Marketing and sales	225.5	208.9	678.2	600.1
Research and development	135.2	123.2	432.1	352.9
General and administrative	54.1	49.1	166.8	142.2
Total operating expenses	414.8	381.2	1,277.1	1,095.2
Income from operations	139.6	105.6	378.3	321.5
Interest and other income (expense), net	(3.4)	4.4	9.9	17.6
Income before income taxes	136.2	110.0	388.2	339.1
Provision for income taxes	(31.7)	(25.2)	(99.2)	(79.4)
Net income	$ 104.5	$ 84.8	$ 289.0	$ 259.7
Basic net income per share	$ 0.46	$ 0.37	$ 1.28	$ 1.13
Diluted net income per share	$ 0.45	$ 0.35	$ 1.25	$ 1.07
Shares used in computing basic net income per share	225.3	229.4	225.2	230.3
Shares used in computing diluted net income per share	230.4	239.9	231.2	242.5

See accompanying Notes to Condensed Consolidated Financial Statements.

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AUTODESK, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)

	October 31, 2008 (Unaudited)	January 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 796.4	$ 917.9
Marketable securities	136.8	31.4
Accounts receivable, net	291.4	386.5
Deferred income taxes	34.6	98.1
Prepaid expenses and other current assets	51.2	47.9
Total current assets	1,310.4	1,481.8
Marketable securities	8.3	8.4
Computer equipment, software, furniture and leasehold improvements, net	116.6	80.2
Purchased technologies, net	107.7	64.4
Goodwill	632.3	443.4
Deferred income taxes, net	86.2	54.6
Other assets	112.2	79.4
	$ 2,373.7	$ 2,212.2
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 76.0	$ 79.3
Accrued compensation	112.2	146.2
Accrued income taxes	20.4	14.4
Deferred revenue	387.5	400.7
Borrowings under line of credit	3.9	
Other accrued liabilities	64.3	89.7
Total current liabilities	664.3	730.3
Deferred revenue	111.9	105.4
Long term income taxes payable	112.5	86.5
Long term deferred income taxes	27.7	3.3
Other liabilities	57.2	56.2
Commitments and contingencies		
Stockholders equity:		
Preferred stock		
Common stock and additional paid-in capital	1,059.2	998.3
Accumulated other comprehensive income (loss)	(6.0)	13.8
Retained earnings	346.9	218.4
Total stockholders equity	1,400.1	1,230.5
	$ 2,373.7	$ 2,212.2

See accompanying Notes to Condensed Consolidated Financial Statements.

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AUTODESK, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	Nine months ended October 31, 2008	Nine months ended October 31, 2007
Operating Activities		
Net income	$ 289.0	$ 259.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	64.5	44.1
Stock-based compensation expense	70.9	73.1
Charge for acquired in-process research and development	18.0	3.6
Changes in operating assets and liabilities, net of business combinations	65.1	109.0
Net cash provided by operating activities	507.5	489.5
Investing Activities		
Purchases of marketable securities	(111.2)	(727.9)
Sales of marketable securities	5.2	795.5
Business combinations, net of cash acquired	(297.3)	(66.0)
Capital expenditures	(59.1)	(29.1)
Net cash used in investing activities	(462.4)	(27.5)
Financing Activities		
Draws on line of credit	800.0	
Repayments of line of credit	(796.0)	
Proceeds from issuance of common stock, net of issuance costs	89.1	160.7
Repurchases of common stock	(256.6)	(463.5)
Net cash used in financing activities	(163.5)	(302.8)
Effect of exchange rate changes on cash and cash equivalents	(3.1)	3.2
Net increase (decrease) in cash and cash equivalents	(121.5)	162.4
Cash and cash equivalents at beginning of fiscal year	917.9	665.9
Cash and cash equivalents at end of period	$ 796.4	$ 828.3

See accompanying Notes to Condensed Consolidated Financial Statements.

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AUTODESK, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

1. *Basis of Presentation*

The accompanying unaudited Condensed Consolidated Financial Statements of Autodesk, Inc. (Autodesk or the Company) as of October 31, 2008, and for the three and nine months ended October 31, 2008, have been prepared in accordance with accounting principles generally accepted in the U.S. for interim financial information along with the instructions to Form 10-Q and Article 10 of Securities and Exchange Commission (SEC) Regulation S-X. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles (GAAP) for annual financial statements. In management s opinion, Autodesk has made all adjustments (consisting of normal, recurring and non-recurring adjustments) during the quarter that were considered necessary for fair presentation of the financial position and operating results of the Company. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts in the financial statements and accompanying notes. These estimates are based on information available as of the date of the unaudited Condensed Consolidated Financial Statements. Actual results could differ from those estimates. In addition, the results of operations for the three and nine months ended October 31, 2008 are not necessarily indicative of the results for the entire fiscal year ending January 31, 2009, or for any other period. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and related notes, together with management s discussion and analysis of financial position and results of operations contained in Autodesk s Annual Report on Form 10-K for the fiscal year ended January 31, 2008 (the 2008 Form 10-K) filed on March 28, 2008.

2. *Recently Issued Accounting Standards*

In March 2008, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 161 Disclosures about Derivative Instruments and Hedging Activities an Amendment of FASB Statement No. 133 (SFAS 161). SFAS 161 expands the disclosure requirements for derivative and hedging activities in an effort to improve the transparency of financial reporting. This statement will be effective for Autodesk s fiscal year beginning February 1, 2009. Autodesk believes that the adoption of SFAS 161 will not have a material effect on Autodesk s consolidated financial position, results of operations or cash flows.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007) Business Combinations (SFAS 141R). SFAS 141R revises the accounting treatment for certain items from what is currently required under SFAS 141. Specifically, the revision establishes principles and requirements for how an acquirer recognizes and measures the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired in its financial statements. SFAS 141R also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. It further requires acquisition-related costs to be recognized separately from the acquisition and expensed as incurred, restructuring costs to generally be expensed in periods subsequent to the acquisition date, and changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period, which will impact income tax expense. In addition, acquired in-process research and development (IPR&D) is capitalized as an intangible asset and amortized over its estimated useful life. This statement will be effective for prospective application for Autodesk s fiscal year beginning February 1, 2009, with the exception of the income tax impact, which will be applied retrospectively to acquisitions that closed prior to February 1, 2009. The impact of SFAS 141R on Autodesk s consolidated financial position, results of operations and cash flows will be dependent on the number and size of business combinations that the Company consummates subsequent to the adoption of the standard, as well as the valuation and allocation of the net assets acquired.

In December 2007, the FASB also issued Statement of Financial Accounting Standards No. 160 Noncontrolling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin No. 51 (SFAS 160). SFAS 160 establishes accounting and reporting standards for ownership interests

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in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent s ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS 160 also establishes disclosure requirements to clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. This statement will be effective for Autodesk s fiscal year beginning February 1, 2009. Autodesk believes the adoption of SFAS 160 will not have a material effect on its consolidated financial position, results of operations or cash flows.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157), which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements, but instead is intended to eliminate inconsistencies with respect to this topic found in various other accounting pronouncements. Autodesk adopted the statement for financial assets and liabilities as of February 1, 2008. The remainder of the statement, which pertains to nonfinancial assets and liabilities, will be effective as of February 1, 2009 for Autodesk s 2010 fiscal year. In October 2008, the FASB issued FASB Staff Position SFAS 157-3 Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active (FAS 157-3), which clarifies the application of FASB Statement 157, Fair Value Measurements (SFAS 157) in a market that is not active. Autodesk believes the adoption of the remaining aspects of SFAS 157 will not have a material effect on its consolidated financial position, results of operations or cash flows.

3. ***Concentration of Credit Risks and Significant Customers***

It is Autodesk s policy that its cash, cash equivalents and marketable securities are held with, and in the custody of, financial institutions with high credit standing. Autodesk s primary commercial banking relationship is with Citibank and its global affiliates (Citibank) and a significant portion of Autodesk s cash and cash equivalents was held by Citibank at October 31, 2008. In addition Citibank is the lead lender and agent in the syndicate of Autodesk s $250.0 million U.S. line of credit. Recently, Citibank, like many financial institutions, has obtained government assistance. It is Autodesk s policy to limit the amounts invested with any one institution by type of security and issuer. See further discussion in Note 4, Financial Instruments below.

Total sales to the distributors Tech Data Corporation and its global affiliates (Tech Data) accounted for 14% of Autodesk s consolidated net revenue during the three months ended October 31, 2008 and 2007. Sales to Tech Data represented 15% and 14% of Autodesk s consolidated net revenue for the nine months ended October 31, 2008 and 2007, respectively. The majority of the net revenue from sales to Tech Data relates to Autodesk s Platform Solutions and Emerging Business and Other segment and comes from outside the U.S. In addition, Tech Data accounted for 17% and 15% of gross accounts receivable at October 31, 2008 and January 31, 2008, respectively.

4. ***Financial Instruments***

Forwards and Options

Under its risk management strategy, Autodesk uses derivative instruments to manage its exposures to fluctuations in foreign currency exchange rates, which exist as part of ongoing business operations. Autodesk s general practice is to use forward and option contracts to hedge a majority of transaction exposures denominated in euros, Swiss francs, Canadian dollars, British pounds and Japanese yen. Historically, these foreign currency instruments hedged revenue and expense within the same quarter. During the quarter ended October 31, 2008, Autodesk expanded its cash flow hedge program to include forecasted revenue and expenses through the quarter ending January 31, 2009. Autodesk does not enter into any foreign exchange derivative instruments for trading or speculative purposes.

Autodesk utilizes foreign currency option collar contracts and forwards to reduce the exchange rate impact on a portion of the net revenue or operating expense of certain anticipated transactions. These option and forward contracts, which are designated and documented as cash flow hedges, qualify for hedge accounting treatment under Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, (SFAS 133). 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 is recorded as Interest and other income (expense), net in the Company s Condensed Consolidated Statements of Income.

Autodesk did not have any outstanding foreign currency option contracts as of October 31, 2008. The notional amount of foreign currency options contracts were $131.8 million at January 31, 2008, 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 revenue or operating expense, while the ineffective portion of the option contract is recorded in Interest and other income (expense), net. There were no net settlement losses recorded during the three months ended October 31, 2008 and 2007. There were $5.8 million and $3.5 million net settlement gains recorded during the three and nine months ended October 31, 2008, respectively. The cost of the options, which was recorded in Interest and other income (expense) net, was $1.3 million and $1.8 million during the three and nine months ended October 31, 2008, respectively. Amounts associated with the cost of the options during the three and nine months ended October 31, 2007 totaled $0.2 million and $0.5 million, respectively. The effective portion of our cash flow hedges as of October 31, 2008, after tax effect, was $11.5 million, which is included in other comprehensive income and will be recognized as net revenue or operating expense when the corresponding hedged transactions will be recognized. We believe that the majority of the $11.5 million will be recognized in the fourth quarter of fiscal 2009; however, a portion of this may be recognized in the first quarter of fiscal 2010.

