AUTODESK INC
Form 10-Q
December 06, 2013

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, 2013
or

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

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

AUTODESK, INC.
(Exact name of registrant as specified in its charter)

Delaware	94-2819853
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer 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 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes 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 ¨	Smaller reporting company ¨

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

As of November 29, 2013, registrant had outstanding approximately 225.6 million shares of common stock.

AUTODESK, INC. FORM 10-Q
TABLE OF CONTENTS

		Page No.
	PART I. FINANCIAL INFORMATION	
Item 1.	Financial Statements:	
	Condensed Consolidated Statements of Operations Three and Nine Months Ended October 31, 2013 and 2012	3
	Condensed Consolidated Statements of Comprehensive Income Three and Nine Months Ended October 31, 2013 and 2012	4
	Condensed Consolidated Balance Sheets October 31, 2013 and January 31, 2013	5
	Condensed Consolidated Statements of Cash Flows Nine Months Ended October 31, 2013 and 2012	6
	Notes to Condensed Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	27
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	46
Item 4.	Controls and Procedures	47
	PART II. OTHER INFORMATION	
Item 1.	Legal Proceedings	48
Item 1A.	Risk Factors	48
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	61
Item 3.	Defaults Upon Senior Securities	61
Item 4.	Mine Safety Disclosures	61
Item 5.	Other Information	61
Item 6.	Exhibits	62
	Signatures	63

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AUTODESK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share data)
(Unaudited)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2013	2012	2013	2012
Net revenue:				
License and other	$297.5	$310.2	$934.2	$999.4
Subscription	257.7	237.8	753.1	705.9
Total net revenue	555.2	548.0	1,687.3	1,705.3
Cost of revenue:				
Cost of license and other revenue	43.4	41.3	130.6	124.6
Cost of subscription revenue	23.7	16.6	71.8	51.9
Total cost of revenue	67.1	57.9	202.4	176.5
Gross profit	488.1	490.1	1,484.9	1,528.8
Operating expenses:				
Marketing and sales	203.4	203.9	610.3	639.5
Research and development	149.0	153.0	448.7	450.6
General and administrative	63.2	62.1	186.3	180.7
Restructuring charges, net	4.4	36.7	6.5	36.7
Total operating expenses	420.0	455.7	1,251.8	1,307.5
Income from operations	68.1	34.4	233.1	221.3
Interest and other income (expense), net	1.1	(0.1)	(9.5)	2.6
Income before income taxes	69.2	34.3	223.6	223.9
Provision for income taxes	(11.6)	(4.9)	(48.7)	(51.0)
Net income	$57.6	$29.4	$174.9	$172.9
Basic net income per share	$0.26	$0.13	$0.78	$0.76
Diluted net income per share	$0.25	$0.13	$0.77	$0.75
Weighted average shares used in computing basic net income per share	223.1	225.5	223.4	227.1
Weighted average shares used in computing diluted net income per share	227.7	229.9	228.6	231.4

See accompanying Notes to Condensed Consolidated Financial Statements.

AUTODESK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)
(Unaudited)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2013	2012	2013	2012
Net income	$57.6	$29.4	$174.9	$172.9
Other comprehensive income (loss), net of reclassifications:				
Net (loss) on derivative instruments (net of tax effect of $0.3, ($0.2), $0.5 and ($0.5))	(6.5)	(12.1)	(1.6)	(8.6)
Change in net unrealized gain (loss) on available-for-sale securities (net of tax effect of ($0.2), ($1.4), ($0.2) and ($1.3))	0.6	(1.2)	(0.3)	(0.8)
Net change in cumulative foreign currency translation gain (loss) (net of tax effect of ($1.0), ($0.4), $1.0 and $0.4)	9.3	6.3	3.5	(2.9)
Total other comprehensive gain (loss)	3.4	(7.0)	1.6	(12.3)
Total comprehensive income	$61.0	$22.4	$176.5	$160.6

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	October 31, 2013	January 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$1,473.4	$1,612.2
Marketable securities	587.1	342.1
Accounts receivable, net	304.1	495.1
Deferred income taxes	53.5	42.2
Prepaid expenses and other current assets	99.8	60.8
Total current assets	2,517.9	2,552.4
Marketable securities	418.5	411.1
Computer equipment, software, furniture and leasehold improvements, net	134.1	114.9
Purchased technologies, net	54.3	76.0
Goodwill	922.3	871.5
Deferred income taxes, net	118.3	122.8
Other assets	156.1	159.7
	$4,321.5	$4,308.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$75.3	$94.2
Accrued compensation	154.7	189.6
Accrued income taxes	37.2	13.9
Deferred revenue	610.8	647.0
Other accrued liabilities	70.1	99.0
Total current liabilities	948.1	1,043.7
Deferred revenue	154.9	187.6
Long term income taxes payable	209.0	194.2
Long term notes payable, net of discount	746.2	745.6
Other liabilities	101.4	94.1
Commitments and contingencies	—	—
Stockholders' equity:		
Preferred stock	—	—
Common stock and additional paid-in capital	1,535.1	1,449.8
Accumulated other comprehensive loss	(4.1)	(5.7)
Retained earnings	630.9	599.1
Total stockholders' equity	2,161.9	2,043.2
	$4,321.5	$4,308.4

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended October 31,	
	2013	2012
Operating activities:		
Net income	$174.9	$172.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	95.7	93.1
Stock-based compensation expense	96.1	118.8
Excess tax benefits from stock-based compensation	0.8	(27.4)
Restructuring charges, net	6.5	36.7
Other operating activities	(3.1)	4.4
Changes in operating assets and liabilities, net of business combinations	9.1	5.0
Net cash provided by operating activities	380.0	403.5
Investing activities:		
Purchases of marketable securities	(969.8)	(1,103.1)
Sales of marketable securities	329.9	207.0
Maturities of marketable securities	395.1	436.6
Capital expenditures	(55.0)	(44.7)
Acquisitions, net of cash acquired	(68.0)	(204.2)
Other investing activities	(15.7)	(22.1)
Net cash (used in) investing activities	(383.5)	(730.5)
Financing activities:		
Proceeds from issuance of common stock, net of issuance costs	183.4	199.6
Repurchases of common stock	(318.7)	(340.5)
Draws on line of credit	—	110.0
Excess tax benefits from stock-based compensation	(0.8)	27.4
Net cash (used in) financing activities	(136.1)	(3.5)
Effect of exchange rate changes on cash and cash equivalents	0.8	0.6
Net (decrease) in cash and cash equivalents	(138.8)	(329.9)
Cash and cash equivalents at beginning of fiscal year	1,612.2	1,156.9
Cash and cash equivalents at end of period	$1,473.4	$827.0

See accompanying Notes to Condensed Consolidated Financial Statements.

AUTODESK, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Tables in millions, except share and per share data, or as otherwise noted)

1. Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements of Autodesk, Inc. ("Autodesk" or the "Company") as of October 31, 2013, and for the three and nine months ended October 31, 2013, 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 made all adjustments (consisting of normal, recurring and non-recurring adjustments) during the quarter that were considered necessary for the fair presentation of the financial position and operating results of the Company. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates. In addition, the results of operations for the three and nine months ended October 31, 2013 are not necessarily indicative of the results for the entire fiscal year ending January 31, 2014, 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, 2013, filed on March 18, 2013.

Reclassifications

During the first quarter of fiscal 2014, Autodesk combined maintenance revenue and cloud services offering-related revenue into one category named "Subscription." As a result, revenue and cost of revenue related to cloud service offerings previously reflected in "License and other revenue" and "Cost of license and other revenue" were reclassified to "Subscription revenue" and "Cost of subscription revenue." These revenues and expenses have been reclassified in the Consolidated Statements of Operations for the three and nine months ended October 31, 2012 to conform to the current period presentation as follows:

	Three Months Ended October 31, 2012	Nine Months Ended October 31, 2012
Reclassifications within revenue:		
(Decrease) to License and other revenue	$(6.9)	$(19.2)
Increase to Subscription revenue	6.9	19.2
Reclassifications within cost of revenue:		
(Decrease) to Cost of license and other revenue	$(8.2)	$(21.1)
Increase to Cost of subscription revenue	8.2	21.1

2. Recently Issued Accounting Standards

With the exception of those discussed below, there have been no recent changes in accounting pronouncements issued by the Financial Accounting Standards Board ("FASB") or adopted by the Company during the nine months ended October 31, 2013, that are of significance, or potential significance, to the Company.

Accounting Standards Adopted in the Nine Months Ended October 31, 2013

Effective February 1, 2013, Autodesk adopted FASB's Accounting Standards Update (“ASU”) 2013-02, Comprehensive Income (Topic 220) - Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. This ASU requires additional disclosure about the changes in the components of accumulated other comprehensive income, including amounts reclassified and amounts due to current period other comprehensive income. The adoption of this standard did not impact the Company's financial condition, results of operations or cash flows.

Effective February 1, 2013, Autodesk adopted FASB's ASU 2011-11 and ASU 2013-01 regarding ASC Topic 210 “Balance Sheet: Disclosure about Offsetting Assets and Liabilities.” This ASU requires that entities disclose additional information about offsetting and related arrangements to enable users of the financial statements to understand the effect of

those arrangements on the financial position. The adoption of this standard did not impact the Company's financial condition, results of operations or cash flows.

Recently Issued Accounting Standards

In July 2013, the FASB issued ASU 2013-11 regarding ASC Topic 740 “Income Tax.” This ASU clarifies the guidance on the presentation of an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. This ASU will be effective for Autodesk's fiscal year beginning February 1, 2014. Early adoption is permitted. At this time, Autodesk expects that the adoption of this ASU will impact the presentation of tax assets and liabilities on the statement of financial position, but will not impact its consolidated financial position, results of operations or cash flows.

3. Concentration of Credit Risk

Autodesk places its cash, cash equivalents and marketable securities in highly liquid instruments with, and in the custody of, diversified financial institutions globally with high credit ratings and limits the amounts invested with any one institution, type of security and issuer. Autodesk’s primary commercial banking relationship is with Citigroup Inc. and its global affiliates. Citibank, N.A., an affiliate of Citigroup, is one of the lead lenders and an agent in the syndicate of Autodesk’s $400.0 million line of credit facility. It is Autodesk’s policy to limit the amounts invested with any one institution by type of security and issuer.

Total sales to the distributor Tech Data Corporation, and its global affiliates (“Tech Data”), accounted for 24% and 25% of Autodesk’s total net revenue for the three and nine months ended October 31, 2013, respectively, and 24% and 23% of Autodesk's total net revenue for the three and nine months ended October 31, 2012, respectively. The majority of the net revenue from sales to Tech Data relates to Autodesk’s Platform Solutions and Emerging Business (“PSEB”) segment and is for sales made outside of the United States. In addition, Tech Data accounted for 25% and 23% of trade accounts receivable at October 31, 2013 and January 31, 2013, respectively.

4. Financial Instruments

The following tables summarize the Company's financial instruments' amortized cost, gross unrealized gains, gross unrealized losses, and fair value by significant investment category as of October 31, 2013 and January 31, 2013:

	October 31, 2013						
	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Fair Value	Level 1	Level 2	Level 3
Cash equivalents (1):							
Certificates of deposit and time deposits	$277.2	$—	$—	$277.2	$21.2	$256.0	$—
Commercial paper	289.6	—	—	289.6	—	289.6	—
Money market funds	248.3	—	—	248.3	—	248.3	—
Marketable securities:							
Short-term available for sale							
Commercial paper and corporate debt securities	280.0	—	—	280.0	98.0	182.0	—
Certificates of deposit and time deposits	131.7	—	—	131.7	—	131.7	—
U.S. treasury securities	41.2	—	—	41.2	41.2	—	—
U.S. government agency securities	68.8	—	—	68.8	68.8	—	—
Municipal securities	21.7	—	—	21.7	21.7	—	—
Other (2)	1.4	—	—	1.4	0.5	0.9	—
Short-term trading securities							
Mutual funds	35.9	6.4	—	42.3	42.3	—	—
Long-term available for sale							
Corporate debt securities	205.1	0.9	(0.1)	205.9	205.9	—	—
U.S. treasury securities	123.3	0.2	—	123.5	123.5	—	—
U.S. government agency securities	37.1	0.1	—	37.2	37.2	—	—
Municipal securities	50.8	0.1	—	50.9	50.9	—	—
Sovereign debt	1.0	—	—	1.0	—	1.0	—
Convertible debt securities (3)	21.4	3.3	(3.1)	21.6	—	—	21.6
Derivative contracts (4)	11.0	6.0	(7.1)	9.9	—	0.1	9.8
Total	$1,845.5	$17.0	$(10.3)	$1,852.2	$711.2	$1,109.6	$31.4

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

(2) Consists of sovereign debt and other short-term securities.