In addition to the cash flow hedges described above, Autodesk uses forward contracts to reduce the exchange rate risk associated primarily with receivables and payables. These forward contracts, which are generally not designated as hedging instruments under SFAS 133, 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 $202.0 million at October 31, 2008 and $66.9 million at January 31, 2008. 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. It is Autodesk s policy that all of Autodesk s foreign currency contracts are with counterparties that have a high investment grade rating.

Marketable Securities

At October 31, 2008, Autodesk s short-term investment portfolio consisted of term deposits, money market funds and mutual funds with an estimated fair value of $136.8 million and a cost basis of $138.8 million. Of this amount, $22.8 million was invested in a defined set of mutual funds as directed by the participants in the Company s Deferred Compensation Plan (see Note 8, Deferred Compensation), and $9.6 million was invested in bank term deposits with original maturities greater than 90 days and less than one year. The remaining $104.4 million was invested in two money market funds: $98.3 million was invested in The Reserve International Liquidity Fund (the International Fund) and $6.1 million was invested in The Reserve Primary Fund (the Primary Fund, and together with the International Fund, Reserve Funds). In mid-September, the Reserve Funds ceased redemptions after net asset values of the funds decreased below $1 per share. This occurred as a result of the Reserve Funds revaluing their holdings of debt securities issued by Lehman Brothers Holdings, Inc. (Lehman Brothers), which filed for Chapter 11 bankruptcy on September 15, 2008, and the resulting unusually high redemption requests on the Reserve Funds. While we expect to recover substantially all of our current holdings in the Reserve Funds, we cannot predict when this will occur or the amount we will receive. Accordingly, Autodesk recorded $2.0 million other-than-temporary impairment during the three months ended October 31, 2008. The impairment expense was recorded in Interest and other income (expense), net on the

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Company s Condensed Consolidated Statements of Income. The timing of redemptions from the Reserve Funds currently is undetermined. The SEC is overseeing the administration, accounting and payout of the U.S.-based Primary Fund, and a third party court appointed supervisor is overseeing, but not managing, the accounting and payment administration of the non U.S.-based International Fund. At this time, these investments are not currently liquid, and in the event Autodesk needs to access these funds, the Company will not be able to do so. However, based on currently available information, Autodesk believes that any distributions from the Reserve Funds will occur within the next 12 months. Accordingly, the Reserve Funds are classified in current Marketable Securities on the Company s Condensed Consolidated Balance Sheets as of October 31, 2008. This re-designation is included in Purchases of available-for-sale marketable securities in the investing activities section of Autodesk s Condensed Consolidated Statements of Cash Flows. On November 21, 2008, the Primary Fund announced a distribution to be made on or about December 5, 2008. Autodesk estimates that its share of this distribution will be approximately $3.6 million.

At October 31, 2008, Autodesk owned two auction rate securities with an estimated fair value of $8.3 million and a cost basis of $9.0 million. Autodesk s auction rate securities are variable rate debt instruments that have underlying securities with contractual maturities greater than ten years and interest rates that were structured to reset at auction every 28 days. The securities, which met Autodesk s investment guidelines at the time the investments were made, have failed to settle in auctions since August 2007. In addition, these auction rate securities, which were previously AAA-rated, were downgraded to AA- and A+ during the nine months ended October 31, 2008. Under the contractual terms of these investments, because the auctions have failed to settle, and due to the downgrade of the securities ratings, the interest rate on these investments earn interest at the Libor rate plus 200 basis points, which represents a premium interest rate on these investments. At this time, these investments are not currently liquid, and in the event Autodesk needs to access these funds, the Company will not be able to do so without a loss of principal unless a future auction on these investments is successful. Currently, Autodesk does not believe these investments are other-than-temporarily impaired; however, it is not clear when they will be settled. Based on its ability to access its cash and other short-term investments, its expected operating cash flows, and its other sources of cash, Autodesk has the intention and ability to hold the securities until the value recovers or to maturity. Due to the lack of liquidity of these investments, they are included in non-current Marketable securities on the accompanying Condensed Consolidated Balance Sheets. The Company will continue to evaluate its accounting for these investments quarterly.

The following table shows the fair value and gross unrealized losses from investments that Autodesk does not consider to be other-than-temporarily impaired, categorized by whether the individual securities have been in a continuous unrealized loss position at October 31, 2008 for more or less than one year.

	Less Than 12 Months		**12 Months or Greater**		**Total**	
	Fair Value	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Taxable auction-rate securities	$	$	$ 8.3	$ 0.7	$ 8.3	$ 0.7

Fair Value Measurements

Autodesk adopted Statement of Financial Accounting Standards No. 157 Fair Value Measurements (SFAS 157) effective February 1, 2008 for financial assets and liabilities measured on a recurring basis. SFAS 157 clarifies that fair value is an exit price, representing the amount that would be received upon the sale of an asset, or the amount paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, SFAS 157 establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs other than the quoted prices in active markets that are observable either directly or indirectly in active markets; and (Level 3) unobservable inputs in which there is little or no market data, which require Autodesk to develop its own assumptions. SFAS 157

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requires Autodesk to maximize its use of observable market data, and to minimize its use of unobservable inputs when determining fair value. On a recurring basis, Autodesk measures at fair value certain financial assets and liabilities, which consist of cash equivalents, marketable securities and foreign currency contracts.

The Company s investments held in the Reserve Funds were re-designated as Level 3 securities in October 2008. The Company conducted its fair value assessment of the Reserve Funds using Level 2 and Level 3 inputs. Management has reviewed the Reserve Funds underlying securities portfolio which is substantially comprised of term deposits, money market funds, US treasury bills and commercial paper. These securities are issued by highly-rated institutions. Normally, the Company would classify such investments within Level 2 of the fair value hierarchy. Management evaluated the fair value of its unit interest in the Reserve Funds, considering risk of collection, timing and other factors. These assumptions are inherently subjective and involve significant management judgment. As a result, the Company has classified its holdings in the Reserve Funds within Level 3 of the fair value hierarchy. Autodesk s investments in auction rate securities are classified within Level 3 because they are valued using a pricing model, and some of the inputs to this model are unobservable in the market.

The following table summarizes the valuation of Autodesk s investments and financial instruments, which were determined by fair value hierarchy at October 31, 2008:

	Fair Value Measurements at October 31, 2008 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Assets				
Cash equivalents[1]:				
Term deposits	$	$ 186.5	$	$ 186.5
Money market funds		2.0		2.0
US Treasury bills	40.0			40.0
Commercial papers		10.0		10.0
Marketable securities:				
Money market funds			104.4	104.4
Mutual funds	22.8			22.8
Bank time deposits		9.6		9.6
Taxable auction-rate securities			8.3	8.3
Total	$ 62.8	$ 208.1	$ 112.7	$ 383.6

[1] Included in Cash and cash equivalents in the accompanying Condensed Consolidated Balance Sheet as of October 31, 2008.

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Autodesk s cash equivalents and marketable securities are primarily classified within Level 1 or Level 2 of the fair value hierarchy because they are valued primarily using quoted market prices, or alternative pricing sources and models utilizing market observable inputs with reasonable levels of price transparency. A reconciliation of the change in Autodesk s Level 3 items for the nine months ended October 31, 2008 was as follows:

	Fair Value Measurments Using Significant Unobservable Inputs (Level 3)		
	Money Market Funds	Taxable Auction-Rate Securities	Total
Balance at January 31, 2008	$	$ 8.4	$ 8.4
Transfers into Level 3	106.4		106.4
Total gains or losses:			
Unrealized loss included in Accumulated other comprehensive income (loss)		(0.1)	(0.1)
Unrealized loss included in Interest and other income (expense), net	(2.0)		(2.0)
Balance at October 31, 2008	$ 104.4	$ 8.3	$ 112.7

5. ***Stock-Based Compensation***

Stock Plans

As of October 31, 2008, Autodesk maintained two active stock plans for the purpose of granting stock awards to employees and to non-employee members of Autodesk s Board of Directors: the 2008 Employee Stock Plan (2008 Plan), which is available only to employees, and the 2000 Directors Option Plan, as amended (2000 Plan), which is available only to non-employee directors. Additionally, there are six expired or terminated plans with options outstanding, including the 2006 Employee Stock Plan (2006 Plan), which was replaced by the 2008 Plan in March 2008.

The 2008 Plan was approved by Autodesk s stockholders in November 2007. Under this plan, 16.5 million shares of Autodesk common stock, and 0.48 million shares that remained available for issuance under the 2006 Plan upon its expiration, were reserved for issuance. The 2008 Plan permits the grant of stock options, restricted stock and restricted stock units; however, no more than 2.5 million of the shares reserved for issuance under the 2008 Plan may be issued pursuant to awards of restricted stock and restricted stock units. At October 31, 2008, 13.7 million shares were available for future issuance under the 2008 Plan. The 2008 Plan will expire in March 2011.

The 2000 Plan, which was originally approved by the stockholders in June 2000, allows for an automatic annual grant of options to non-employee members of Autodesk s Board of Directors. At October 31, 2008, 0.7 million shares were available for future issuance. The 2000 Plan will expire in March 2010.

Options granted under the 2008 Plan and the 2000 Plan vest over periods ranging from one to four years and expire within four to seven years from the date of grant. During the first three quarters of fiscal 2009 and all of fiscal 2008, the exercise price of all stock options granted under these plans was equal to the fair market value of the stock on the grant date.

The following section, Stock Options, summarizes activity under Autodesk s stock option plans. No restricted stock or restricted stock units were granted under Autodesk s stock plans during the third quarter of fiscal 2009.

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Stock Options:

A summary of stock option activity for the nine months ended October 31, 2008 was as follows:

	Number of Shares (in thousands)	Weighted average price per share
Options outstanding at January 31, 2008	24,506	$ 28.75
Granted	5,668	32.81
Exercised	(2,127)	14.98
Forfeited	(911)	39.13
Expired	(195)	
Options outstanding at October 31, 2008	26,941	$ 30.28
Options exercisable at October 31, 2008	15,310	$ 24.58
Options available for grant at October 31, 2008	14,439	

The total pre-tax intrinsic value of options exercised during the three months ended October 31, 2008 and 2007 was $13.9 million and $103.5 million, respectively. For the nine months ended October 31, 2008 and 2007, total pre-tax intrinsic value of options exercised was $45.8 million and $256.9 million, respectively. The intrinsic value of options exercised is calculated as the difference between the exercise price of the option and the market value of the stock on the date of exercise. The weighted average grant date fair value of stock options granted during the three months ended October 31, 2008 and 2007, calculated as of the stock option grant date using the Black-Scholes-Merton option-pricing model, was $10.32 and $14.78 per share, respectively. The weighted average grant date fair value of stock options granted during the nine months ended October 31, 2008 and 2007 was $9.98 and $14.62 per share, respectively. As of October 31, 2008, total compensation cost related to non-vested awards not yet recognized of $88.5 million is expected to be recognized over a weighted average period of 2.0 years.

The following table summarizes information about options outstanding and exercisable at October 31, 2008:

	Options Exercisable				Options Outstanding			
	Number of Shares (in thousands)	Weighted average contractual life (in years)	Weighted average exercise price	Aggregate intrinsic value[1] (in millions)	Number of Shares (in thousands)	Weighted average contractual life (in years)	Weighted average exercise price	Aggregate intrinsic value[1] (in millions)
Range of per-share exercise prices:								
$ 0.20 - $14.40	5,701		$ 10.24		5,714		$ 10.22	
$16.42 - $31.68	4,508		24.84		7,704		27.59	
$32.33 - $38.00	2,482		36.42		6,135		35.42	
$38.08 - $45.29	2,310		43.58		6,405		43.66	
$47.24 - $49.80	309		48.29		983		48.59	
	15,310	4.2	$ 24.58	$ 68.1	26,941	4.5	$ 30.28	$ 68.4

(1) Represents the total pre-tax intrinsic value, based on Autodesk s closing stock price of $21.31 per share as of October 31, 2008, which would have been received by the option holders had all option holders exercised their options as of that date.

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These options will expire if not exercised prior to specific dates ranging through November 2015. At October 31, 2008, a total of 14.4 million shares of Autodesk s common stock have been reserved for future issuance under existing stock plans.

1998 Employee Qualified Stock Purchase Plan (ESP Plan)

Under Autodesk s ESP Plan, which was approved by stockholders in 1998, eligible employees may purchase shares of Autodesk s common stock at their discretion using up to 15% of their compensation subject to certain limitations, at not less than 85% of fair market value as defined in the ESP Plan (ESP Plan fair market value). At October 31, 2008, a total of 24.8 million shares were available for future issuance. This amount is automatically increased on the first trading day of each fiscal year by an amount equal to the lesser of 10 million shares or 2.0% of the total of (1) outstanding shares plus (2) any shares repurchased by Autodesk during the prior fiscal year. Under the ESP Plan, the Company issues shares on the first trading day following March 31 and September 30 of each fiscal year. The ESP Plan expires during fiscal 2018.

On August 17, 2006, Autodesk disclosed that the Audit Committee of the Board of Directors was conducting a voluntary review of Autodesk s historical stock option granting practices and related accounting issues. Due to this review, Autodesk was not current with its reporting obligations under the Securities Exchange Act of 1934 until June 2007, and suspended contributions and purchases under the ESP Plan during the first quarter of fiscal 2008. On September 18, 2006, Autodesk s Board of Directors approved an amendment to the Company s ESP Plan, which provided for active participant employees at the time of the suspension to become automatically enrolled in the next offering period, unless they elected not to participate. The Board of Directors also approved a one-time cash bonus of $8.8 million to non-executive employees enrolled in the ESP Plan at that date. This bonus approximated the profits employee participants would have made on the scheduled September 30, 2006 exercise date, had the purchases been made and the shares been sold on the next trading day at close of market, and was expensed as additional compensation expense at the time it was paid. On March 22, 2007, Autodesk s Board of Directors approved an amendment, which superseded the September 18, 2006 amendment, which provided for active participant employees at the time of the suspension to become automatically enrolled in the next offering period ending in September 2007, unless they elected not to participate. In June 2007 the Company became current with its financial filings and resumed employee contributions to the ESP Plan.

Autodesk issued 1.0 million and 2.1 million shares under the ESP Plan during the three and nine months ended October 31, 2008, respectively. The shares were issued at average prices of $27.91 per share and $27.32 per share for the three and nine months ended October 31, 2008, respectively. The weighted average grant date fair value of awards granted under the ESP Plan during both the three and nine months ended October 31, 2008, calculated as of the award grant date using the Black-Scholes-Merton option-pricing model, was $10.58 and $10.40 per share respectively. Autodesk issued 0.8 million shares under the ESP Plan during the three and nine months ended October 31, 2007 at an average price of $28.96 per share. The weighted average grant date fair value of awards granted under the ESP Plan during the three and nine months ended October 31, 2007, calculated as of the award grant date using the Black-Scholes-Merton option-pricing model, was $15.11 per share and $16.77 per share, respectively.

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Stock-based Compensation Expense

Autodesk measures all stock-based payments to employees and directors, including grants of employee stock options and employee stock purchases related to the ESP Plan, using a fair-value based method and records the expense in Autodesk s Condensed Consolidated Statements of Income in accordance with Statement of Financial Accounting Standards No. 123R Share-Based Payment (SFAS 123R). The estimated fair value of stock-based awards is amortized to expense on a straight-line basis over the awards vesting period. The following table summarizes stock-based compensation expense related to employee stock options and employee stock purchases for the three and nine months ended October 31, 2008 and 2007, respectively, which was recorded as follows:

	Three months ended October 31, 2008	Three months ended October 31, 2007
Cost of license and other revenue	$ 1.0	$ 2.1
Marketing and sales	10.1	16.2
Research and development	7.2	12.6
General and administrative	4.2	6.4
Stock-based compensation expense	22.5	37.3
Tax benefit	(5.7)	(6.2)
Stock-based compensation expense	$ 16.8	$ 31.1

	Nine months ended October 31, 2008	Nine months ended October 31, 2007
Cost of license and other revenue	$ 3.1	$ 3.8
Marketing and sales	30.6	31.3
Research and development	23.3	23.9
General and administrative	13.9	14.1
Stock-based compensation expense	70.9	73.1
Tax benefit	(16.2)	(15.8)
Stock-based compensation expense	$ 54.7	$ 57.3

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

	Three months ended October 31, 2008		Three months ended October 31, 2007	
	Stock Option Plans	ESP Plan	Stock Option Plans	ESP Plan
Range of expected volatilities	0.38	0.38 - 0.41	0.33 - 0.34	0.31 - 0.34
Range of expected lives (in years)	2.70 - 4.00	0.5 - 2.0	2.57 - 4.18	0.5 - 2.00
Expected dividends	0%	0%	0%	0%
Range of risk-free interest rates	1.98 - 2.4%	1.29 - 1.85%	4.00 - 4.07%	3.98 - 4.23%
Expected forfeitures	13.6%	13.6%	13.0%	13.0%

	Nine months ended October 31, 2008		Nine months ended October 31, 2007	

	Stock Option Plans	ESP Plan	Stock Option Plans	ESP Plan
Range of expected volatilities	0.37 - 0.38	0.36 - 0.41	0.33 - 0.36	0.29 - 0.34
Range of expected lives (in years)	2.70 - 4.00	0.50 - 2.00	2.57 - 4.18	0.28 - 2.00
Expected dividends	0%	0%	0%	0%
Range of risk-free interest rates	1.82 - 3.4%	1.29 - 1.85%	4.00 - 5.11%	3.98 - 5.06%
Expected forfeitures	13.6%	13.6%	13.0%	13.0%

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

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

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

The risk-free interest rate used in the Black-Scholes-Merton option valuation model for stock-based awards granted under the Company s stock plans and ESP Plan awards is the historical yield on U.S. Treasury securities with equivalent remaining lives.

In addition to the assumptions used in the Black-Scholes-Merton pricing model, SFAS 123R requires that the Company recognize expense for the stock-based awards that are ultimately expected to vest. Therefore, Autodesk is required to develop an estimate of the number of awards expected to cancel prior to vesting (forfeiture rate). The forfeiture rate is estimated based on historical pre-vest cancellation experience, and is applied to all stock-based awards. The Company estimates forfeitures at the time of grant and revises those estimates in subsequent periods if actual forfeitures differ from those estimates.

As a result of the Company s voluntary review of its historical stock option grant practices, it was determined that certain stock options had been issued by the Company with exercise prices below the fair value of the stock at the time of grant (discounted options). Under Section 409A of the U.S. Internal Revenue Code (Section 409A) and a comparable provision of the California tax code (California Section 409A), adverse tax consequences to employees may arise as a result of the exercise of these discounted stock options. In order to alleviate adverse tax consequences to Autodesk employees, the Company informed affected employees that it would be participating in 409A compliance programs offered by these tax jurisdictions. These compliance programs allow the Company to pay the taxes due on these discounted options on behalf of its employees. During the first quarter of fiscal 2008, Autodesk s Board of Directors approved the payment of these taxes. Accordingly, the Company recorded $12.0 million of employee tax expenses during the first quarter of fiscal 2008 and $1.4 million of employee tax expenses during the fourth quarter of fiscal 2008.

6. ***Income Taxes***

Autodesk s effective tax rate was 23% during the three months ended October 31, 2008 and 26% during the nine months ended October 31, 2008, compared to 23% during both three and nine months of the prior fiscal year. Autodesk s effective tax rate increased 3% during the nine months ended October 31, 2008, as compared to the same period in the prior fiscal year, primarily due to non-deductible in-process research and development expense related to the Moldflow acquisition and lower stock option benefits. The effective tax rates for the three and nine months ended October 31, 2008 are less than the Federal statutory tax rate of 35% primarily due to lower-taxed foreign income and federal and state research tax credits offset by the impact of SFAS 123R and non-deductible in-process research and development expense.

At October 31, 2008, Autodesk had net deferred tax assets of $91.3 million. Autodesk believes that sufficient income will be earned in the future to realize these assets. During the second quarter of fiscal 2009, Autodesk reclassified $3.3 million from the January 31, 2008 Deferred income taxes, net balance to the Long term deferred income taxes balance to conform to current period presentation.

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7. *Business Acquisitions*

The following acquisitions were accounted for under Statement of Financial Accounting Standards No. 141, Business Combinations. Accordingly, the results of operations are included in the accompanying Condensed Consolidated Financial Statements of Income since the acquisition date, and the related assets and liabilities were recorded based upon their fair values at the date of acquisition.