(3) Considered “available for sale” and included in “Other assets” in the accompanying Condensed Consolidated Balance Sheets.

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

	January 31, 2013						
	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Fair Value	Level 1	Level 2	Level 3
Cash equivalents (1):							
Certificates of deposit and time deposits	$392.4	$—	$—	$392.4	$17.2	$375.2	$—
Corporate bond	1.8	—	—	1.8	1.8	—	—
Commercial paper	263.3	—	—	263.3	—	263.3	—
Money market funds	596.3	—	—	596.3	—	596.3	—
Marketable securities:							
Short-term available for sale							
Commercial paper and corporate debt securities	122.9	0.1	—	123.0	40.4	82.6	—
Certificates of deposit and time deposits	15.1	—	—	15.1	10.0	5.1	—
U.S. treasury securities	83.3	—	—	83.3	83.3	—	—
U.S. government agency securities	79.5	—	—	79.5	79.5	—	—
Sovereign debt	1.0	—	—	1.0	—	1.0	—
Municipal securities	4.6	—	—	4.6	4.6	—	—
Other	0.3	—	—	0.3	0.3	—	—
Short-term trading securities							
Mutual funds	31.1	4.2	—	35.3	35.3	—	—
Long-term available for sale							
Corporate debt securities	172.1	1.4	—	173.5	173.5	—	—
U.S. treasury securities	145.2	0.1	—	145.3	145.3	—	—
U.S. government agency securities	50.8	0.2	—	51.0	51.0	—	—
Municipal securities	36.0	0.1	—	36.1	36.1	—	—
Sovereign debt	1.0	—	—	1.0	—	1.0	—
Taxable auction-rate securities	4.2	—	—	4.2	—	—	4.2
Convertible debt securities (2)	18.1	1.6	(2.2)	17.5	—	—	17.5
Derivative contracts (3)	10.2	9.2	(5.9)	13.5	—	2.8	10.7
Total	$2,029.2	$16.9	$(8.1)	$2,038.0	$678.3	$1,327.3	$32.4

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

(2) Considered “available for sale” and included in “Other assets” in the accompanying Condensed Consolidated Balance Sheets.

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

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

Autodesk applies fair value accounting for certain financial assets and liabilities, which consist of cash equivalents, marketable securities and other financial instruments, on a recurring basis. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and (Level 3) unobservable inputs for which there is little or no market data, which require Autodesk to develop its own assumptions. When determining fair value, Autodesk uses observable market

data and relies on unobservable inputs only when observable market data is not available. There have been no transfers between fair value measurement levels during the three and nine months ended October 31, 2013.

Autodesk's cash equivalents, marketable securities and financial instruments are primarily classified within Level 1 or Level 2 of the fair value hierarchy. Autodesk values its available for sale securities on pricing from pricing vendors, who may use quoted prices in active markets for identical assets (Level 1) or inputs other than quoted prices that are observable either directly or indirectly in determining fair value (Level 2). Autodesk's Level 2 securities are valued primarily using observable inputs other than quoted prices in active markets for identical assets and liabilities. Autodesk's Level 3 securities consist of investments held in auction rate securities, convertible debt securities and derivative contracts which are valued using probability weighted discounted cash flow models, in which some of the inputs are unobservable in the market.

A reconciliation of the change in Autodesk’s Level 3 items for the nine months ended October 31, 2013 was as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Derivative Contracts	Convertible Debt Securities	Taxable Auction-Rate Securities	Total
Balance at January 31, 2013	$10.7	$17.5	$4.2	$32.4
Purchases	1.3	3.1	—	4.4
Settlements	—	—	(4.0)	(4.0)
Net realized losses	—	—	(0.2)	(0.2)
Net unrealized (losses) gains	(2.2)	1.0	—	(1.2)
Balance at October 31, 2013	$9.8	$21.6	$—	$31.4

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

	October 31, 2013	
	Cost	Fair Value
Due in 1 year	$544.8	$544.8
Due in 1 year through 5 years	438.7	440.1
Due in 5 years through 10 years	—	—
Due after 10 years	—	—
Total	$983.5	$984.9

As of October 31, 2013 and January 31, 2013, Autodesk did not have any securities in a continuous unrealized loss position for greater than twelve months.

Autodesk also has direct investments in privately held companies accounted for under the cost method, which are periodically assessed for other-than-temporary impairment. If Autodesk determines that an other-than-temporary impairment has occurred, Autodesk writes down the investment to its fair value. Autodesk estimates fair value of its cost method investments considering available information such as pricing in recent rounds of financing, current cash positions, earnings and cash flow forecasts, recent operational performance and any other readily available market data. During the nine months ended October 31, 2013, Autodesk recorded no other-than-temporary impairment on its privately held equity investments. During the nine months ended October 31, 2012, Autodesk recorded $10.5 million

other-than-temporary impairments on its privately held equity investments.

The sale or settlement of “available-for-sale securities” during the nine months ended October 31, 2013 and 2012 resulted in a loss of $0.2 million and a gain of $5.0 million, respectively. The losses and gains were recorded in “Interest and other income (expense), net” on the Company's Condensed Consolidated Statement of Operations.

Proceeds from the sale and maturity of marketable securities for the nine months ended October 31, 2013 and 2012 were $725.0 million and $643.6 million, respectively.

Derivative Financial Instruments

Under its risk management strategy, Autodesk uses derivative instruments to manage its short-term exposures to fluctuations in foreign currency exchange rates which exist as part of ongoing business operations. Autodesk's general practice is to hedge a majority of transaction exposures denominated in euros, Japanese yen, Swiss francs, British pounds, Canadian dollars and Australian dollars. These instruments have maturities between one to twelve months in the future. Autodesk does not enter into derivative instrument transactions for trading or speculative purposes.

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

Foreign currency contracts designated as cash flow hedges

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

The net notional amounts of these contracts are presented net settled and were $410.2 million at October 31, 2013 and $359.8 million at January 31, 2013. Outstanding contracts are recognized as either assets or liabilities on the balance sheet at fair value. The majority of the net gain of $1.2 million remaining in “Accumulated other comprehensive loss” as of October 31, 2013 is expected to be recognized into earnings within the next twelve months.

Derivatives not designated as hedging instruments

Autodesk uses foreign currency contracts which are not designated as hedging instruments to reduce the exchange rate risk associated primarily with foreign currency denominated receivables and payables. These forward contracts are marked-to-market on a monthly basis with gains and losses recognized as “Interest and other income (expense), net.” These derivative instruments do not subject the Company to material balance sheet risk due to exchange rate movements because gains and losses on these derivative instruments are intended to offset the gains or losses resulting from the settlement of the underlying foreign currency denominated receivables and payables. The net notional amounts of these foreign currency contracts are presented net settled and were $4.7 million at October 31, 2013 and $78.4 million at January 31, 2013.

In addition to these foreign currency contracts, Autodesk holds derivative instruments issued by privately held companies, which are not designated as hedging instruments. These derivatives consist of certain conversion options on the convertible debt securities held by Autodesk and an option to acquire a privately held company. These

derivatives are recorded at fair value as of each balance sheet date and are recorded in “Other assets.” Changes in the fair values of these instruments are recognized in income as “Interest and other income (expense), net.”

Fair Value of Derivative Instruments

The fair value of derivative instruments in Autodesk's Condensed Consolidated Balance Sheets were as follows as of October 31, 2013 and January 31, 2013:

	Balance Sheet Location	Fair Value at October 31, 2013	January 31, 2013
Derivative Assets			
Foreign currency contracts designated as cash flow hedges	Prepaid expenses and other current assets (1)	$2.3	$6.7
Derivatives not designated as hedging instruments	Other assets	9.8	10.7
Total derivative assets		$12.1	$17.4
Derivative Liabilities			
Foreign currency contracts designated as cash flow hedges	Other accrued liabilities (2)	$2.2	$3.9
Total derivative liabilities		$2.2	$3.9

(1) Considering Autodesk's master netting arrangements, these contracts are presented net settled. The gross balance is $4.0 million and $8.2 million at October 31, 2013 and January 31, 2013, respectively.

(2) Considering Autodesk's master netting arrangements, these contracts are presented net settled. The gross balance is $3.9 million and $5.4 million at October 31, 2013 and January 31, 2013, respectively.

The effects of derivatives designated as hedging instruments on Autodesk's Condensed Consolidated Statements of Operations were as follows for the three and nine months ended October 31, 2013 and 2012, respectively (amounts presented include any income tax effects):

	Foreign Currency Contracts			
	Three Months Ended October 31,		Nine Months Ended October 31,	
	2013	2012	2013	2012
Amount of (loss) gain recognized in accumulated other comprehensive income on derivatives (effective portion)	$(4.6)	$(9.4)	$8.0	$2.7
Amount and location of gain (loss) reclassified from accumulated other comprehensive income into income (effective portion)				
Net revenue	$2.3	$3.2	$11.0	$15.6
Operating expenses	(0.3)	(0.7)	(1.3)	(4.6)
Total	$2.0	$2.5	$9.7	$11.0
Amount and location of (loss) recognized in income on derivatives (ineffective portion and amount excluded from effectiveness testing)				
Interest and other income (expense), net	$(0.1)	$(0.1)	$(0.1)	$—

The effects of derivatives not designated as hedging instruments on Autodesk's Condensed Consolidated Statements of Operations were as follows for the three and nine months ended October 31, 2013 and 2012, respectively (amounts presented include any income tax effects):

	Three Months Ended October	Nine Months Ended October 31,

	31, 2013	2012	2013	2012
Amount and location of gain recognized in income on derivatives				
Interest and other income (expense), net	$2.9	$1.6	$4.9	$2.6

5. Stock-based Compensation Expense

Stock Plans

As of October 31, 2013, Autodesk maintained two active stock plans for the purpose of granting equity awards to employees and to non-employee members of Autodesk's Board of Directors: the 2012 Employee Stock Plan ("2012 Employee Plan"), which is available only to employees, and the Autodesk 2012 Outside Directors' Plan ("2012 Directors' Plan"), which is available only to non-employee directors. Additionally, there are eight expired or terminated plans with options outstanding. The exercise price of all stock options granted under these plans was equal to the fair market value of the stock on the grant date.

The 2012 Employee Plan was approved by Autodesk's stockholders and became effective in January 2012. The 2012 Employee Plan reserves up to 21.2 million shares which includes 15.2 million shares reserved upon the effectiveness of the 2012 Employee Plan as well as up to 6.0 million shares forfeited under certain prior employee stock plans during the life of the 2012 Employee Plan. The 2012 Employee Plan permits the grant of stock options, restricted stock units and restricted stock awards. Each restricted stock unit or restricted stock award granted will be counted against the shares authorized for issuance under the 2012 Employee Plan as 1.79 shares. If a granted option, restricted stock unit or restricted stock award expires or becomes unexercisable for any reason, the unpurchased or forfeited shares that were granted may be returned to the 2012 Employee Plan and may become available for future grant under the 2012 Employee Plan. As of October 31, 2013, 12.7 million shares subject to options and restricted stock units have been granted under the 2012 Employee Plan. Options and restricted stock units that were granted under the 2012 Stock Plan vest over periods ranging from immediately upon grant to over a three-year period and options expire 10 years from the date of grant. The 2012 Employee Plan will expire on June 30, 2022. At October 31, 2013, 9.3 million shares were available for future issuance under the 2012 Employee Plan.

The 2012 Directors' Plan was approved by Autodesk's stockholders in January 2012. The 2012 Directors' Plan permits the grant of stock options, restricted stock units and restricted stock awards to non-employee members of Autodesk's Board of Directors. Each restricted stock unit or restricted stock award granted will be counted against the shares authorized for issuance under the 2012 Directors' Plan as 2.11 shares. As of October 31, 2013, 0.4 million restricted stock units have been granted under the 2012 Directors' Plan. Restricted stock units that were granted under the 2012 Directors' Plan vest over one to three years from the date of grant. The 2012 Directors' Plan reserved 2.6 million shares of Autodesk common stock. The 2012 Directors' Plan will expire on June 30, 2022. At October 31, 2013, 2.2 million shares were available for future issuance under the 2012 Directors' Plan.