For the following acquisitions, Autodesk 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 that would indicate that such a liability is probable and that the amounts can be reasonably estimated, such liability would be included as an adjustment to the purchase price allocation.

Pro forma results of operations have not been presented because the effects of the following acquisitions, individually and in aggregate, were not material.

Moldflow

In June 2008, Autodesk acquired Moldflow Corporation (Moldflow), based in Framingham, Massachusetts. Moldflow designs, develops, manufactures and markets computer software solutions for the design and engineering of injection-molded plastic parts. The acquisition of Moldflow added simulation and optimization capabilities to Autodesk s Digital Prototyping solution portfolio. Autodesk acquired Moldflow for $22.00 per share, or approximately $184.9 million, net of cash acquired. The acquisition was structured as a cash tender offer for all the outstanding shares of Moldflow common stock, followed by a merger of an Autodesk subsidiary into Moldflow where Moldflow survived as a wholly-owned subsidiary of Autodesk. Autodesk incorporated Moldflow into Autodesk s Manufacturing Solutions Segment.

Management s preliminary allocation of the purchase price consideration, based on a valuation of the acquired assets and liabilities, was as follows:

Moldflow:	
Developed technologies (6 year useful life)	$ 33.1
Customer relationships (6 year useful life)	32.6
Trade name (6 year useful life)	6.9
In-process research and development	16.2
Goodwill	128.6
Deferred revenue	(3.0)
Restructuring reserve	(2.8)
Net tangible assets	69.0
	$ 280.6

In-process research and development represents incomplete research and development projects that had not reached technological feasibility and had no alternative future use as of the acquisition date. Total in-process research and development related to Moldflow of $16.2 million was expensed to research and development during the second quarter of fiscal 2009 on the Condensed Consolidated Statement of Income.

Customer relationships represent the underlying relationships and agreements with Moldflow s existing customers. Trade name represents the estimated fair value of Moldflow s trade name and trademarks. The $128.6 million of goodwill, which represents the excess of the purchase price over the fair value of the acquired net tangible and intangible assets, is not deductible for tax purposes. Deferred revenue represents the estimated fair value of the support and maintenance obligations assumed from Moldflow in connection with this acquisition. Autodesk estimates that these support and maintenance obligations will be substantially fulfilled by the beginning of fiscal 2010.

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Other Acquisitions

Autodesk acquired two entities during the quarter ended October 31, 2008 for total consideration of $28.2 million, net of cash acquired. Excluding Moldflow, Autodesk acquired six entities during the nine months ended October 31, 2008 for total consideration of $104.0 million, net of cash acquired. These acquisitions included companies that design, develop, manufacture and market artificial intelligence middleware, image-based creation software, building information modeling software, sustainable building design software, intelligent 3D urban modeling software and database oriented electrical computer-aided design software.

Management s preliminary allocation of the purchase price consideration, based on valuations of the acquired assets and liabilities, was as follows:

Other Acquisitions:	
Developed technologies (2.5 - 7.0 year useful lives)	$ 23.6
Customer relationships (5.0 - 8.0 year useful lives)	14.9
Trade names (4.0 - 7.0 year useful lives)	2.4
In-process research and development	1.8
Goodwill	65.4
Net tangible assets	(1.8)
	$ 106.3

The total in-process research and development amount was expensed to research and development during the nine months ended October 31, 2008 on the Condensed Consolidated Statement of Income.

Customer relationships represent the underlying relationships and agreements with acquirees existing customers. Trade names represent the estimated fair value of the acquirees trade names and trademarks. During the nine months ended October 31, 2008, the $65.4 million added to goodwill, which represents the excess of the purchase price over the fair value of the acquired net tangible and intangible assets, was considered deductible for tax purposes.

8. *Deferred Compensation*

At October 31, 2008, Autodesk had marketable securities totaling $145.1 million, of which $22.8 million related to investments in debt and equity securities that are held in a rabbi trust under non-qualified deferred compensation plans. The total related deferred compensation liability was $22.8 million at October 31, 2008, of which $1.6 million was classified as current and $21.2 million was classified as non-current liabilities. The value of debt and equity securities held in the rabbi trust at January 31, 2008 was $26.7 million. The total related deferred compensation liability at January 31, 2008 was $26.7 million, of which $2.0 million was classified as current and $24.7 million was classified as non-current liabilities. The current and non-current portions of the liability are recorded in the Condensed Consolidated Balance Sheets under Accrued compensation and Other liabilities, respectively.

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9. *Computer Equipment, Software, Furniture and Leasehold Improvements, Net*

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

	October 31, 2008	January 31, 2008
Computer software, at cost	$ 134.0	$ 128.2
Computer hardware, at cost	99.2	88.0
Leasehold improvements, land and buildings, at cost	109.9	70.1
Furniture and equipment, at cost	39.9	32.8
	383.0	319.1
Less: Accumulated depreciation	(266.4)	(238.9)
Computer software, hardware, leasehold improvements, furniture and equipment, net	$ 116.6	$ 80.2

During the third quarter of fiscal 2009, Autodesk reclassified the January 31, 2008 computer software, hardware, leasehold improvements, furniture and equipment balances to conform to current period presentation.

10. *Purchased Technologies, Net*

Purchased technologies and the related accumulated amortization were as follows:

	October 31, 2008	January 31, 2008
Purchased technologies	$ 288.6	$ 227.5
Less: Accumulated amortization	(180.9)	(163.1)
Purchased technologies, net	$ 107.7	$ 64.4

Expected future amortization expense for purchased technologies for the remainder of fiscal 2009 and for each of the fiscal years thereafter is as follows:

	Year ending January 31,
2009 remaining 3 months	$ 7.0
2010	27.5
2011	26.4
2012	21.5
2013	12.3
Thereafter	13.0
Total	$ 107.7

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11. *Goodwill*

The changes in the carrying amount of goodwill during the nine months ended October 31, 2008 were as follows:

	Platform Solutions and Emerging Business and Other	Architecture, Engineering and Construction	Manufacturing Solutions	Media and Entertainment	Total
Balance as of January 31, 2008	$ 1.6	$ 200.8	$ 133.3	$ 107.7	$ 443.4
Addition arising from Moldflow acquisition			128.6		128.6
Addition arising from other acquisitions	32.6	8.8	5.7	18.3	65.4
Effect of foreign currency translation, purchase accounting adjustments and other		0.1	(3.5)	(1.7)	(5.1)
Balance as of October 31, 2008	$ 34.2	$ 209.7	$ 264.1	$ 124.3	$ 632.3

The increase in Autodesk s goodwill balance during the nine months ended October 31, 2008 was primarily due to the acquisition of Moldflow. See Note 7, Business Combinations, for further information regarding this acquisition.

12. *Line of Credit*

As of October 31, 2008, Autodesk had $3.9 million of outstanding borrowings, which were recorded in Borrowings under line of credit on the balance sheet. Autodesk has two lines of credit, a U.S. line of credit and a China line of credit.

Autodesk s U.S. line of credit facility permits unsecured short-term borrowings of up to $250.0 million, and 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. The line of credit is syndicated with various financial institutions, including Citicorp USA, Inc., a Citibank affiliate, which is the primary lender and agent. Autodesk had no outstanding borrowings on this line at October 31, 2008. Autodesk principally used the facility to fund the repurchase of 8.0 million shares of Autodesk common stock (see Note 14, Stock Repurchase Program) and to pay the offer price for the Moldflow acquisition (see Note 7, Business Combinations). This facility expires in August 2012.

Autodesk s China line of credit facility permits unsecured short-term borrowings of up to $5.0 million, and is available for working capital needs. At October 31, 2008, Autodesk had $3.9 million of outstanding borrowings on this line of credit, which contains customary covenants. Autodesk drew on this line of credit during the nine months ended October 31, 2008 due to a temporary difference between cash needs and cash availability in China. This facility expires in March 2009.

13. *Commitments and Contingencies*

Guarantees and Indemnifications

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

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

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

Legal Proceedings

The following is a summary of material pending matters for which there were material developments for the three and nine months ended October 31, 2008.

During the fourth quarter of fiscal 2007, three stockholder derivative lawsuits were filed against Autodesk and certain of the Company s current and former directors and officers relating to its historical stock option practices and related accounting: on November 20, 2006, the Company and certain of its current and former members of the Board were sued in U.S. Federal District Court for the Northern District of California in a stockholder derivative action, entitled Giles v. Bartz, et al., Case No. C06-8175 (the Giles Case). On December 29, 2006, the Company, certain of its current and former members of the Board, and certain current and past executive officers were sued in U.S. Federal District Court for the Northern District of California in a stockholder derivative action, entitled Campion v. Sutton, et al., Case No. C06-07967. The Campion lawsuit was consolidated into the Giles Case and later voluntarily dismissed by the plaintiff on January 31, 2007. On January 9, 2007, the Company, certain of its current and former members of the Board, and current and former executive officers were sued in the Superior Court for the State of California, County of Marin in a stockholder derivative action, entitled Koerner v. Bartz, et al., Case No. CV-070112 (the Koerner Case). The plaintiff in the Giles Case filed an amended complaint on December 3, 2007, and the plaintiff in the Koerner Case filed an amended complaint on December 7, 2007. The Koerner Case has been stayed pending the outcome of the Giles Case. These actions are in the preliminary stages and Autodesk cannot determine the final financial impact of these matters based on the facts known at this time. However, it is possible that an unfavorable resolution of the matters could occur and materially affect its future results of operations, cash flows or financial position in a particular period.

In connection with Autodesk 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 the Company undertakes litigation against alleged copyright infringers or provides 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.

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 its 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.

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14. *Stock Repurchase Program*

Autodesk has a stock repurchase program that helps offset the dilution to net income per share caused by the issuance of stock under the Company s employee stock plans and returns excess cash generated from its business to stockholders. During the quarter ended October 31, 2008, Autodesk did not repurchase or retire any shares of its common stock. During the nine months ended October 31, 2008, Autodesk repurchased 8.0 million shares of its common stock on the open market at an average repurchase price of $32.06 per share and subsequently retired those shares. Common stock and additional paid-in capital and retained earnings were reduced by $96.1 million and $160.5 million, respectively, for the nine months ended October 31, 2008, as a result of the stock repurchases. As of October 31, 2008, 16.1 million shares remained available for repurchase under this program. The number of shares acquired and the timing of the purchases are based on several factors, including general market conditions, the number of employee stock option exercises, the trading price of Autodesk common stock, cash on hand and available in the U.S., and company defined trading windows.