At a special meeting to be held on January 14, 2014, Autodesk is requesting that its stockholders approve an amendment to the 2012 Employee Stock Plan to increase the number of shares, which may be issued under the 2012 Employee Plan by approximately 11.4 million shares and to add new performance goals related to executive share based awards.

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

Stock Options:

A summary of stock option activity for the nine months ended October 31, 2013 is as follows:

	Number of Shares	Weighted average exercise price per share	Weighted average remaining contractual term	Aggregate Intrinsic Value (3)
	(in millions)		(in years)	(in millions)
Options outstanding at January 31, 2013	19.0	$32.69		
Granted (1)	—	—		
Exercised	(5.4)	25.06		
Canceled	(3.7)	44.57		
Options outstanding at October 31, 2013	9.9	$32.36	4.6	$ 83.8
Options vested and exercisable at October 31, 2013	7.8	$30.69	4.0	$ 77.9
Options vested as of October 31, 2013 and expected to vest thereafter (2)	9.9	$32.33	4.6	$ 83.7
Options available for grant at October 31, 2013	11.5			

(1) Autodesk did not grant stock options in the nine months ended October 31, 2013.
(2) Options expected to vest reflect an estimated forfeiture rate.
(3) Represents the total pre-tax intrinsic value, based on Autodesk's closing stock price of $39.90 per share as of October 31, 2013, which would have been received by the option holders had all option holders exercised their options as of that date.

As of October 31, 2013, compensation cost of $14.5 million related to non-vested options is expected to be recognized over a weighted average period of 0.7 year.

The following table summarizes information about the pre-tax intrinsic value of options exercised, and the weighted average grant date fair value per share of options granted, during the three and nine months ended October 31, 2013 and 2012.

	Three Months Ended		Nine Months Ended	
	October 31, 2013	October 31, 2012	October 31, 2013	October 31, 2012
Pre-tax intrinsic value of options exercised (1)	$37.4	$7.6	$80.2	$73.5

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

The following table summarizes information about options outstanding and exercisable at October 31, 2013:

Options Vested and Exercisable				Options Outstanding			
Number of Shares (in millions)	Weighted average contractual life (in years)	Weighted average exercise price	Aggregate intrinsic value (1) (in millions)	Number of Shares (in millions)	Weighted average contractual life (in years)	Weighted average exercise price	Aggregate intrinsic value (1) (in millions)

Range of per-share exercise prices:								
$2.28 - $23.74	2.0		$15.62		2.0		$15.62	
$24.97 - $29.50	2.0		29.29		2.5		29.30	
$29.56 - $38.55	1.3		33.87		1.5		34.18	
$41.62 - $42.32	2.0		41.62		3.1		41.62	
$42.39 - $48.72	0.5		45.12		0.8		44.58	
	7.8	4.0	$30.69	$77.9	9.9	4.6	$32.36	$83.8

(1) Represents the total pre-tax intrinsic value, based on Autodesk's closing stock price of $39.90 per share as of October 31, 2013, which would have been received by the option holders had all option holders exercised their options as of that date.

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

Restricted Stock Units:

A summary of restricted stock unit activity for the nine months ended October 31, 2013 is as follows:

	Unreleased Restricted Stock Units	Weighted average grant date fair value per share
	(in thousands)	
Unreleased restricted stock units at January 31, 2013	5,020.8	$33.89
Granted	3,309.4	40.64
Released	(1,434.6)	34.16
Canceled	(341.8)	35.17
Performance Adjustment (1)	(14.0)	35.94
Unreleased restricted stock units at October 31, 2013	6,539.8	$37.39

(1) Based on Autodesk's financial results for the performance period, the fiscal 2013 performance stock units were earned at 92.3% of the target award. The vesting of the performance stock units is subject to the holders satisfying the remaining service condition of the awards.

During the nine months ended October 31, 2013, Autodesk granted 2.8 million restricted stock units. The restricted stock units vest over periods ranging from immediately upon grant to a pre-determined date that is typically within three years from the date of grant. Restricted stock units are not considered outstanding stock at the time of grant, as the holders of these units are not entitled to any of the rights of a stockholder, including voting rights. The fair value of the restricted stock units is primarily expensed ratably over the vesting period. Autodesk recorded stock-based compensation expense related to restricted stock units of $18.8 million and $52.4 million during the three and nine months ended October 31, 2013, respectively. Autodesk recorded stock-based compensation expense related to restricted stock units of $31.8 million and $55.1 million during the three and nine months ended October 31, 2012, respectively. As of October 31, 2013, total compensation cost not yet recognized of $141.9 million related to non-vested restricted stock units, is expected to be recognized over a weighted average period of 1.9 years. At October 31, 2013, the number of restricted stock units granted but unreleased was 5.7 million.

During the nine months ended October 31, 2013, Autodesk granted 0.5 million performance restricted stock units (“PSUs”) for which the ultimate number of shares earned is determined based on the achievement of performance criteria at the end of the stated performance period. The performance criteria is based upon annual revenue and non-GAAP operating margin goals adopted by the Compensation and Human Resource Committee (the “Annual Financial Results”), as well as total stockholder return compared against the S&P Computer Software Select Index (“Relative TSR”). Each PSU covers a three year period:

- Up to one third of the PSU may vest following year one depending upon the achievement of Annual Financial Results for year one as well as 1 year Relative TSR (covering year one).
- Up to one third of the PSU may vest following year two depending upon the achievement of Annual Financial Results for year two as well as 2 year Relative TSR (covering years one and two).
- Up to one third of the PSU may vest following year three depending upon the achievement of Annual Financial Results for year three as well as 3 year Relative TSR (covering years one, two and three).

PSUs are not considered outstanding stock at the time of grant, as the holders of these units are not entitled to any of the rights of a stockholder, including voting rights. Autodesk has determined the grant-date fair value for these awards using a Monte Carlo simulation model since the awards are subject to a market condition. The fair value of the PSUs is expensed using the straight-line method over the vesting period. Autodesk recorded stock-based compensation expense related to PSUs of $2.1 million and $6.9 million for the three and nine months ended October 31, 2013, respectively. Autodesk recorded stock-based compensation expense related to PSUs of $1.9 million and $5.2 million during the three and nine months ended October 31, 2012, respectively. As of October 31, 2013, total compensation cost not yet recognized of $4.6 million related to non-vested performance restricted stock units, is expected to be recognized over a weighted average period of 1.2 years. At October 31, 2013, the number of PSUs granted but not vested was 0.8 million.

1998 Employee Qualified Stock Purchase Plan ("ESP Plan")

Under Autodesk's ESP Plan, which was approved by stockholders in 1998, eligible employees may purchase shares of Autodesk's common stock at their discretion using up to 15% of their eligible compensation subject to certain limitations, at not less than 85% of fair market value as defined in the ESP Plan. At October 31, 2013, a total of 33.3 million shares were available for future issuance. This amount automatically increases on the first trading day of each fiscal year by an amount equal to the lesser of 10.0 million shares or 2% of the total of (1) outstanding shares plus (2) any shares repurchased by Autodesk during the prior fiscal year. Under the ESP Plan, the Company issues shares on the first trading day following March 31 and September 30 of each fiscal year. The ESP Plan expires during fiscal 2018.

Autodesk issued 1.4 million and 2.9 million shares under the ESP Plan during the three and nine months ended October 31, 2013, respectively, with an average price of $22.95 and $22.61 per share, respectively. During the nine months ended October 31, 2012, Autodesk issued 1.3 million and 2.9 million shares, respectively, under the ESP Plan, at average prices of $21.98 and $21.79 per share, respectively. The weighted average grant date fair value of awards granted under the ESP Plan was $11.80 during both the three and nine months ended October 31, 2013, calculated as of the award grant date using the Black-Scholes-Merton option pricing model. The weighted average grant date fair value of awards granted under the ESP Plan during the three and nine months ended October 31, 2012, calculated as of the award grant date using the Black-Scholes-Merton option pricing model, was $11.57 and $11.02 per share, respectively.

Stock-based Compensation Expense

The following table summarizes stock-based compensation expense for the three and nine months ended October 31, 2013 and 2012, respectively, as follows:

	Three Months Ended October 31, 2013	Three Months Ended October 31, 2012
Cost of license and other revenue	$0.9	$1.0
Cost of subscription	0.5	0.3
Marketing and sales	14.5	16.7
Research and development	10.2	28.1
General and administrative	5.5	5.8
Stock-based compensation expense related to stock awards and ESP Plan purchases	31.6	51.9
Tax benefit	(9.6)	(10.7)
Stock-based compensation expense related to stock awards and ESP Plan purchases, net of tax	$22.0	$41.2

	Nine Months Ended October 31, 2013	Nine Months Ended October 31, 2012
Cost of license and other revenue	$2.7	$2.7
Cost of subscription	1.6	1.1
Marketing and sales	42.5	47.4
Research and development	31.3	49.6
General and administrative	18.0	18.0
	96.1	118.8

Stock-based compensation expense related to stock awards and ESP Plan purchases		
Tax benefit	(27.0)	(26.7)
Stock-based compensation expense related to stock awards and ESP Plan purchases, net of tax	$69.1	$92.1

Stock-based Compensation Expense Assumptions

Autodesk determines the grant-date fair value of its share-based payment awards using a Black-Scholes model or the quoted stock price on the date of grant, unless the awards are subject to market conditions, in which case Autodesk uses a binomial-lattice model (e.g., Monte Carlo simulation model). The Monte Carlo simulation model utilizes multiple input variables to estimate the probability that market conditions will be achieved. Autodesk uses the following assumptions to estimate the fair value of stock-based awards:

	Three Months Ended October 31, 2013		Three Months Ended October 31, 2012	
	Performance Stock Unit (1)	ESP Plan	Stock Option (2)	ESP Plan
Range of expected volatilities	N/A	30 - 35%	42 - 45%	42 - 44%
Range of expected lives (in years)	N/A	0.5 - 2.0	3.6 - 4.2	0.5 - 2.0
Expected dividends	N/A	—%	—%	—%
Range of risk-free interest rates	N/A	0.1 - 0.4%	0.5%	0.1 - 0.3%
Expected forfeitures	N/A	7.2%	7.7%	7.7%
	Nine Months Ended October 31, 2013		Nine Months Ended October 31, 2012	
	Performance Stock Unit (1)	ESP Plan	Stock Option (2)	ESP Plan
Range of expected volatilities	34%	27 - 36%	41 - 45%	41 - 44%
Range of expected lives (in years)	N/A	0.5 - 2.0	3.6 - 4.6	0.5 - 2.0
Expected dividends	—%	—%	—%	—%
Range of risk-free interest rates	0.1%	0.1 - 0.4%	0.5 - 0.8%	0.1 - 0.3%
Expected forfeitures	7.2 - 7.7%	7.2 - 7.7%	7.7 - 7.8%	7.7 - 7.8%

(1) Autodesk did not grant PSUs in the three and nine months ended October 31, 2012 that were subject to market conditions. In addition, Autodesk did not grant PSUs in the three months ended October 31, 2013 that were subject to market conditions.

(2) Autodesk did not grant stock options in the three and nine months ended October 31, 2013.

Autodesk estimates expected volatility for stock-based awards based on the average of the following two measures. The first is a measure of historical volatility in the trading market for the Company’s common stock, and the second is the implied volatility of traded forward call options to purchase shares of the Company’s common stock. The expected volatility for PSUs subject to market conditions includes the expected volatility of Autodesk's peer companies within the S&P computer software select index.

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

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

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

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

6. Income Tax

Autodesk’s effective tax rate was 17% and 22% during the three and nine months ended October 31, 2013, respectively, compared to 14% and 23% during the three and nine months ended October 31, 2012, respectively. Autodesk's effective tax rate increased 3% during the three months ended October 31, 2013 as compared to the same period in the prior fiscal year primarily due to adjustments related to tax return filings partially offset by stock-based compensation expense. Autodesk's effective tax

rate decreased 1% during the nine months ended October 31, 2013 as compared to the same period in the prior fiscal year primarily due to foreign income taxed at lower rates and tax benefits from the reinstated federal research credit. Excluding the impact of discrete tax items, the effective tax rate for each of the three and nine month periods ended October 31, 2013 was 22% and was lower than the Federal statutory tax rate of 35% primarily due to foreign income taxed at lower rates partially offset by the impact of non-deductible stock based compensation expense.