15. *Comprehensive Income*

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

	Three months ended October 31,		Nine months ended October 31,	
	2008	**2007**	**2008**	**2007**
Net income	$ 104.5	$ 84.8	$ 289.0	$ 259.7
Other comprehensive income (loss):				
Net gain on derivative instruments, net of taxes	11.5		11.5	
Change in net unrealized loss on available-for-sale securities, net of tax benefit			(0.1)	
Net change in cumulative foreign currency translation adjustment	(37.5)	7.2	(31.3)	15.3
Other comprehenisve income (loss)	(26.0)	7.2	(19.9)	15.3
Total comprehensive income	$ 78.5	$ 92.0	$ 269.1	$ 275.0

During the quarter ended October 31, 2008, Autodesk entered into foreign currency instruments to hedge its exposure to foreign currency exchange. These hedges resulted in $11.5 million of other comprehensive income as of October 31, 2008. See Note 4, Financial Instruments, for further information regarding Autodesk s foreign currency instruments.

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16. ***Net Income Per Share***

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

	Three months ended October 31,		Nine months ended October 31,	
	2008	**2007**	**2008**	**2007**
Numerator:				
Numerator for basic and diluted net income per share net income	$ 104.5	$ 84.8	$ 289.0	$ 259.7
Denominator:				
Denominator for basic net income per share weighted average shares	225.3	229.4	225.2	230.3
Effect of dilutive securities	5.1	10.5	6.0	12.2
Denominator for dilutive net income per share	230.4	239.9	231.2	242.5

In accordance with the FASB s Statement of Financial Accouting Standards No. 128, Earnings per Share, the computation of diluted net income per share does not include shares that are anti-dilutive under the treasury stock method because their exercise prices are higher than the average market value of Autodesk s stock during the period. For the three months ended October 31, 2008 and 2007, 17.1 million shares and 6.5 million shares, respectively, were excluded from the computation of diluted net income per share. During the nine months ended October 31, 2008 and 2007, 15.6 million shares and 7.8 million shares, respectively, were excluded from the computation of diluted net income per share.

17. ***Segments***

Autodesk has four reportable segments: Platform Solutions and Emerging Business and Other (PSEB), Architecture, Engineering and Construction (AEC), Manufacturing Solutions (MSD) and Media and Entertainment (M&E). Location Services, which is not included in any of the above reportable segments, is reflected as Other. Autodesk believes that reporting in these four segments is consistent with Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related Information (as amended). Autodesk has no material inter-segment revenue.

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

PSEB, consisting of Autodesk s core platform, AutoCAD, underpins the Company s design offerings for all industries. AutoCAD provides a platform for Autodesk s developer partners to build custom solutions for a range of diverse design-oriented markets and for AEC and MSD to offer tailored versions of AutoCAD for their markets. PSEB also includes technology developed specifically for Geospatial and Process and Power design markets and several emerging business initiatives. PSEB s revenue primarily includes revenue from sales of licenses of Autodesk s 2D horizontal products, AutoCAD and AutoCAD LT.

AEC solutions enable customers and their clients to reduce inefficiencies in building design, civil engineering, and construction and construction management. AEC solutions also support information needs

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throughout the building lifecycle. The segment s solutions include advanced technology for building information modeling, AutoCAD-based design and documentation productivity software, dynamic civil modeling software and collaborative project management software. AEC s revenue primarily includes revenue from the sales of licenses of Revit products, AutoCAD Civil 3D, AutoCAD Architecture, AutoCAD MEP and Autodesk Buzzsaw.

MSD provides the manufacturing industry with comprehensive design, data management and Digital Prototyping solutions, enabling customers to rapidly adopt 3D model-based design, create and validate designs in simple 2D/3D environments, and manage designs from the conceptual design phase through the manufacturing phase. MSD s revenue primarily includes revenue from the sales of licenses of Autodesk Inventor products, AutoCAD Mechanical and Moldflow.

M&E is comprised of two business lines: animation, including design visualization, and Advanced Systems. Animation products such as Autodesk 3ds Max and Autodesk Maya provide advanced tools for 3D modeling, animation, rendering solutions, and design visualization and visual effects production. Advanced Systems products provide color grading, editing, finishing and visual effects, compositing, media mastering and encoding technology and increase the productivity of creative professionals.

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

Autodesk evaluates each segment s performance on the basis of gross profit. Autodesk currently does not separately accumulate and report asset information by segment except for goodwill, which is disclosed in Note 11, Goodwill. Information concerning the operations of Autodesk s reportable segments was as follows:

	Three months ended October 31,		Nine months ended October 31,	
	2008	2007	2008	2007
Net revenue:				
Platform Solutions and Emerging Business and Other	$ 269.2	$ 241.5	$ 816.9	$ 734.1
Architecture, Engineering and Construction	134.2	123.9	407.0	342.9
Manufacturing Solutions	123.8	101.7	373.6	295.2
Media and Entertainment	73.0	66.8	209.5	187.7
Other[(1)]	6.9	4.5	18.4	12.9
	$ 607.1	$ 538.4	$ 1,825.4	$ 1,572.8
Gross profit:				
Platform Solutions and Emerging Business and Other	$ 257.3	$ 230.0	$ 775.3	$ 694.7
Architecture, Engineering and Construction	126.0	115.4	378.0	316.4
Manufacturing Solutions	116.5	93.8	348.4	271.2
Media and Entertainment	57.1	49.8	159.3	138.3
Unallocated[(2)]	(2.5)	(2.2)	(5.6)	(3.9)
	$ 554.4	$ 486.8	$ 1,655.4	$ 1,416.7

(1) Other primarily consists of revenue from Autodesk s Location Services Division.

(2) Unallocated amounts primarily relate to corporate expenses and other costs and expenses that are managed outside the reportable segments, including expense from stock-based compensation recorded under SFAS 123R.

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Information regarding Autodesk s operations by geographic area was as follows:

	Three months ended October 31,		Nine months ended October 31,	
	2008	2007	2008	2007
Net revenue:				
U.S.	$ 178.1	$ 183.9	$ 503.2	$ 508.0
Other Americas	38.4	33.7	107.3	89.2
Total Americas	216.5	217.6	610.5	597.2
Europe, Middle East and Africa	258.0	202.9	784.2	613.8
Japan	51.2	41.8	169.4	135.7
Other Asia/Pacific	81.4	76.1	261.3	226.1
Asia/Pacific	132.6	117.9	430.7	361.8
Total net revenue	$ 607.1	$ 538.4	$ 1,825.4	$ 1,572.8

18. ***Subsequent Event***

On November 17, 2008, Autodesk completed the acquisition of substantially all the assets of Avid Technology, Inc. s Softimage business unit for approximately $35.0 million cash. Softimage is headquartered in Montreal, Canada and develops 3D technology for the film, television and games markets. Softimage will be integrated into Autodesk s Media and Entertainment segment.

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

The discussion in our MD&A contains trend analyses and other forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are any statements that look to future events and consist of, among other things, anticipated future operating results, including net revenue, operating margins, product backlog, upgrade, crossgrade and maintenance revenue, the effect of fluctuations in exchange rates on net revenue and expenses, costs and expenses, including cost of revenue and operating expenses, future income, our business and investment strategies, the impact of acquisitions, our anticipated tax rate, planned product retirement and annual release cycle. In addition, forward-looking statements also consist of statements involving expectations regarding product acceptance, continuation of our stock repurchase program, short-term and long-term cash requirements, our ability to timely access our assets, as well as, statements involving trend analyses and statements including such words as may, believe, could, anticipate, would, might, plan, expect, and similar expressions or the negative of these terms or other comparable terminology. These forward-looking statements speak only as of the date of this Form 10-Q and are subject to business and economic risks. As such, our actual results could differ materially from those set forth in the forward-looking statements as a result of the factors set forth below in Item 1A, Risk Factors, and in our other reports filed with the U.S. Securities and Exchange Commission. We assume no obligation to update the forward-looking statements to reflect events that occur or circumstances that exist after the date on which they were made.

Strategy

Our goal is to be the world s leading 2D and 3D design software and services company for the architecture, engineering, construction, manufacturing, geospatial mapping and digital media markets. Our focus is to offer our customers the ability to visualize, simulate and analyze real-world performance early in the design process to foster innovation, enhance quality, and save time and money. Worldwide business trends such as globalization, sustainability, investment in infrastructure and the increasing desire to keep data digital are creating pressure on our customers to improve innovation while enhancing productivity. Our customers are seeking differentiation through design, and we believe our products and services provide a competitive advantage to succeed in this environment.

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 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. In addition, our software architecture allows for extensibility and integration.

We have created a large global community of distributors and resellers, third-party developers and customers. These relationships provide us with a broad reach into volume markets. Our distributor and 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 operate with our software products, further extending our reach into volume markets. Users trained on our products are broadly available both from universities and the existing work force, reducing the cost of training for our customers. To train the next generation of users, we offer education programs, including classroom support, standardized curricula, instructor development, and specially priced software-purchasing options.

Our growth strategy derives from these core strengths. We continue to increase the business value of our design tools in a number of ways. We improve the performance and functionality of our existing products with each new release. Our most recent release began in March 2008. Beyond our 2D horizontal design products, we develop products addressing industry-specific needs including 2D vertical and 3D model-based products. We continually strive to improve our product functionality and specialization by industry while increasing product interoperability and usability. As a result, we strive for technology democratization and increased customer loyalty.

In addition, we believe that migration of our customers from our 2D horizontal products to our 2D vertical products and 3D model-based design products presents a significant growth opportunity. During the three months ended October 31, 2008, revenue from 3D model-based design products increased 26% as compared to the same period of the prior fiscal year. We shipped approximately 41,000 commercial seats (which includes new seats and crossgrade seats) of 3D model-based design products, including approximately 9,000 seats of Autodesk Inventor and Autodesk Moldflow, and approximately 32,000 seats of our Architecture, Engineering and Construction products (Revit, AutoCAD Civil 3D, Autodesk NavisWorks and Autodesk Robot Structural Analysis (Robobat)). We expect that the adoption of 2D vertical products and 3D model-based design products will increase the productivity of our customers in all industries and result in richer design data. This migration also poses various risks to us. In particular, if we do not successfully convert our 2D horizontal customer base to our 2D vertical products and 3D model-based design products as expected, sales of our 2D horizontal products may decrease without a corresponding increase in revenue from our 2D vertical products and 3D model-based design products. Consequently, we would not realize the growth we expect and our business would be adversely affected.

Expanding our geographic coverage is a key element of our growth strategy. We believe that emerging economies present growth opportunities for us. Revenue in emerging economies increased 25% and 34% during the three and nine months ended October 31, 2008, respectively, as compared to the same period of the prior fiscal year. Revenue from emerging economies represented 19% and 18% of net revenue during the three and nine months ended October 31, 2008, respectively, as compared to 17% and 16% during the respective periods from the prior fiscal year. While the opportunity in emerging markets remains large, conducting business in these emerging economies presents significant challenges, including intellectual property protection and software piracy, which remain substantial problems.

We strive to improve our product functionality and expand our product offerings through internal development as well as through the acquisition of products, technology and businesses. Acquisitions often increase the speed at which we can deliver product functionality to our customers; however, they entail integration challenges and may, in certain instances, negatively impact our operating margins. We continually review these trade-offs in making our decisions of whether to make acquisitions. The size and frequency of transactions to acquire products, technology and businesses increased during the second half of fiscal 2008 and the first three quarters of fiscal 2009 as compared to earlier periods. We currently anticipate that we will continue to acquire products, technology and businesses but cannot predict whether we will continue to do so at the same frequency as in the past.

Critical Accounting Policies and Estimates

Our Condensed Consolidated Financial Statements are prepared in conformity with U.S. generally accepted accounting principles. In preparing our Condensed Consolidated Financial Statements, we make assumptions, judgments and estimates that can have a significant effect on amounts reported in our Condensed Consolidated Financial Statements. We base our assumptions, judgments and estimates on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. We regularly reevaluate our assumptions, judgments and estimates. We have described our significant accounting policies in Note 1, Business and Summary of Significant Accounting Policies, in the Notes to Consolidated Financial Statements in our Form 10-K for the fiscal year ended January 31, 2008 (the 2008 Form 10-K). In addition, we highlighted those policies that involve a higher degree of judgment and complexity with further discussion of these judgmental areas in Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations in our 2008 Form 10-K. We believe these policies are the most critical to aid in fully understanding and evaluating our

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financial condition and results of operations. Please refer to Note 1, Business and Summary of Significant Accounting Policies, in the Notes to Consolidated Financial Statements and Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations in our 2008 Form 10-K filed on March 28, 2008.

Updates on the relevant periodic financial disclosures related to these policies are provided below:

Marketable Securities. At October 31, 2008 we had $145.1 million of short- and long-term marketable securities. We review our investments in marketable securities quarterly for indicators of other-than-temporary impairment. This determination requires significant judgment. In making this determination, we employ a systematic methodology that considers available quantitative and qualitative evidence. If the cost of an investment exceeds its fair value, we evaluate, among other factors, general market conditions, the duration and extent to which the fair value is less than cost, and our intent and ability to hold the investment. We also consider specific adverse conditions related to the financial health of, and business outlook for, the sponsor, including industry and sector performance, operational and financing cash flow factors, and rating agency actions. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded to our Condensed Consolidated Statements of Income. This impairment results in a new cost basis in the investment recorded in our Condensed Consolidated Balance Sheets. If market, industry, and/or sponsor conditions deteriorate, we may incur future impairments.

Product Returns Reserves. Our product returns reserves were $13.0 million at October 31, 2008 and $14.4 million at January 31, 2008. Actual product returns as a percentage of applicable revenue were 3.8% and 3.0% for the three months ended October 31, 2008 and 2007, respectively, and 3.4% and 3.8% for the nine months ended October 31, 2008 and 2007, respectively. During the three months ended October 31, 2008 and 2007, we recorded additions to our product returns reserve of $11.3 million and $8.7 million, respectively, which reduced our revenue. During the nine months ended October 31, 2008 and 2007, the additions to our product returns reserve were $37.4 million and $32.7 million, respectively, which reduced our revenue.

Income Taxes. At October 31, 2008, we had $91.3 million of net deferred tax assets, mostly arising from tax credits, net operating losses, and timing differences for reserves, accrued liabilities, stock options, purchased technologies and capitalized software, partially 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 across a specific mix of 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.

Overview of the Three and Nine Months Ended October 31, 2008

(in millions)	**Three months ended October 31, 2008**	**As a % of Net Revenue**	**Three months ended October 31, 2007**	**As a % of Net Revenue**
Net Revenue	$ 607.1	100%	$ 538.4	100%
Cost of revenue	52.7	9%	51.6	10%
Gross Profit	554.4	91%	486.8	90%
Operating expenses	414.8	68%	381.2	70%
Income from Operations	$ 139.6	23%	$ 105.6	20%

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(in millions)	Nine months ended October 31, 2008	As a % of Net Revenue	Nine months ended October 31, 2007	As a % of Net Revenue
Net Revenue	$ 1,825.4	100%	$ 1,572.8	100%
Cost of revenue	170.0	9%	156.1	10%
Gross Profit	1,655.4	91%	1,416.7	90%
Operating expenses	1,277.1	70%	1,095.2	70%
Income from Operations	$ 378.3	21%	$ 321.5	20%

Our results for the quarter ended October 31, 2008 were substantially impacted by the sharp downturn in the global economy. We believe that the unstable financial markets and the downturn in the economy have reduced our customers ability to secure credit financing for projects, which has decreased demand for our products. Consequently, our revenue growth slowed. The quarter ended October 31, 2008, also included a reduction in our employee bonus accrual and a significant decrease in our shippable backlog. In addition, since we conduct our investment and banking activities through major financial institutions, the unstable financial markets have impacted our liquidity and put at risk some of our capital resources.

Our primary goals for the remainder of fiscal 2009 are to continue delivering our market-leading products and solutions to our customers, to drive revenue growth, and to invest in product functionality and new product lines while minimizing the impact of these investments on gross profit, operating margins and operating cash flow. We are taking actions in an attempt to stimulate demand and align our cost structure with the reality of this difficult operating environment. In taking these actions, we intend to balance the cost against the longer term benefit of such initiatives; consequently, we anticipate that we will incur additional costs in the short term that may have the effect of reducing our operating margins.

During the three months ended October 31, 2008, as compared to the same period of the prior fiscal year, net revenue increased 13%, gross profit increased 14% and income from operations increased 32%. During the nine months ended October 31, 2008, as compared to the same period of the prior fiscal year, net revenue increased 16%, gross profit increased 17% and income from operations increased 18%.

We generate a significant amount of our revenue in the U.S., Japan, Germany, France, the United Kingdom, the Russian Federation, Italy, Canada, South Korea, and China. The weaker value of the U.S. dollar relative to other currencies had a positive effect of $15.3 million and $73.4 million on operating income in the three and nine months ended October 31, 2008, respectively, as compared to the same period of the prior fiscal year. Had exchange rates from the three months ended October 31, 2007 been in effect during the three months ended October 31, 2008 (on a constant currency basis), translated international revenue billed in local currencies would have been $18.3 million lower and operating expenses would have been $3.0 million lower. This represents a 9% increase in net revenue and an 18% increase in income from operations on a constant currency basis during the three months ended October 31, 2008, as compared to the same period in the prior fiscal year. Had exchange rates from the nine month period ended October 31, 2007 been in effect during the nine month period ended October 31, 2008, translated international revenue billed in local currencies would have been $101.4 million lower and operating expenses would have been $28.0 million lower. This represents a 10% increase in net revenue and a 5% decrease in income from operations on a constant currency basis during the nine months ended October 31, 2008, as compared to the same period in the prior fiscal year. During the three months ended October 31, 2008, we saw the U.S. dollar strengthen relative to many other currencies, and our international billings were impacted by this trend. We expect the strengthening of the U.S. dollar relative to other currencies will continue to have a significant effect on net revenue and income from operations in future periods as it did during our quarter ended October 31, 2008. We use foreign currency forward and option collar contracts to reduce the current exchange rate effect on the net revenue of certain anticipated transactions.

Net revenue for the three months ended October 31, 2008 increased 13% as compared to the same period in the prior fiscal year due to a 31% increase in maintenance revenue and a 6% increase in license and other revenue. Our maintenance revenue relates to a program known by our user community as the Subscription Program. Net revenue for our 3D model-based design products and 2D products increased 26% and 6%, respectively, during the three months ended October 31, 2008 as compared to the same period in the prior fiscal year. A critical component of our growth strategy is to continue to add new 2D horizontal users, while migrating our customers to our higher value 2D vertical and 3D model-based design products. We experienced growth in net revenue in Europe, Middle East, Africa (EMEA) and Asia Pacific (APAC) during the quarter ended October 31, 2008. This growth was partially offset by a decrease in net revenue in the Americas during the quarter ended October 31, 2008.

Net revenue for the nine months ended October 31, 2008 increased 16% as compared to the same period in the prior fiscal year due to a 33% increase in maintenance revenue and a 10% increase in license and other revenue. Net revenue for our 3D model-based design products and 2D products increased 33% and 10%, respectively, during the nine months ended October 31, 2008 as compared to the same period in the prior fiscal year. We experienced growth in net revenue in EMEA, APAC, and to a lesser extent the Americas, during the nine months ended October 31, 2008.

Our total operating margin increased from 20% during the three months ended October 31, 2007, to 23% during the three months ended October 31, 2008, due primarily to a decrease in our backlog which increased revenue, a reduction in our fiscal 2009 employee bonus accrual, a reduction in stock-based compensation expense and an improvement in our gross margin on license and other revenue. Our operating margin increased from 20% during the nine months ended October 31, 2007 to 21% during the nine months ended October 31, 2007. The reduction in the employee bonus accrual was a one-time event, which had the effect of increasing our third quarter operating margin.

We will continue to invest in opportunities that we believe will drive long-term growth and productivity. However, due to the current economic environment we anticipate a year over year decrease in revenue and lower operating margins in the fourth quarter of fiscal 2009 as compared to the same period of the prior fiscal year. Our operating margins are very sensitive to changes in revenue, given the relatively fixed nature of most of our expenses, which consist primarily of employee-related expenditures, facilities costs, and depreciation and amortization expense. For the remainder of fiscal 2009, we expect total costs and expenses to increase in absolute dollars compared to comparable periods in the prior fiscal year, and increase as a percentage of net revenue. We will be looking closely at our cost structure to find ways that we can reduce our operating expenses to improve our operating margin while allowing continued investment in growth and productivity initiatives. In addition, we may take necessary actions in the fourth fiscal quarter of 2009, or in subsequent quarters, to reduce our cost structure that would result in material restructuring charges or other non-recurring charges that would have the effect of reducing our operating margins and net income for the period. We will continue to balance investments in revenue growth and cost reduction opportunities with our focus on maintaining and increasing profitability.