As of October 31, 2013, the Company had $221.7 million of gross unrecognized tax benefits, excluding interest, of which approximately $214.0 million represents the amount of unrecognized tax benefits that would impact the effective tax rate, if recognized. It is possible that the amount of unrecognized tax benefits will change in the next twelve months; however, an estimate of the range of the possible change cannot be made at this time.

At October 31, 2013, Autodesk had net deferred tax assets of $171.8 million. The Company believes that it will generate sufficient future taxable income in appropriate tax jurisdictions to realize these assets.

7. Acquisitions

During the nine months ended October 31, 2013, Autodesk completed a total of ten business combinations and technology acquisitions for total cash consideration of approximately $68.3 million. The results of operations for the following acquisitions are included in the accompanying Condensed Consolidated Statement of Operations since their respective acquisition dates. Pro forma results of operations have not been presented because the effects of the acquisitions, individually and in the aggregate, were not material to Autodesk's Condensed Consolidated Financial Statements.

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

The following table summarizes the fair value of the assets acquired and liabilities assumed by major class for the business combinations and technology acquisitions completed during the nine months ended October 31, 2013:

Developed technologies	$11.3
Customer relationships	2.6
Trade name	1.5
Goodwill	50.7
Deferred tax asset	0.7
Net tangible assets	1.5
Total	$68.3

8. Other Intangible Assets, Net

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

	October 31, 2013	January 31, 2013
Purchased technologies, at cost	$442.0	$431.0
Customer relationships, trade names, patents, and user list, at cost (1)	264.0	259.5
	706.0	690.5
Less: Accumulated amortization	(605.9)	(546.3)

Other intangible assets, net	$100.1	$144.2

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

9. Goodwill

The change in the carrying amount of goodwill during the nine months ended October 31, 2013, is as follows:

	Platform Solutions and Emerging Business	Architecture, Engineering and Construction	Manufacturing	Media and Entertainment	Total
Balances as of January 31, 2013					
Goodwill	$129.5	$310.3	$389.9	$191.0	$1,020.7
Accumulated impairment losses	—	—	—	(149.2)	(149.2)
	129.5	310.3	389.9	41.8	871.5
Addition arising from other acquisitions	11.4	29.1	10.2	—	50.7
Effect of foreign currency translation and purchase accounting adjustments	(0.1)	—	0.2	—	0.1
Balance as of October 31, 2013					
Goodwill	140.8	339.4	400.3	191.0	1,071.5
Accumulated impairment losses	—	—	—	(149.2)	(149.2)
	$140.8	$339.4	$400.3	$41.8	$922.3

Goodwill consists of the excess of cost over the fair value of net assets acquired in business combinations. Autodesk assigns goodwill to the reportable segment associated with each business combination, and tests goodwill for impairment annually in its fourth fiscal quarter or more often if circumstances indicate a potential impairment. For purposes of the goodwill impairment test, a reporting unit is an operating segment or one level below. Autodesk's operating segments are aligned with the management principles of Autodesk's business.

When assessing goodwill for impairment, Autodesk first assesses qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Qualitative factors considered in this assessment include cost factors; financial performance; legal, regulatory, contractual, political, business, or other factors; entity specific factors; industry and market considerations, macroeconomic conditions, and other relevant events and factors affecting the reporting unit. If, after assessing the totality of events or circumstances, it is more likely than not that the fair value of the reporting unit is greater than its carrying value, then performing a two-step quantitative impairment test is unnecessary. If a two-step quantitative impairment test is necessary, Autodesk uses discounted cash flow models which include assumptions regarding projected cash flows. Variances in these assumptions could have a significant impact on Autodesk's conclusion as to whether goodwill is impaired, or the amount of any impairment charge. Impairment charges, if any, result from instances where the fair values of net assets associated with goodwill are less than their carrying values. As changes in business conditions and assumptions occur, Autodesk may be required to record impairment charges. The process of evaluating the potential impairment of goodwill is subjective and requires significant judgment at many points during the analysis. The value of Autodesk’s goodwill could also be impacted by future adverse changes such as: (i) declines in Autodesk’s actual financial results, (ii) a sustained decline in Autodesk’s market capitalization, (iii) significant slowdown in the worldwide economy or the industries Autodesk serves, or (iv) changes in Autodesk’s business strategy or internal financial results forecasts.

10. Deferred Compensation

At October 31, 2013, Autodesk had marketable securities totaling $1,005.6 million, of which $42.3 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 $42.3 million at October 31, 2013, of which $4.6 million was classified as current and $37.7 million was classified as non-current liabilities. The value of debt and equity securities held in the rabbi trust at January 31, 2013 was $35.3 million. The total related deferred compensation liability at January 31, 2013 was $35.3 million, of which $3.9 million was classified as current and $31.4 million was classified as non-current liabilities. The current and non-current portions of the liability are recorded in the Condensed Consolidated Balance Sheets under “Accrued compensation” and “Other liabilities,” respectively.

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

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

	October 31, 2013	January 31, 2013
Computer software, at cost	$79.4	$95.1
Computer hardware, at cost	159.1	152.3
Leasehold improvements, land and buildings, at cost	162.3	152.4
Furniture and equipment, at cost	50.9	46.0
	451.7	445.8
Less: Accumulated depreciation	(317.6)	(330.9)
Computer software, hardware, leasehold improvements, furniture and equipment, net	$134.1	$114.9

12. Borrowing Arrangements

In December 2012, Autodesk issued $400.0 million aggregate principal amount of 1.95% senior notes due December 15, 2017 and $350.0 million aggregate principal amount of 3.6% senior notes due December 15, 2022, (collectively, the “Senior Notes”). Autodesk received net proceeds of $739.3 million from issuance of the Senior Notes, net of a discount of $4.5 million and issuance costs of $6.1 million. Both the discount and issuance costs are being amortized to interest expense over the respective terms of the Senior Notes using the effective interest method. The proceeds of the Senior Notes are available for general corporate purposes. Autodesk may redeem the Senior Notes at any time, subject to a make whole premium. In addition, upon the occurrence of certain change of control triggering events, Autodesk may be required to repurchase the Senior Notes, at a price equal to 101% of their principal amount, plus accrued and unpaid interest to the date of repurchase. The Senior Notes contain restrictive covenants that limit Autodesk's ability to create certain liens, to enter into certain sale and leaseback transactions and to consolidate or merge with, or convey, transfer or lease all or substantially all of its assets, subject to significant qualifications and exceptions. Based on quoted market prices, the fair value of the Senior Notes was approximately $730.7 million as of October 31, 2013.

Autodesk’s line of credit facility permits unsecured short-term borrowings of up to $400.0 million, with an option to request an increase in the amount of the credit facility by up to an additional $100.0 million, and is available for working capital or other business needs. This credit agreement contains customary covenants that could restrict the imposition of liens on Autodesk’s assets, and restrict the Company’s ability to incur additional indebtedness or make dispositions of assets if Autodesk fails to maintain the financial covenants. The line of credit is syndicated with various financial institutions, including Citibank, N.A., an affiliate of Citigroup, which is one of the lead lenders and an agent. In May 2013, Autodesk amended and restated the credit agreement extending the facility's maturity date from May 2016 to May 2018 and reducing facility fees and lowering borrowing costs by aligning margins with our recent public investment grade credit ratings. At October 31, 2013, Autodesk had no outstanding borrowings on this line of credit.

13. Restructuring

During the third quarter of fiscal 2014, the Board of Directors of the Company approved a world-wide restructuring plan in order to re-balance staffing levels to better align them with the evolving needs of the business. The Company authorized plan included a reduction of approximately 85 positions and the consolidation of four leased facilities, with a total cost of approximately $15.0 million ("Fiscal 2014 Plan"). The Company expects to substantially pay the

one-time termination benefits and facility related liabilities related to the Fiscal 2014 Plan by the end of its first quarter of fiscal 2015.

During the third quarter of fiscal 2013, the Board of Directors of the Company approved a world-wide restructuring plan in line with the Company's strategy, including its continuing shift to cloud and mobile computing ("Fiscal 2013 Plan"). The approved plan resulted in a reduction of approximately 500 positions and the consolidation of eight leased facilities, with an aggregate charge of $46.2 million to date. As of October 31, 2013, the personnel and facilities related actions included in this restructuring plan were substantially complete.

During the three and nine months ended October 31, 2013, Autodesk recorded restructuring charges of $4.4 million and $6.5 million, respectively.

The following table sets forth the restructuring activities during the nine months ended October 31, 2013:

	Balance at January 31, 2013	Additions	Payments	Adjustments (1)	Balance at October 31, 2013
Fiscal 2013 Plan					
Employee termination costs	$4.5	$0.8	$(5.0)	$(0.2)	$0.1
Lease termination and asset costs	2.8	1.5	(4.2)	0.1	0.2
Fiscal 2014 Plan					
Employee termination costs	—	4.2	(1.0)	—	3.2
Lease termination and asset costs	—	—	—	—	—
Total	$7.3	$6.5	$(10.2)	$(0.1)	$3.5
Current portion (2)	$5.8				$3.4
Non-current portion (2)	1.5				0.1
Total	$7.3				$3.5

(1) Adjustments include the impact of foreign currency translation.

(2) The current and non-current portions of the reserve are recorded in the Condensed Consolidated Balance Sheets under “Other accrued liabilities” and “Other liabilities,” respectively.

14. Commitments and Contingencies

Guarantees and Indemnifications

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

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

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

Legal Proceedings

Autodesk is involved in a variety of claims, suits, investigations and proceedings in the normal course of business activities including claims of alleged infringement of intellectual property rights, commercial, employment, piracy

prosecution, business practices and other matters. In the Company's opinion, resolution of pending matters is not expected to have a material adverse impact on its consolidated results of operations, cash flows or its financial position. Given the unpredictable nature of legal proceedings, there is a reasonable possibility that an unfavorable resolution of one or more such proceedings could in the future materially affect the Company's results of operations, cash flows or financial position in a particular period, however, based on the information known by the Company as of the date of this filing and the rules and regulations applicable to the preparation of the Company's financial statements, any such amount is either immaterial or it is not possible to provide an estimated amount of any such potential loss.

15. Common Stock Repurchase Program

Autodesk has a stock repurchase program that is used to offset dilution from the issuance of stock under the Company's employee stock plans and for such other purposes as may be in the interests of Autodesk and its stockholders, which has the effect of returning excess cash generated from the Company's business to stockholders. During the three and nine months ended October 31, 2013, Autodesk repurchased and retired 2.0 million and 8.3 million shares at an average repurchase price of $39.37 and $38.58 per share, respectively. Common stock and additional paid-in capital and retained earnings were reduced by $49.4 million and $29.5 million, respectively, during the three months ended October 31, 2013. Common stock and additional paid-in capital and retained earnings were reduced by $175.6 million and $143.1 million, respectively, during the nine months ended October 31, 2013.

At October 31, 2013, 24.0 million shares remained available for repurchase under the repurchase program approved by the Board of Directors. During the nine months ended October 31, 2013, Autodesk repurchased its common stock through open market purchases. The number of shares acquired and the timing of the purchases are based on several factors, including general market and economic conditions, the number of employee stock option exercises and stock issuances, the trading price of Autodesk common stock, cash on hand and available in the United States, cash requirements for acquisitions, and Company defined trading windows.

16. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss, net of taxes, consisted of the following at October 31, 2013 and January 31, 2013:

	October 31, 2013	January 31, 2013
Net gain on derivative instruments	$1.2	$2.8
Net unrealized gain on available-for-sale securities (1)	2.6	2.9
Unfunded portion of pension plans (1)	(13.1)	(13.1)
Foreign currency translation adjustments (1)	5.2	1.7
Accumulated other comprehensive loss	$(4.1)	$(5.7)

(1) For comparability, the presentation of the balances at January 31, 2013 was adjusted to align with current year presentation.

Reclassifications from Accumulated other comprehensive loss to Net income for the nine months ended October 31, 2013 were not significant.

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

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2013	2012	2013	2012
Numerator:				
Net income	$57.6	$29.4	$174.9	$172.9
Denominator:				
Denominator for basic net income per share—weighted average shares	223.1	225.5	223.4	227.1
Effect of dilutive securities	4.6	4.4	5.2	4.3
Denominator for dilutive net income per share	227.7	229.9	228.6	231.4
Basic net income per share	$0.26	$0.13	$0.78	$0.76
Diluted net income per share	$0.25	$0.13	$0.77	$0.75

The computation of diluted net income per share does not include shares that are anti-dilutive under the treasury stock method because their exercise prices are higher than the average market value of Autodesk’s stock during the period. For the three and nine months ended October 31, 2013, 5.5 million and 6.7 million potentially anti-dilutive shares, respectively, were excluded from the computation of diluted net income per share. For the three and nine months ended October 31, 2012, 11.8 million and 9.8 million potentially anti-dilutive shares, respectively, were excluded from the computation of diluted net income per share.

18. Segments

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

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

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

Autodesk's design products.

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

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

M&E consists of two product groups: Animation, including design visualization, and Creative Finishing. Animation products, such as Autodesk Maya, Autodesk 3ds Max, and the Autodesk Entertainment Creation Suites, provide tools for digital sculpting, modeling, animation, effects, rendering and compositing, for design visualization, visual effects and games production. M&E products are also included in a number of PSEB, AEC, and MFG focused suites. Creative Finishing products provide editing, finishing and visual effects design and color grading.

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

The accounting policies of the reportable segments are the same as those described in Note 1, "Business and Summary of Significant Accounting Policies" of Autodesk's Annual Report on Form 10-K for the fiscal year ended January 31, 2013. Autodesk evaluates each segment's performance on the basis of gross profit. Autodesk currently does not separately accumulate and report asset information by segment, except for goodwill, which is disclosed in Note 9, "Goodwill."

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

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2013	2012	2013	2012
Net revenue:				
Platform Solutions and Emerging Business (1)	$183.4	$203.2	$593.4	$646.0
Architecture, Engineering and Construction (1)	185.9	164.6	535.1	492.9
Manufacturing	142.0	131.8	425.1	418.8
Media and Entertainment	43.9	48.4	133.7	147.6
	$555.2	$548.0	$1,687.3	$1,705.3
Gross profit:				
Platform Solutions and Emerging Business (1)	$165.9	$189.8	$540.7	$606.2
Architecture, Engineering and Construction (1)	168.9	151.0	485.0	450.1
Manufacturing	130.1	122.3	389.9	386.7
Media and Entertainment	35.4	38.2	106.2	118.9
Unallocated (2)	(12.2)	(11.2)	(36.9)	(33.1)
	$488.1	$490.1	$1,484.9	$1,528.8

(1) The fiscal 2013 quarterly segment revenue amounts have been updated to conform with the current period's presentation.

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

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

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2013	2012	2013	2012
Net revenue:				
Americas				
U.S.	$171.3	$173.6	$502.3	$500.5
Other Americas	37.0	35.8	109.8	115.0
Total Americas	208.3	209.4	612.1	615.5
Europe, Middle East and Africa	204.4	196.3	622.4	630.3
Asia Pacific				
Japan	61.9	65.4	207.6	211.6
Other Asia Pacific	80.6	76.9	245.2	247.9
Total Asia Pacific	142.5	142.3	452.8	459.5
Total net revenue	$555.2	$548.0	$1,687.3	$1,705.3

19. Subsequent Events

On September 19, 2013, Autodesk entered into a definitive agreement with the shareholders of Graitec SA ("Graitec") to acquire certain technology assets, including Graitec's Advance Steel and Advance Concrete product lines, and associated employees for approximately $87.0 million. The transaction closed on November 21, 2013. The acquisition will enhance Autodesk's current offerings for structural engineering and expand its portfolio of technology for Building Information Modeling (BIM) for structural fabrication and detailing. Graitec will be integrated into Autodesk's AEC reportable segment. The initial accounting for this acquisition was not complete as of December 6, 2013, due to the timing of the acquisition.

On November 7, 2013, Autodesk announced its intention to acquire Delcam plc ("Delcam"), for £20.75 per share, or approximately £172.5 million. Delcam is a public company (LON: DLC) and is a leading supplier of advanced CADCAM and industrial measurement solutions for the manufacturing industry. Delcam's range of design, manufacturing and inspection software provides automated CADCAM solutions for a variety of industries, ranging from aerospace to toys and sports equipment. The transaction will be structured as a cash offer for all the outstanding shares of Delcam, is subject to customary closing conditions including regulatory approvals, and is expected to close in Autodesk's first quarter of fiscal 2015. Autodesk expects to use its non-U.S.-based cash for the transaction.

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

The discussion in our MD&A and elsewhere in this Form 10-Q contains trend analyses and other forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are any statements that look to future events and consist of, among other things, our business strategies, including those discussed in "Strategy" and "Overview of the Three and Nine Months Ended October 31, 2013-Business Outlook" below, anticipated future net revenue, future GAAP and non-GAAP earnings per share, operating margin and other future financial results (by product type and geography) and operating expenses, the effectiveness of our efforts to successfully manage transitions to new business models and markets, the effectiveness of efforts to reduce our operating expenses, expected market trends, including the growth of cloud, mobile and social computing, the effect of unemployment and availability of credit, the effects of weak global economic conditions, the effects of revenue recognition, our backlog, expected trends in certain financial metrics, the impact of acquisitions and investment activities, the effects of fluctuations in exchange rates and our hedging activities on our financial results, our abilities to successfully expand adoption of our products, our ability to gain market acceptance of new businesses and sales initiatives, our ability to successfully increase sales of product suites as part of our overall sales strategy, and the impact of economic volatility and geopolitical activities in certain countries, particularly emerging economy countries, and the resulting effect on our financial results. In addition, forward-looking statements also consist of statements involving expectations regarding product acceptance, continuation of our stock repurchase program, statements regarding our liquidity and short-term and long-term cash requirements, as well as statements involving trend analyses and statements including such words as "may," "believe," "could," "anticipate," "would," "might," "plan," "expect," and similar expressions or the negative of these terms or other comparable terminology. These forward-looking statements speak only as of the date of this Form 10-Q and are subject to business and economic risks. As such, our actual results could differ materially from those set forth in the forward-looking statements as a result of the factors set forth below in Part II, Item 1A, "Risk Factors," and in our other reports filed with the U.S. Securities and Exchange Commission. We assume no obligation to update the forward-looking statements to reflect events that occur or circumstances that exist after the date on which they were made, except as required by law.

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

Strategy

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

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

Autodesk was founded during the platform transition from mainframes and engineering workstations to personal computers. We developed and sustained a compelling value proposition based upon desktop software for the personal computer. Just as the transition from mainframes to personal computers transformed the industry thirty years ago, we believe our industry is undergoing a similar transition from the personal computer to cloud, social, and mobile computing. To address this transition we have accelerated our move to the cloud and are offering more flexible product licenses. More specifically, during the early part of this fiscal year, we announced more flexible term-based

license offerings including rental access for certain products. These offerings are designed to give our customers even more flexibility with how they position us to engage with our products and address new types of customers such as project-based users and small businesses.

Our strategy is predicated upon our major business initiatives to grow, transform and expand our business:

- Grow. We believe opportunity remains in our desktop software business, and we intend to continue to grow this business. In particular we are offering product suites with improved interoperability and usability to enhance our customers' productivity and effectiveness. We are continuing to develop new ways to deliver capability and value to our customers, including flexible license and service offerings, product suites and cloud and social-based services, to better match the business needs of our customers. We will continue to emphasize developing relationships with large, global customers and pursuing opportunities in emerging economies.

- Transform. At the same time we grow our desktop software business, we are migrating many of our products to the cloud. This entails development of new cloud computing infrastructure and redesigning our applications to leverage the cloud. We are also developing new capabilities that are enabled by the cloud such as collaborative Product Lifecycle Management ("PLM"), Business Information Modeling ("BIM") and online simulation. Our goal is to lead our industry in transitioning to the cloud, and use cloud services to provide more value to new and existing subscribers.

- Expand. We believe that the combination of cloud, social and mobile computing affords us the opportunity to expand our business into new markets and extend the value of our customers' digital design information into visualization, analysis and simulation. We have added new customers through our products and services that are delivered and experienced through the web, cloud and mobile devices providing our advanced visualization technologies to consumers - a whole new category of Autodesk customer. We intend to continue to develop our business to both add new customers and find new capabilities to incorporate in our core business.

We believe that expanding our products' portfolios to include our suites presents a meaningful growth opportunity and is an important part of our overall strategy. As our customers in all industries adopt our design suites, we believe they will experience an increase in their productivity and the value of their design data. For the three and nine months ended October 31, 2013, revenue from suites increased 21% and 16%, respectively, as compared to the same period in the prior fiscal year. As a percentage of revenue, suites consisted of 36% and 34% of our net revenue in the three and nine months ended October 31, 2013, respectively, as compared to 30% and 29% of our net revenue in the three and nine months ended October 31, 2012, respectively.

Expanding our geographic coverage is another key element of our growth strategy. Much of the growth in the world's construction and manufacturing is happening in emerging economies. Further, emerging economies face many of the challenges that our design technology can help address, for example infrastructure build-out. Revenue from emerging economies increased 6% and decreased 1% during the three and nine months ended October 31, 2013, respectively, as compared to the same periods of the prior fiscal year. We believe that emerging economies continue to present long-term growth opportunities for us. Revenue from emerging countries represented 15% of net revenue for all periods presented. While we believe there are long-term growth opportunities in emerging economies, conducting business in these countries presents significant challenges, including economic volatility, geopolitical risk, local competition, intellectual property protection, poorly developed business infrastructure, scarcity of talent, software piracy and different purchase patterns as compared to the developed world.

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

By innovating within existing technology categories, we bring powerful new design capabilities to volume markets. Our products are designed to be easy-to-learn and use, and to provide customers with a low cost of deployment, a low total cost of access to our software offerings, and a rapid return on investment. In addition, our software architecture allows for extensibility and integration with other products. The breadth of our technology and product line gives us a unique competitive advantage, because it allows our customers to address a wide variety of problems in ways that transcend industry and disciplinary boundaries. This is particularly important in helping our customers address the complex challenges mentioned above. We also believe that our technological leadership and global brand recognition have positioned us well for long-term growth and industry leadership.

In addition to the competitive advantages afforded by our technology, our large global network of distributors, resellers, third-party developers, customers, educational institutions, faculty and students is a key competitive advantage. This network of relationships provides us with a broad and deep reach into volume markets around the world. Our distributor and reseller network is extensive and provides our customers with the resources to purchase,

deploy, learn, and support our products quickly and easily. We have a significant number of registered third-party developers who create products that work well with our products and extend them for a variety of specialized applications.

We offer extensive educational programs supporting our software and services that include providing educational licenses for our software to all students and teachers for little or no fees. For example, beginning the three months ended April 30, 2013, we initiated a new program granting software licenses to educational institutions in select regions and to key partners. Through our partners, we offer curricula and faculty development opportunities to educational institutions worldwide. Through these programs we intend to further Science, Technology, Engineering and Math (STEM) education initiatives. With an

extensive global community of students who are experienced with our software and poised to become the next generation of professional users, our goal is to reduce the cost of training and education of new talent for our customers.

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

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

Critical Accounting Policies and Estimates

Our Condensed Consolidated Financial Statements are prepared in conformity with U.S. generally accepted accounting principles. In preparing our Condensed Consolidated Financial Statements, we make assumptions, judgments and estimates that can have a significant impact on amounts reported in our Condensed Consolidated Financial Statements. We base our assumptions, judgments and estimates on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. We regularly reevaluate our assumptions, judgments and estimates. Our significant accounting policies are described in Note 1, “Business and Summary of Significant Accounting Policies,” in the Notes to Consolidated Financial Statements in our Form 10-K for the fiscal year ended January 31, 2013. In addition, we highlighted those policies that involve a higher degree of judgment and complexity with further discussion in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in such Form 10-K. We believe these policies are the most critical to aid in fully understanding and evaluating our financial condition and results of operations. Updates on the relevant periodic financial disclosures related to these policies are provided below.

Income Taxes. At October 31, 2013 we had $171.8 million of net deferred tax assets, primarily a result of tax credits, net operating losses, capital losses, and timing differences for reserves, accrued liabilities, stock options and restricted stock units, fixed assets, deferred revenue, deferred compensation, purchased technologies and capitalized intangibles, partially offset by the establishment of U.S. deferred tax liabilities on unremitted earnings from certain foreign subsidiaries, deferred tax liabilities associated with tax method changes, and valuation allowances against U.S. and Canadian deferred tax assets. We perform a quarterly assessment of the recoverability of these net deferred tax assets and believe that we will generate sufficient future taxable income in appropriate tax jurisdictions to realize the net deferred tax assets. Our judgments regarding future profitability may change due to future market conditions and other factors. Any change in future profitability may require material adjustments to these net deferred tax assets, resulting in a reduction in net income in the period when such determination is made. We believe our tax positions, including intercompany transfer pricing policies, are consistent with the tax laws in the jurisdictions in which we conduct our business. It is possible that these positions may be challenged by jurisdictional tax authorities and that such challenges may have a significant impact on our effective tax rate.