We rely significantly upon major distributors and resellers in both the U.S. and international regions, including Tech Data Corporation and its global affiliates (collectively, Tech Data). Tech Data accounted for 14% of our consolidated net revenue for the three months ended October 31, 2008 and 2007, and 15% and 14% of our consolidated net revenue for the nine months ended October 31, 2008 and 2007, respectively.

We finished the quarter ended October 31, 2008 with $941.5 million in cash and marketable securities of which $8.3 million was classified as long-term. The decrease from the $957.7 million balance in cash and marketable securities at January 31, 2008 is principally the result of cash used for business acquisitions and the repurchase of our common stock during the nine months ended October 31, 2008. These decreases to cash and marketable securities were partially offset by cash generated from operations and cash assumed in acquisitions, primarily Moldflow. We repurchased 8.0 million shares of our common stock at an average repurchase price of $32.06 per share in the nine months ended October 31, 2008, but none in the three months ended October 31,

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2008. Comparatively, during the nine months ended October 31, 2007, we repurchased 10.1 million shares of our common stock at an average repurchase price of $46.06 per share. We completed the quarter ended October 31, 2008 with a lower deferred revenue balance and a lower accounts receivable balance as compared to the quarter ended January 31, 2008. Our deferred revenue balance at October 31, 2008 included $432.7 million of customer maintenance contracts, which will be recognized as revenue ratably over the life of the contracts, which is predominantly one year.

Results of Operations

Net Revenue

	Three months ended October 31, 2008	Increase (decrease) compared to prior $	%	Three months ended October 31, 2007	Nine months ended October 31, 2008	Increase compared to prior period $	%	Nine months ended October 31, 2007
		(in millions)				(in millions)		
Net Revenue:								
License and other	$ 417.7	$ 21.9	6%	$ 395.8	$ 1,290.1	$ 117.5	10%	$ 1,172.6
Maintenance	189.4	46.8	33%	142.6	535.3	135.1	34%	400.2
	$ 607.1	$ 68.7	13%	$ 538.4	$ 1,825.4	$ 252.6	16%	$ 1,572.8
Net Revenue by Geographic Area:								
Americas	$ 216.5	$ (1.1)	-1%	$ 217.6	$ 610.5	$ 13.3	2%	$ 597.2
Europe, Middle East and Africa	258.0	55.1	27%	202.9	784.2	170.4	28%	613.8
Asia Pacific	132.6	14.7	12%	117.9	430.7	68.9	19%	361.8
	$ 607.1	$ 68.7	13%	$ 538.4	$ 1,825.4	$ 252.6	16%	$ 1,572.8
Net Revenue by Operating Segment:								
Platform Solutions and Emerging Business and Other	$ 269.2	$ 27.7	11%	$ 241.5	$ 816.9	$ 82.8	11%	$ 734.1
Architecture, Engineering and Construction	134.2	10.3	8%	123.9	407.0	64.1	19%	342.9
Manufacturing Solutions	123.8	22.1	22%	101.7	373.6	78.4	27%	295.2
Media and Entertainment	73.0	6.2	9%	66.8	209.5	21.8	12%	187.7
Other	6.9	2.4	53%	4.5	18.4	5.5	43%	12.9
	$ 607.1	$ 68.7	13%	$ 538.4	$ 1,825.4	$ 252.6	16%	$ 1,572.8

License and Other Revenue

License and other revenue is comprised of two components: all forms of product license revenue and other revenue. Product license revenue includes revenue from the sales of new seats, revenue from the Autodesk Upgrade Program and revenue from the Autodesk Crossgrade Program. Other revenue consists of revenue from consulting and training services, revenue from the Autodesk Developers Network, Autodesk Collaborative Solution hosting revenue, Autodesk s Location Services business revenue and revenue from Advanced Systems product support.

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Total license and other revenue increased 6% during the three months ended October 31, 2008, as compared to the same period of the prior fiscal year. This growth was primarily due to the 7% increase in commercial new seat revenue from our 3D model-based design products and 2D products during the three months ended October 31, 2008. During the three months ended October 31, 2008, approximately 12 points of the 7% increase was due to higher average net revenue per seat, offset by approximately 5 points due to decreases in the number of seats sold. During this quarter there was less correlation between revenue growth and seat growth due to changes in our mix of geographies and products, currency exchange rates, and average selling prices, and we expect this trend to continue. As a percentage of total net revenue, license and other revenue was 69% and 74% for the three months ended October 31, 2008 and 2007, respectively.

Total license and other revenue increased 10% during the nine months ended October 31, 2008, as compared to the same period of the prior fiscal year. This growth was primarily due to the 13% increase in commercial new seat revenue from our 3D model-based design products and 2D products during the nine months ended October 31, 2008. These increases were largely driven by the release of our 2009 family of products. During the nine months ended October 31, 2008, approximately 17 points of the 13% increase was due to higher average net revenue per seat, offset by approximately 4 points due to decreases in the number of seats sold. During the nine months ended October 31, 2008 there was less correlation between revenue growth and seat growth due to changes in our mix of geographies and products, currency exchange rates, and average selling prices, and we expect this trend to continue. As a percentage of total net revenue, license and other revenue was 71% for the nine months ended October 31, 2008 and 75% for the nine months ended October 31, 2007.

Offsetting the increase in license and other revenue during the three months ended October 31, 2008 was the 4% decrease in upgrade revenue, which includes crossgrade revenue. The decrease in upgrade revenue was driven primarily by the relatively smaller size of the upgradeable base of our AutoCAD-based products as compared to the upgradeable base of our AutoCAD-based products as of the same period in the prior fiscal year, due to more customers on our maintenance program. Upgrade revenue was approximately the same during the nine months ended October 31, 2008 as compared to the same period of the prior fiscal year. Over the long term, we expect revenue from upgrades to decrease as we continue to move customers onto our maintenance program.

Revenue from the sales of our services, training and support, included in License and other, represented less than 4% of net revenue for all periods presented. We expect license and other revenue to decrease in absolute dollars during the fourth quarter of fiscal 2009 as compared to the fourth quarter of fiscal 2008.

Maintenance Revenue

Under our maintenance program, customers are eligible to receive unspecified upgrades when and if available, downloadable training courses and online support. We recognize maintenance revenue ratably over the maintenance contract periods. Maintenance revenue increased 31% during the three months ended October 31, 2008, as compared to the same period of the prior fiscal year. Approximately 27 points of the 31% increase was due to increases in program enrollment and approximately 4 points of the increase was due to higher net revenue per maintenance seat for the three months ended October 31, 2008 as compared to the same period of the prior fiscal year. As a percentage of total net revenue, maintenance revenue was 31% and 26% for the three months ended October 31, 2008 and 2007, respectively.

Maintenance revenue increased 33% during the nine months ended October 31, 2008, as compared to the same period of the prior fiscal year. Approximately 26 points of the 33% increase was due to increases in program enrollment and approximately 7 points of the increase was due to higher net revenue per maintenance seat for the nine months ended October 31, 2008 as compared to the same period of the prior fiscal year. As a percentage of total net revenue, maintenance revenue was 29% and 25% for the nine months ended October 31, 2008 and 2007, respectively. Our maintenance 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 new releases and enhancements when and if released during the term of

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their contracts. Total program enrollment at October 31, 2008 consisted of nearly 1.7 million users. Although we continue to expect year over year growth in maintenance revenue in the fourth fiscal quarter of 2009, we expect that maintenance revenue will be negatively affected by a slowing economy.

Aggregate backlog at October 31, 2008 and January 31, 2008 was $505.4 million and $521.5 million, respectively, of which $499.4 million and $506.1 million, respectively, represented deferred revenue and $6.0 million and $15.4 million, respectively, related to current software license product orders that had not yet shipped at the end of each respective period. Deferred revenue consists primarily of deferred maintenance revenue. To a lesser extent, deferred revenue consists of deferred license and other revenue derived from Autodesk Buzzsaw and Autodesk Constructware services, consulting services and deferred license sales. Backlog from current software license product orders that we have not yet shipped consists of orders for currently available licensed software products from customers with approved credit status and may include orders with current ship dates and orders with ship dates beyond the current fiscal period. We reduced aggregate backlog significantly during the quarter ended October 31, 2008. Backlog related to current software license product orders that had not shipped at the end of the quarter decreased by $22.8 million during the third fiscal quarter, from $28.8 million at July 31, 2008 to $6.0 million at October 31, 2008. This backlog decrease had the effect of increasing revenue in the third quarter of fiscal 2009.

Net Revenue by Geographic Area

Net revenue in the Americas region decreased by 1% during the three months ended October 31, 2008, as compared to the same period in the prior fiscal year, primarily due to a 34% decrease in upgrade revenue and an 8% decrease in revenue from new seats in the Americas. These decreases were partially offset by a 19% increase in maintenance revenue. Net revenue in the Americas region increased by 2% during the nine months ended October 31, 2008, as compared to the same period of the prior fiscal year, primarily due to an 18% increase in maintenance revenue. This increase was partially offset by an 8% decrease in revenue from new seats in the Americas and a 13% decrease in upgrade revenue. Growth in the Americas continues to be affected by a slowing economy that impacted growth rates for all of our products in the three and nine months ended October 31, 2008.

Net revenue in EMEA increased by 27%, or 20% increase on a constant currency basis, during the three months ended October 31, 2008, as compared to the same period of the prior fiscal year primarily due to a 40% increase in maintenance revenue, a 15% increase in new seat revenue, and a 45% increase in revenue from upgrades. EMEA s growth during the third fiscal quarter was primarily due to growth in the local emerging economies, as well as in Germany, France, Switzerland, Italy and Belgium. The positive effect of the weaker value of the U.S. dollar relative to the euro, the British pound and other European currencies also contributed to the increase in net revenue in EMEA. Had exchange rates from the three months ended October 31, 2007 been in effect during the three months ended October 31, 2008, translated net revenue in EMEA would have been $14.2 million lower. Net revenue in EMEA increased by 28%, or 15% increase on a constant currency basis, during the nine months ended October 31, 2008, as compared to the same period of the prior fiscal year, primarily due to a 47% increase in maintenance revenue, a 23% increase in new seat revenue, and a 6% increase in revenue from upgrades. EMEA s growth during the nine months ended October 31, 2008 was primarily due to growth in the local emerging economies, as well as in Germany, France, Italy, Belgium and Sweden. The positive effect of the weaker value of the U.S. dollar relative to the euro, the British pound and other European currencies also contributed to the increase in net revenue in EMEA. Had exchange rates from the nine months ended October 31, 2007 been in effect during the nine months ended October 31, 2008, translated net revenue in EMEA would have been $76.6 million lower.