Overview of the Three and Nine Months Ended October 31, 2013

(in millions)	Three Months Ended October 31, 2013	As a % of Net Revenue		Three Months Ended October 31, 2012	As a % of Net Revenue	
Net Revenue	$555.2	100	%	$548.0	100	%
Cost of revenue	67.1	12	%	57.9	11	%
Gross Profit	488.1	88	%	490.1	89	%
Operating expenses	420.0	76	%	455.7	83	%
Income from Operations	$68.1	12	%	$34.4	6	%

(in millions)	Nine Months Ended October 31, 2013	As a % of Net Revenue		Nine Months Ended October 31, 2012	As a % of Net Revenue	
Net Revenue	$1,687.3	100	%	$1,705.3	100	%
Cost of revenue	202.4	12	%	176.5	10	%
Gross Profit	1,484.9	88	%	1,528.8	90	%
Operating expenses	1,251.8	74	%	1,307.5	77	%
Income from Operations	$233.1	14	%	$221.3	13	%

Our results in the three and nine months ended October 31, 2013, as compared to the same periods in the prior fiscal year, were driven by growth in our Architecture, Engineering and Construction (“AEC”), and Manufacturing (“MFG”) segments and in our suites. Offsetting this growth were mixed results from other parts of our business such as decreases in revenue from our major products, ACAD and ACAD LT, our Platform Solutions and Emerging Business (“PSEB”) and Media and Entertainment (“M&E”) segments and some of our geographic areas during the three and nine months ended October 31, 2013 as compared to the same periods in the prior fiscal year. Negatively impacting revenue, especially within the Asia Pacific ("APAC") geography, between the three and nine months ended October 31, 2013 and the same periods in the prior fiscal year were changes in foreign currency rates. In addition, our strategic decision for our educational program to begin granting software licenses to educational institutions in select regions and to key partners negatively impacted revenue, especially within the Americas geography, between the three and nine months ended October 31, 2013 and the same periods in the prior fiscal year.

During the three months ended October 31, 2013, as compared to the same period in the prior fiscal year, net revenue increased 1%, gross profit remained flat and income from operations increased 98%. During the nine months ended October 31, 2013, as compared to the same period in the prior fiscal year, net revenue decreased 1%, gross profit decreased 3% and income from operations increased 5%. Contributing to the year over year impact to revenue during the three months ended October 31, 2013 were increases in subscription revenue partially offset by decreases in license and other revenue. Contributing to the year over year impact to revenue during the nine months ended October 31, 2013 were decreases in license and other revenue partially offset by increases in subscription revenue.

The reasons for these changes are discussed below under the heading “Results from Operations.”

Revenue Analysis

Revenue from flagship products was 50% and 52% of total net revenue during the three and nine months ended October 31, 2013, respectively, a decrease of 9% and 10%, respectively, as compared to the same periods in the prior fiscal year. Revenue from suites was 36% and 34% of total net revenue for the three and nine months ended October 31, 2013, an increase of 21% and 16%, respectively, as compared to the same periods in the prior fiscal year. Revenue from new and adjacent products was 15% and 14% of total net revenue for the three and nine months ended

October 31, 2013, respectively, and remained flat in the three and nine months ended October 31, 2013 as compared to the three and nine months ended October 31, 2012. We anticipate that, as our new and existing customers migrate from our stand-alone products, our revenue from suites will increase as a percentage of revenue and that our revenue from our flagship and new and adjacent products will continue to decline as a percentage of revenue.

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 24% and 25% of our consolidated net revenue during the three and nine months ended October 31, 2013, respectively, as compared to 24% and 23% in the three and nine months ended October 31, 2012, respectively. We believe our business is not substantially dependent on Tech Data. Our customers through Tech Data are the resellers and end users who purchase our software licenses and services. Should any of the agreements between Tech Data and us be terminated for any reason, we believe the resellers and end users who currently

purchase our products through Tech Data would be able to continue to do so under substantially the same terms from one of our many other distributors without substantial disruption to our revenue.

Operating Margin Analysis

Income from operations increased 98% in the three months ended October 31, 2013 due to a $35.7 million or 8% decline in our operating expenses and a $7.2 million or 1% increase in net revenue partially offset by a $9.2 million or 16% increase in cost of revenue, as compared to the same period in the prior fiscal year. Our operating margin increased to 12% for the three months ended October 31, 2013 from 6% for the three months ended October 31, 2012. The decrease in operating expenses and the corresponding increase in operating margin was primarily related to lower restructuring charges and stock-based compensation expense partially offset by an increase in employee-related costs related to fringe benefits, salaries and commissions during the three months ended October 31, 2013.

Income from operations increased 5% in the nine months ended October 31, 2013 due to a $55.7 million or 4% decline in our operating expenses partially offset by a $25.9 million or 15% increase in cost of revenue and an $18.0 million or 1% decline in net revenue, as compared to the same period in prior fiscal year. Our operating margin increased to 14% for the nine months ended October 31, 2013 from 13% for the nine months ended October 31, 2012. The decrease in operating expenses and the corresponding increase in operating margin was primarily related to lower restructuring charges and stock-based compensation expense.

Impacting the comparison between the three and nine months ended October 31, 2013 and the same periods in the prior fiscal year was the world-wide restructuring plan ("Fiscal 2013 Plan") approved by the Company during the three months ended October 31, 2012 and the one-time stock-based compensation expense associated with the acquisition of Socialcam during the three months ended October 31, 2012.

Further discussion regarding the cost of goods sold and operating expense activities are discussed below under the heading “Results of Operations.”

Foreign Currency Analysis

We generate a significant amount of our revenue in the U.S., Japan, Germany, the United Kingdom and France. Our revenue was negatively impacted by foreign exchange rate changes during both the three and nine months ended October 31, 2013, as compared to the same periods in the prior fiscal year. Had applicable exchange rates from the three and nine months ended October 31, 2012 been in effect during the three and nine months ended October 31, 2013 and had we excluded foreign exchange hedge gains and losses from the three and nine months ended October 31, 2013, (“on a constant currency basis”), net revenue would have increased 4% and 2% during the three and nine months ended October 31, 2013, respectively, as compared to the same periods in the prior fiscal year.

Our total spend, defined as cost of revenue plus operating expenses, during the three and nine months ended October 31, 2013 declined 5% and 2%, respectively, on an as reported basis as compared to the same periods in the prior fiscal year. Had applicable exchange rates from the three months ended October 31, 2012 been in effect during the three months ended October 31, 2013 and had we excluded foreign exchange hedge gains and losses from the three months ended October 31, 2013, total spend would have been minimally impacted by foreign exchange rate changes and would have decreased 5% on a constant currency basis compared to the same period in the prior fiscal year. Had applicable exchange rates from the nine months ended October 31, 2012 been in effect during the nine months ended October 31, 2013 and had we excluded foreign exchange hedge gains and losses from the nine months ended October 31, 2013, total spend would have benefited from foreign exchange rates changes and would have decreased 1% on a constant currency basis compared to the same period in the prior fiscal year.

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

Balance Sheet and Cash Flow Items

At October 31, 2013, we had $2,479.0 million in cash and marketable securities. We completed the nine months ended October 31, 2013 with lower deferred revenue and accounts receivable balances as compared to the end of the fiscal year ended January 31, 2013. Our deferred revenue balance at October 31, 2013 included $698.7 million of deferred subscription revenue

primarily related to customer maintenance contracts, which will be recognized as revenue ratably over the life of the contracts. The term of our maintenance contracts is typically between one and three years. Our cash flow from operations decreased 6% to $380.0 million as of October 31, 2013 from $403.5 million at October 31, 2012. We repurchased 2.0 million shares of our common stock for $78.9 million during the three months ended October 31, 2013. Comparatively, we repurchased 4.0 million shares of our common stock for $130.2 million during the three months ended October 31, 2012. We repurchased 8.3 million shares of our common stock for $318.7 million during the nine months ended October 31, 2013. Comparatively, we repurchased 9.9 million shares of our common stock for $340.5 million during the nine months ended October 31, 2012. Further discussion regarding the balance sheet and cash flow activities are discussed below under the heading “Liquidity and Capital Resources.”

Business Outlook

Autodesk's business model is evolving. We continue to assess current business offerings including introducing more flexible license and service offerings that have ratable revenue streams, such as rental license and cloud-based offerings. The accounting impact of these offerings and other business decisions are expected to result in an increase in the percentage of our ratable revenue, making for a more predictable business over time, while correspondingly reducing our upfront perpetual revenue stream. Over time, we expect our business model transition to expand our customer base by eliminating higher up-front licensing costs and providing more flexibility with how they use our products. However, we expect the business model transition to cause our traditional upfront perpetual license revenue to decline without a corresponding decrease in expenses. In the future, we expect this business model transition will increase our long-term revenue growth rate by increasing the lifetime value of our subscribers and increasing our subscriber base over time. Additionally, the shift is expected to increase the amount of our recurring revenue that is ratably reported over the next several years.

We expect net revenue for the fourth quarter of fiscal 2014 will be from $560 million to $580 million, and that GAAP diluted earnings per share will range from $0.09 to $0.16 while non-GAAP diluted earnings per share will range from $0.29 to $0.36. Non-GAAP earnings per diluted share exclude $0.11 related to stock-based compensation expense, $0.07 for the amortization of acquisition related intangibles and $0.02 related to restructuring charges. We expect net revenue for the full fiscal year 2014 will be from $2,247 million to $2,267 million, and that GAAP diluted earnings per share will range from $0.84 to $0.90 while non-GAAP diluted earnings per share will range from $1.55 to $1.61. Non-GAAP earnings per diluted share exclude $0.41 related to stock-based compensation expense, $0.26 for the amortization of acquisition related intangibles and $0.04 related to restructuring charges. Our revenue assumptions for both the fourth quarter and full fiscal year 2014 include the impact of approximately $50 million from the business model transition as revenue that would have otherwise been recognized during this period will be deferred. Deferred revenue is expected to increase by an equivalent amount related to this transition.

We remain diligent about managing our spend while making essential investments to drive growth. If we are unable to successfully achieve our major business initiatives we may not achieve our financial goals.

Results of Operations

Net Revenue

(in millions)	Three Months Ended October 31, 2013	Increase/(Decrease) compared to prior fiscal year		Three Months Ended October 31, 2012	Nine Months Ended October 31, 2013	Increase/(Decrease) compared to prior fiscal year		Nine Months Ended October 31, 2012
		$	%			$	%	
Net Revenue:								
License and other	$297.5	$ (12.7)	(4)%	$310.2	$934.2	$ (65.2)	(7)%	$999.4
Subscription	257.7	19.9	8 %	237.8	753.1	47.2	7 %	705.9
	$555.2	$ 7.2	1 %	$548.0	$1,687.3	$ (18.0)	(1)%	$1,705.3
Net Revenue by Geographic Area:								
Americas	$208.3	$ (1.1)	(1)%	$209.4	$612.1	$ (3.4)	(1)%	$615.5
Europe, Middle East and Africa	204.4	8.1	4 %	196.3	622.4	(7.9)	(1)%	630.3
Asia Pacific	142.5	0.2	— %	142.3	452.8	(6.7)	(1)%	459.5
	$555.2	$ 7.2	1 %	$548.0	$1,687.3	$ (18.0)	(1)%	$1,705.3
Net Revenue by Operating Segment:								
Platform Solutions and Emerging Business	$183.4	$ (19.8)	(10)%	$203.2	$593.4	$ (52.6)	(8)%	$646.0
Architecture, Engineering and Construction	185.9	21.3	13 %	164.6	535.1	42.2	9 %	492.9
Manufacturing	142.0	10.2	8 %	131.8	425.1	6.3	2 %	418.8
Media and Entertainment	43.9	(4.5)	(9)%	48.4	133.7	(13.9)	(9)%	147.6
	$555.2	$ 7.2	1 %	$548.0	$1,687.3	$ (18.0)	(1)%	$1,705.3

License and Other Revenue

License and other revenue consists of two components: all forms of product license revenue and other revenue. Product license revenue includes: software license revenue from the sale of new seat licenses and upgrades and product revenue for Creative Finishing. Other revenue includes revenue from consulting, training, Autodesk Developers Network and Creative Finishing customer support, and is recognized over time, as the services are performed.

Total License and other revenue decreased 4% during the three months ended October 31, 2013, as compared to the three months ended October 31, 2012. This decrease was primarily due to a 4% decrease in product license revenue as compared to the same period in the prior fiscal year. The decline in product license revenue was primarily due to a decrease of 14% in revenue from our flagship products partially offset by an increase of 18% in our suites products.

During the three months ended October 31, 2013, the 4% decrease in product license revenue was due to a 22% decrease in the number of seats sold partially offset by a 18% increase in the average net revenue per seat. Product license revenue, as a percentage of License and other revenue, was 83% for the three months ended October 31, 2013 and 82% for the three months ended October 31, 2012.

During the three months ended October 31, 2013, total other revenue represented 17% of License and other revenue. Other revenue decreased by 6% during the three months ended October 31, 2013, as compared to the three months ended October 31, 2012 primarily due to a 60% decrease in our education products as a result of our transition to granting software licenses to educational institutions in select regions and to key partners during the three months

ended October 31, 2013, consistent with our strategy.

Total License and other revenue decreased 7% during the nine months ended October 31, 2013, as compared to the nine months ended October 31, 2012. This decrease was primarily due to a 6% decrease in product license revenue as compared to the same period in the prior fiscal year. The decline in product license revenue was primarily due to a 15% decrease in revenue from our flagship products partially offset by a 14% increase in our suites products.

During the nine months ended October 31, 2013, the 6% decrease in product license revenue was due to a 27% decrease in the number of seats sold partially offset by a 21% increase in the average net revenue per seat. Product license revenue, as a percentage of License and other revenue, was 84% for both the nine months ended October 31, 2013 and 2012.

During the nine months ended October 31, 2013, total other revenue represented 16% of License and other revenue. Other revenue decreased by 8% during the nine months ended October 31, 2013, as compared to the nine months ended October 31, 2012 primarily due to a 60% decrease in our education products as a result of our transition to granting software licenses to educational institutions in select regions and to key partners during the nine months ended October 31, 2013, consistent with our strategy.

Backlog related to current software license product orders that had not shipped at the end of the quarter decreased by $17.7 million during the nine months ended October 31, 2013 from $20.0 million at January 31, 2013 to $2.3 million at October 31, 2013. 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.

Subscription Revenue

Our Subscription revenue consists of two components: maintenance revenue for our software products and revenue for our cloud service offerings, including Autodesk 360. Our maintenance program provides our commercial and educational customers with a cost effective and predictable budgetary option to obtain the productivity benefits of our new releases and enhancements when and if released during the term of their contracts. Under our maintenance program, customers are eligible to receive unspecified upgrades when and if available, downloadable training courses and online support. We recognize maintenance revenue ratably over the term of the maintenance agreement, which is generally between one and three years but can occasionally be as long as five years. Revenue for our cloud service offerings is recognized ratably over the contract term commencing with the date our service is made available to customers and all other revenue recognition criteria have been satisfied.

Subscription revenue increased 8% during the three months ended October 31, 2013, as compared to the three months ended October 31, 2012, primarily due to a 10% increase in commercial maintenance revenue. The 10% increase in commercial maintenance revenue was due to a 5% increase from commercial enrollment during the corresponding maintenance contract term and a 5% increase from net revenue per maintenance seat. Commercial maintenance revenue represented 96% and 94% of Subscription revenue for the three months ended October 31, 2013 and 2012, respectively.

Subscription revenue increased 7% during the nine months ended October 31, 2013, as compared to the nine months ended October 31, 2012, primarily due to an 8% increase in commercial maintenance revenue. The 8% increase in commercial maintenance revenue was due to a 4% increase from commercial enrollment during the corresponding maintenance contract term and a 4% increase from net revenue per maintenance seat. Commercial maintenance revenue represented 95% and 94% of Subscription revenue for the nine months ended October 31, 2013 and 2012, respectively.

Changes in Subscription revenue lag changes in net billings for subscription contracts because we recognize the revenue from those contracts ratably over their contract terms. Net subscription billings increased 11% during the three months ended October 31, 2013 as compared to the same period in the prior fiscal year primarily due to an increase in multi-year maintenance subscriptions (related to a pricing change in the third fiscal quarter last year, which drove early renewal activity in the second fiscal quarter of last year) and an increase in billings from suites, which have higher maintenance subscription prices. Net subscription billings decreased 2% during the nine months ended

October 31, 2013 as compared to the same periods in the prior fiscal year primarily due to a decline in multi-year maintenance subscription partially offset by an increase in sales of suites, which have higher maintenance subscription prices.

Our deferred subscription revenue balance at October 31, 2013 and January 31, 2013 was $698.7 million and $753.1 million, respectively, and primarily related to customer maintenance agreements, which will be recognized as revenue ratably over the term of the maintenance agreement.

Net Revenue by Geographic Area

Net revenue in the Americas geography decreased by 1% and remained flat on a constant currency basis, during the three months ended October 31, 2013, as compared to the same period in the prior fiscal year. This increase was primarily due to a 12% decrease in our flagship product revenue partially offset by a 19% increase in our suites revenue in this geography during

the three months ended October 31, 2013 as compared to the three months ended October 31, 2012. The decrease in our revenue in this geography was led by the U.S. partially offset by an increase in revenue from Canada.

Net revenue in the Americas geography decreased by 1% on as reported basis and on a constant currency basis, during the nine months ended October 31, 2013, as compared to the same period in the prior fiscal year. This decrease was primarily due to a 9% decrease in our flagship products in this geography partially offset by a 10% increase in our suites revenue during the nine months ended October 31, 2013 as compared to the nine months ended October 31, 2012. The decrease in our revenue in this geography was led by Canada and Brazil partially offset by an increase in revenue from the U.S.

Net revenue in the Europe, Middle East and Africa ("EMEA") geography increased by 4%, and increased 5% on a constant currency basis, during the three months ended October 31, 2013 as compared to the same period in the prior fiscal year. This increase was primarily due to a 30% increase in our suites products partially offset by a 9% decrease in our flagship products in this geography during the three months ended October 31, 2013 as compared to the three months ended October 31, 2012. The increase in our revenue in this geography was led by the United Kingdom and Finland partially offset by declines in revenue from Ireland and Switzerland.

Net revenue in the EMEA geography decreased by 1%, and increased by 2% on a constant currency basis, during the nine months ended October 31, 2013 as compared to the same period in the prior fiscal year. This decrease was primarily due to a 13% decrease in our flagship products in this geography partially offset by a 24% increase in our suites products during the nine months ended October 31, 2013 as compared to the nine months ended October 31, 2012. The decrease in our revenue in this geography was led by Ireland, Sweden and Italy partially offset by an increase in revenue from Finland and the United Kingdom.

Net revenue in the APAC geography remained flat and increased by 7% on a constant currency basis, during the three months ended October 31, 2013, as compared to the same period in the prior fiscal year, primarily due to a 10% increase in our suites products partially offset by a 4% decrease in our flagship products in this geography. Our revenue in this geography during the three months ended October 31, 2013 was impacted by increases in revenue from China, Malaysia and Singapore offset by a decline in revenue in Japan.

Net revenue in the APAC geography decreased by 1% and increased by 4% on a constant currency basis, during the nine months ended October 31, 2013, as compared to the same period in the prior fiscal year. This decrease was primarily due to a 6% decrease in our flagship products in this geography partially offset by a 12% increase in our suites products during the nine months ended October 31, 2013 as compared to the nine months ended October 31, 2012. The decrease in our revenue in this geography during the nine months ended October 31, 2013 was led by Japan, Taiwan, and Australia partially offset by an increase in revenue from China, Indonesia and Singapore.

Net revenue in emerging economies increased by 6% during the three months ended October 31, 2013 as compared to the same period in the prior fiscal year, primarily due to increases in revenue from China, Hungary and Qatar partially offset by a decrease in revenue from Mexico. Revenue from emerging economies represented 15% of total net revenue for both the three months ended October 31, 2013 and 2012.

Net revenue in emerging economies decreased by 1% during the nine months ended October 31, 2013 as compared to the same period in the prior fiscal year, primarily due to decreases in revenue from the Russian Federation and Taiwan partially offset by an increase in revenue from China. Revenue from emerging economies represented 15% of total net revenue during both the nine months ended October 31, 2013 and 2012.

International net revenue represented 69% and 70% of our total net revenue for the three and nine months ended October 31, 2013, respectively. International net revenue represented 68% and 71% of our total net revenue for the

three and nine months ended October 31, 2012, respectively. We believe that international revenue will continue to comprise a majority of our total net revenue. Unfavorable economic conditions in the countries that contribute a significant portion of our net revenue, including in emerging economies, may have an adverse effect on our business in those countries and our overall financial performance. Changes in the value of the U.S. dollar relative to other currencies have significantly affected, and could continue to significantly affect, our financial results for a given period even though we hedge a portion of our current and projected revenue. Additionally, weak global economic conditions that have been characterized by restructuring of sovereign debt, high unemployment, and volatility in the financial markets may impact our future financial results.

Net Revenue by Operating Segment

We have four reportable segments: PSEB, AEC, MFG and M&E. We have no material inter-segment revenue.

During the three months ended October 31, 2013, net revenue for PSEB decreased by 10% as compared to the same period of the prior fiscal year primarily due to a 12% and 9% decrease in revenue from our flagship products, AutoCAD LT and AutoCAD, respectively. During the nine months ended October 31, 2013, net revenue for PSEB decreased by 8% as compared to the same period of the prior fiscal year primarily due to a 10% and 7% decrease in revenue from our flagship products, AutoCAD and AutoCAD LT, respectively.

During the three months ended October 31, 2013, net revenue for AEC increased by 13% as compared to the same period of the prior fiscal year primarily due to a 42% increase in revenue from our AEC suites, which was primarily driven by Autodesk Building Design Suite and Autodesk Infrastructure Design Suite. During the nine months ended October 31, 2013, net revenue for AEC increased by 9% as compared to the same period of the prior fiscal year primarily due to a 30% increase in revenue from our AEC suites, which was primarily driven by Autodesk Building Design Suite and Autodesk Infrastructure Design Suite.

During the three months ended October 31, 2013, net revenue for MFG increased by 8% as compared to the same period of the prior fiscal year primarily due to an 11% increase in revenue from our MFG suites, which was primarily driven by the Autodesk Product Design Suite. During the nine months ended October 31, 2013, net revenue for MFG increased by 2% as compared to the same period of the prior fiscal year primarily due to an 11% increase in revenue from our MFG suites, which was primarily driven by the Autodesk Product Design Suite partially offset by a 23% decrease in revenue from our flagship product, AutoCAD Mechanical.

During the three months ended October 31, 2013, net revenue for M&E decreased by 9% as compared to the same period in the prior fiscal year, primarily due to a 22% decrease in revenue from Creative Finishing and a 5% decrease in revenue from Animation. The decline in Creative Finishing was marked by a general decrease in M&E industry end-market demand. The decrease in Animation revenue was primarily due to a 9% decrease in revenue from our flagship product, Maya and a 12% decrease from our M&E suites, which was driven by our Autodesk Entertainment Creation Suite. During the nine months ended October 31, 2013, net revenue for M&E decreased by 9% as compared to the same period in the prior fiscal year, primarily due to an 8% decrease in revenue from Animation and a 13% decrease in revenue from Creative Finishing. The decrease in Animation revenue was primarily due to a 17% decrease in revenue from our M&E suites, which was driven by our Autodesk Entertainment Creation Suite, a 9% decrease in revenue from each of our flagship products, Maya and 3Ds Max. The decline in Creative Finishing was marked by a general decrease in M&E industry end-market demand. As more of our customers move to our suites products, our revenue on stand-alone products like 3Ds Max may decrease because it is included in a number of our various segments' suites. Integration of our M&E offerings into our other segments' suites is part of our strategy and we believe it represents a growth opportunity for us over the long-term.