Net revenue in APAC increased by 12%, or 9% increase on a constant currency basis, during the three months ended October 31, 2008, as compared to the same period of the prior fiscal year, primarily from a 35% increase in maintenance revenue and an 8% increase in new seat revenue. These increases were partially offset by a 6% decrease in upgrade revenue. Net revenue growth in APAC during the three months ended October 31, 2008 occurred primarily in Japan and the APAC emerging economies. Had exchange rates from the three months ended October 31, 2007 been in effect during the three months ended October 31, 2008, translated net revenue in APAC would have been $4.1 million lower. Net revenue in APAC increased by 19%, or 12% increase on a constant currency basis, during the nine months ended October 31, 2008, as compared to the same period of the prior fiscal year, primarily from a 15% increase in new seat revenue, a 39% increase in maintenance revenue and a 14% increase in revenue from upgrades. Net revenue growth in APAC during the nine months ended October 31, 2008 occurred primarily in Japan, the APAC emerging economies, as well as in Australia and South Korea. Had exchange rates from the nine months ended October 31, 2007 been in effect during the nine months ended October 31, 2008, translated net revenue in APAC would have been $23.8 million lower.

We believe that international net revenue will continue to comprise a majority of our total net revenue. Economic weakness in the countries that contribute a significant portion of our net revenue had, and we expect will continue to have, an adverse effect on our business in those countries. Changes in the value of the U.S. dollar relative to other currencies have significantly affected, and could continue to affect, our financial results for a given period even though we hedge a portion of our current and projected revenue. International net revenue represented 71% and 66% of our net revenue for the three months ended October 31, 2008 and 2007, respectively, and 72% and 68% of our net revenue for the nine months ended October 31, 2008 and 2007, respectively. Net revenue from emerging economies grew by 25% between the three months ended October 31, 2007 and the three months ended October 31, 2008, primarily due to revenue from emerging economies in EMEA, the Americas and APAC. Net revenue from emerging economies grew by 34% between the nine months ended October 31, 2007 and the nine months ended October 31, 2008, primarily due to revenue from emerging economies in EMEA, the Americas and APAC. This growth was a significant factor in our international sales growth during the three and nine months ended October 31, 2008.

Net Revenue by Operating Segment

We have four reportable segments: Platform Solutions and Emerging Business and Other (PSEB), Architecture, Engineering and Construction (AEC), Manufacturing Solutions (MSD) and Media and Entertainment (M&E). Location Services, which is not included in any of the above reportable segments, is reflected as Other. Autodesk has no material inter-segment revenue.

Net revenue for PSEB increased 11% during the three months ended October 31, 2008, as compared to the same period of the prior fiscal year, primarily due to an 11% increase in revenue from AutoCAD and a 12% increase in revenue from AutoCAD LT. Net revenue for PSEB increased 11% during the nine months ended October 31, 2008, as compared to the same period of the prior fiscal year, primarily due to a 15% increase in revenue from AutoCAD LT and a 7% increase in revenue from AutoCAD.

Net revenue for AEC increased 8% during the three months ended October 31, 2008, as compared to the same period of the prior fiscal year, primarily due to a 23% increase in revenue from Revit. This increase was partially offset by a 21% decrease in revenue from AutoCAD Architecture. Net revenue for AEC increased 19% during the nine months ended October 31, 2008, as compared to the same period of the prior fiscal year, primarily due to a 34% increase in revenue from Revit. Also contributing the increases in AEC s net revenue during the three and nine months ended October 31, 2008 was an increase in revenue from the Autodesk NavisWorks and Autodesk Robot Structural Analysis (Robobat) products.

Net revenue for MSD increased 22% during the three months ended October 31, 2008, as compared to the same period of the prior fiscal year, primarily due to an 8% increase in revenue from Autodesk Inventor products. Net revenue for MSD increased 27% during the nine months ended October 31, 2008, as compared to the same period of the prior fiscal year, primarily due to a 20% increase in revenue from Autodesk Inventor products and a 21% increase in revenue from AutoCAD Mechanical. Also contributing to the increases in MSD s net revenue for the three and nine months ended October 31, 2008 was revenue from the Autodesk Moldflow products of $12.2 million and $18.8 million for the three and nine months ended October 31, 2008, respectively.

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Net revenue for M&E increased 9% during the three months ended October 31, 2008, as compared to the same period of the prior fiscal year primarily due to a 16% increase in net revenue from our Animation business line. The increase in Animation revenue was primarily due to a 31% increase in revenue from Autodesk 3ds Max. Net revenue for M&E increased 12% during the nine months ended October 31, 2008, as compared to the same period of the prior fiscal year primarily due to a 19% increase in net revenue from our Animation business line. The increase in Animation revenue was primarily due to a 39% increase in revenue from Autodesk 3ds Max. Net revenue from Advanced Systems for the three months ended October 31, 2008 was approximately the same as for the same period in the prior fiscal year. Net revenue growth from Advanced Systems for the nine months ended October 31, 2008 was 3%, as compared to the same periods in the prior fiscal year.

Cost of Revenue

(in millions)	Three months ended October 31, 2008	Increase compared to prior period $	%	Three months ended October 31, 2007	Nine months ended October 31, 2008	Increase compared to prior period $	%	Nine months ended October 31, 2007
Cost of revenue:								
License and other	$ 50.3	$ 0.6	1%	$ 49.7	$ 163.5	$ 13.7	9%	$ 149.8
Maintenance	2.4	0.5	26%	1.9	6.5	0.2	3%	6.3
	$ 52.7	$ 1.1	2%	$ 51.6	$ 170.0	$ 13.9	9%	$ 156.1
As a percentage of net revenue	9%			10%	9%			10%

Cost of license and other revenue includes direct material and overhead charges, labor costs of fulfilling service contracts and order processing, including stock-based compensation expense for these employees, professional services fees, royalties and amortization of purchased technology. Direct material and overhead charges include the cost of hardware sold (mainly PC-based workstations for Advanced Systems in 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 revenue increased 1% during the three months ended October 31, 2008, as compared to the same period of the prior fiscal year due to the 13% increase in revenue. Cost of license and other revenue increased 9% during the nine months ended October 31, 2008, as compared to the same period of the prior fiscal year due to the 16% increase in revenue.

Cost of maintenance revenue includes cost of sales associated with our maintenance program. Cost of maintenance revenue remained consistent in both relative dollars and as a percentage of net revenue during both the three and nine months ended October 31, 2008, as compared to the same periods of the prior fiscal year.

Cost of revenue decreased 1% as a percentage of net revenue for both the three and nine months ended October 31, 2008 as compared to the same periods of the prior fiscal year primarily due to the shift toward a higher margin maintenance model, and management initiatives to reduce materials and packaging costs. Cost of revenue, at least over the near term, is affected by the volume and mix of product sales, changing consulting costs, software amortization costs, royalty rates for licensed technology embedded in our products, new customer support offerings and the effect of expensing employee stock-based compensation expense. We expect cost of revenue to increase in both absolute dollars and as a percentage of net revenue during the fourth quarter of fiscal 2009 as compared to the fourth quarter of fiscal 2008.

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Marketing and Sales

(in millions)	Three months ended October 31, 2008	Increase compared to prior period $	%	Three months ended October 31, 2007	Nine months ended October 31, 2008	Increase compared to prior period $	%	Nine months ended October 31, 2007
Marketing and sales	$ 225.5	$ 16.6	8%	$ 208.9	$ 678.2	$ 78.1	13%	$ 600.1
As a percentage of net revenue	37%			39%	37%			38%

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

Marketing and sales expense increased 8% during the three months ended October 31, 2008 as compared to the same period of the prior fiscal year, primarily due to $20.7 million of higher employee-related costs driven by increased marketing and sales headcount. Marketing and sales expense increased 13% during the nine months ended October 31, 2008, as compared to the same period of the prior fiscal year, primarily due to $68.5 million of higher employee-related costs driven by increased marketing and sales headcount. We expect to invest in marketing and sales of our products to develop market opportunities, to promote our competitive position and to strengthen our channel support, but at a slower pace. We expect marketing and sales expenses to decrease in absolute dollars, but increase as a percentage of net revenue during the fourth quarter of fiscal 2009 as compared to the fourth quarter of fiscal 2008 primarily due to decreased commissions on lower net revenue.

Research and Development

(in millions)	Three months ended October 31, 2008	Increase compared to prior period $	%	Three months ended October 31, 2007	Nine months ended October 31, 2008	Increase compared to prior period $	%	Nine months ended October 31, 2007
Research and development	$ 135.2	$ 12.0	10%	$ 123.2	$ 432.1	$ 79.2	22%	$ 352.9
As a percentage of net revenue	22%			23%	24%			22%

Research and development expenses, which are expensed as incurred, consist primarily of salaries, benefits, bonuses and stock-based compensation expense for research and development employees, rent and occupancy, professional services such as fees paid to software development firms and independent contractors, and purchase in-process research and development expense, expense of traveling, entertainment and training, cost of supplies and equipment and other overhead charges

Research and development expenses increased 10% during the three months ended October 31, 2008, as compared to the same period of the prior fiscal year, primarily due to an increase in employee related costs of $14.5 million driven by increased research and development headcount. This increase was offset by a $5.4 million decrease in stock-based compensation expense for our research and development employees. Research and development expenses increased 22% during the nine months ended October 31, 2008, as compared to the same period of the prior fiscal year, primarily due to an increase in employee related costs of $58.3 million driven by increased headcount and the $15.7 million increase in in-process research and development expense from acquisitions during the nine month period ended October 31, 2008.

Overall, we have increased our investment in research and development in the three and nine month periods ended October 31, 2008 as compared to the same periods of the prior fiscal year to create new products and new versions of existing products, broader interoperability, accelerated localization efforts and improvements in

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visualization, simulation and analysis. We expect research and development expense to increase in both absolute dollars and as a percentage of net revenue during the fourth quarter of fiscal 2009 as compared to the fourth quarter of fiscal 2008, as we continue to invest in product development and continue to acquire new technology.

General and Administrative

(in millions)	**Three months ended October 31, 2008**	**Increase compared to prior period**	**Three months ended October 31, 2007**	**Nine months ended October 31, 2008**