Cost of Revenue and Operating Expenses

Cost of Revenue

(in millions)	Three Months Ended October 31, 2013	Increase compared to prior fiscal year			Three Months Ended October 31, 2012	Nine Months Ended October 31, 2013	Increase compared to prior fiscal year			Nine Months Ended October 31, 2012
		$	%				$	%		
Cost of revenue:										
License and other	$43.4	$2.1	5	%	$41.3	$130.6	$6.0	5	%	$124.6
Subscription	23.7	7.1	43	%	16.6	71.8	19.9	38	%	51.9
	$67.1	$9.2	16	%	$57.9	$202.4	$25.9	15	%	$176.5

As a percentage of net revenue	12	%	11	%	12	%	10	%

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

Cost of license and other revenue increased 5% for both the three and nine months ended October 31, 2013, as compared to the same periods in the prior fiscal year, primarily due to an increase in Autodesk consulting related costs.

Cost of subscription revenue includes the labor costs of providing product support to our maintenance and cloud subscription customers, including rent and occupancy, shipping and handling costs, professional services fees related to operating our network infrastructure, including depreciation expense and operating lease payments associated with computer equipment, data center costs, salaries and related expenses of network operations. Cost of subscription revenue increased 43% and 38% during the three and nine months ended October 31, 2013, respectively, as compared to the same periods in the prior fiscal year, primarily due to higher cloud services-related expenses.

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

We expect cost of revenue to slightly increase in absolute dollars and as a percentage of net revenue during the fourth quarter of fiscal 2014, as compared to the fourth quarter of fiscal 2013, primarily due to an increase in cloud services-related expenses associated with meeting our major business initiatives.

Marketing and Sales

(in millions)	Three Months Ended October 31, 2013	Decrease compared to prior fiscal year $	%	Three Months Ended October 31, 2012	Nine Months Ended October 31, 2013	Decrease compared to prior fiscal year $	%	Nine Months Ended October 31, 2012
Marketing and sales	$203.4	$(0.5)	—%	$203.9	$610.3	$(29.2)	(5)%	$639.5
As a percentage of net revenue	37%			37%	36%			38%

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

Marketing and sales expenses remained flat for the three months ended October 31, 2013 as compared to the same period in the prior fiscal year primarily due to an increase in employee-related costs offset by a decrease in stock-based compensation charges. Marketing and sales expenses decreased 5% for the nine months ended October 31, 2013 as compared to the same period in the prior fiscal year primarily due to a decrease in professional fees and marketing related costs and a decrease in employee-related costs related to bonuses, salaries, commissions, and fringe benefits.

For the fourth quarter of fiscal 2014, as compared to the fourth quarter of fiscal 2013, we expect marketing and sales expense to remain relatively consistent in absolute dollars and as a percentage of net revenue.

Research and Development

	Three Months Ended	Decrease compared to prior fiscal year	Three Months Ended	Nine Months Ended	Decrease compared to prior fiscal year	Nine Months Ended

(in millions)	October 31, 2013	$	%	October 31, 2012	October 31, 2013	$	%	October 31, 2012
Research and development	$149.0	$(4.0)	(3)%	$153.0	$448.7	$(1.9)	—%	$450.6
As a percentage of net revenue	27%			28%	27%			26%

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

Research and development expenses decreased 3% during the three months ended October 31, 2013 as compared to the same period in the prior fiscal year, primarily due to a decrease in stock-based compensation expense partially offset by an increase in employee-related costs related to salaries and fringe benefits and professional fees.

Research and development expenses remained flat during the nine months ended October 31, 2013 as compared to the same period in the prior fiscal year, primarily due to a decrease in stock-based compensation expense and employee-related costs related to bonuses offset by an increase in employee-related costs related to salaries and fringe benefits, professional fees, and consulting related costs.

The decline in stock-based expense for both the three and nine months ended October 31, 2013 was impacted by the one-time stock-based compensation expense associated with the acquisition of Socialcam during the three months ended October 31, 2012.

For the fourth quarter of fiscal 2014, as compared to the fourth quarter of fiscal 2013, we expect research and development expense to slightly increase in absolute dollars and as a percentage of net revenue.

General and Administrative

	Three Months Ended	Increase compared to prior fiscal year		Three Months Ended	Nine Months Ended	Increase compared to prior fiscal year		Nine Months Ended
(in millions)	October 31, 2013	$	%	October 31, 2012	October 31, 2013	$	%	October 31, 2012
General and administrative	$63.2	$1.1	2 %	$62.1	$186.3	$5.6	3 %	$180.7
As a percentage of net revenue	11 %			11 %	11 %			11 %

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

General and administrative expenses increased 2% during the three months ended October 31, 2013 as compared to the same period in the prior fiscal year, primarily due to an increase in employee-related costs related to salaries and fringe benefits, and legal fees partially offset by a decrease in amortization of acquisition related customer relationships and trade names.
General and administrative expenses increased 3% during the nine months ended October 31, 2013 as compared to the same period in the prior fiscal year, primarily due to an increase in employee-related costs related to salaries and fringe benefits, and legal fees partially offset by a decrease in amortization of acquisition related customer relationships and trade names, and employee-related costs related to bonuses.

For the fourth quarter of fiscal 2014, as compared to the fourth quarter of fiscal 2013, we expect general and administrative expenses to remain relatively consistent in absolute dollars and as a percentage of net revenue.

Restructuring Charges, Net

	Decrease compared to		Decrease compared to	

(in millions)	Three Months Ended October 31, 2013	prior fiscal year $	prior fiscal year %	Three Months Ended October 31, 2012	Nine Months Ended October 31, 2013	prior fiscal year $	prior fiscal year %	Nine Months Ended October 31, 2012
Restructuring charges, net	$4.4	$(32.3)	(88)%	$36.7	$6.5	$(30.2)	(82)%	$36.7
As a percentage of net revenue	1%			7%	—%			2%

During the third quarter of fiscal 2014, the the Board of Directors of the Company approved a world-wide restructuring plan in order to re-balance staffing levels to better align them with the evolving needs of the business. The Company authorized plan included a reduction of approximately 85 positions and the consolidation of four leased facilities, with a total cost of approximately $15.0 million.

During the third quarter of fiscal 2013, the Board of Directors of the Company approved a world-wide restructuring plan in line with the Company's strategy, including its continuing shift to cloud and mobile computing. The approved plan included a reduction in force and the consolidation of certain leased facilities. As of October 31, 2013, the personnel and facilities related actions included in this restructuring plan were substantially complete.

During the three months ended October 31, 2013, we recorded an incremental restructuring charge associated with the Fiscal 2014 Plan of $4.4 million. During the nine months ended October 31, 2013, we recorded an incremental restructuring charge associated with both the Fiscal 2014 Plan and Fiscal 2013 Plan of $6.5 million. See Note 13, “Restructuring,” in the Notes to the Condensed Consolidated Financial Statements for further discussion.

Interest and Other Income (Expense), Net

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

	Three Months Ended October 31,		Nine Months Ended October 31,	
(in millions)	2013	2012	2013	2012
Interest and investment (expense) income, net	$(1.8)	$2.3	$(6.8)	$5.5
Loss on foreign currency	(0.2)	(2.4)	(4.5)	(0.9)
Gain (loss) on strategic investments	0.3	0.1	(1.0)	(3.8)
Other income (loss)	2.8	(0.1)	2.8	1.8
Interest and other income (expense), net	$1.1	$(0.1)	$(9.5)	$2.6

Interest and other income (expense), net, increased $1.2 million during the three months ended October 31, 2013, as compared to the same periods in the prior fiscal year, primarily due to an increase in other income associated with a Quebec ecommerce tax credit partially offset by a reduction in our interest and investment (expense) income, net. Interest and other income (expense), net, decreased $12.1 million during the nine months ended October 31, 2013, as compared to the same period in the prior fiscal year, primarily due to a reduction in our interest and investment (expense) income, net and losses on foreign currency.

The decreases in interest and investment (expense) income, net, during the three and nine months ended October 31, 2013, as compared to the same period in the prior fiscal year is primarily due to interest expense resulting from the issuance of $400.0 million aggregate principal amount of 1.95% senior notes due December 15, 2017 and $350.0 million aggregate principal amount of 3.6% senior notes due December 15, 2022, and a decrease in the fair value of our trading securities that are marked-to-market each period. Interest and investment income fluctuates based on average cash, marketable securities and debt balances, average maturities and interest rates.

Gains and losses on foreign currency are primarily due to the impact of re-measuring foreign currency transactions and net monetary assets into the functional currency of the corresponding entity. The amount of the gain or loss on foreign currency is driven by the volume of foreign currency transactions and the foreign currency exchange rates for the period.

Provision for Income Taxes

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

Our effective tax rate was 17% and 22% during the three and nine months ended October 31, 2013, respectively, compared to 14% and 23% during the three and nine months ended October 31, 2012, respectively. Our effective tax rate increased 3% during the three months ended October 31, 2013 as compared to the same period in the prior fiscal year primarily due to adjustments related to tax return filings partially offset by stock-based compensation expense. Our effective tax rate decreased 1% during the nine months ended October 31, 2013 as compared to the same period in the prior fiscal year primarily due to foreign income taxed at lower rates and tax benefits from the reinstated federal research credit. Excluding the impact of discrete tax items, the effective tax rate for each of the three and nine month periods ended October 31, 2013 was 22% and was lower than the Federal statutory tax rate of 35% primarily due to foreign income taxed at lower rates partially offset by the impact of non-deductible stock based compensation expense.

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

At October 31, 2013, we had net deferred tax assets of $171.8 million. We believe that we will generate sufficient future taxable income in appropriate tax jurisdictions to realize these assets.

Other Financial Information

In addition to our results determined under U.S. generally accepted accounting principles ("GAAP") discussed above, we believe the following non-GAAP measures are useful to investors in evaluating our operating performance. For the three and nine months ended October 31, 2013, and 2012, our gross profit, gross margin, income from operations, operating margin, net income and diluted earnings per share on a GAAP and non-GAAP basis were as follows (in millions except for gross margin, operating margin and per share data):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2013	2012	2013	2012
	(Unaudited)		(Unaudited)	
Gross profit	$488.1	$490.1	$1,484.9	$1,528.8
Non-GAAP gross profit	$500.3	$501.3	$1,521.8	$1,561.9
Gross margin	88%	89%	88%	90%
Non-GAAP gross margin	90%	91%	90%	92%
Income from operations	$68.1	$34.4	$233.1	$221.3
Non-GAAP income from operations	$122.3	$146.7	$395.8	$435.6
Operating margin	12%	6%	14%	13%
Non-GAAP operating margin	22%	27%	23%	26%
Net income	$57.6	$29.4	$174.9	$172.9
Non-GAAP net income (1)	$94.3	$109.0	$292.4	$329.2
Diluted earnings per share (2)	$0.25	$0.13	$0.77	$0.75
Non-GAAP diluted earnings per share (1) (2)	$0.41	$0.47	$1.28	$1.42

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

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

For our internal budgeting and resource allocation process and as a means to evaluate period-to-period comparisons, we use non-GAAP measures to supplement our consolidated financial statements presented on a GAAP basis. These non-GAAP measures do not include certain items that may have a material impact upon our reported financial results. We use non-GAAP measures in making operating decisions because we believe those measures provide meaningful supplemental information regarding our earning potential and performance for management by excluding certain

expenses and charges that may not be indicative of our core business operating results. For the reasons set forth below, we believe these non-GAAP financial measures are useful to investors both because (1) they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making and (2) they are used by our institutional investors and the analyst community to help them analyze the health of our business. This allows investors and others to better understand and evaluate our operating results and future prospects in the same manner as management, compare financial results across accounting periods and to those of peer companies and to better understand the long-term performance of our core business. We also use some of these measures for purposes of determining company-wide incentive compensation.

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

Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures

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

	Three Months Ended October 31,				Nine Months Ended October 31,			
	2013 (Unaudited)		2012		2013 (Unaudited)		2012	
Gross profit	$488.1		$490.1		$1,484.9		$1,528.8	
Stock-based compensation expense	1.4		1.3		4.3		3.8	
Amortization of purchased intangibles	10.8		9.9		32.6		29.3	
Non-GAAP gross profit	$500.3		$501.3		$1,521.8		$1,561.9	
Gross margin	88	%	89	%	88	%	90	%
Stock-based compensation expense	—	%	—	%	—	%	—	%
Amortization of purchased intangibles	2	%	2	%	2	%	2	%
Non-GAAP gross margin	90	%	91	%	90	%	92	%
Income from operations	$68.1		$34.4		$233.1		$221.3	
Stock-based compensation expense	31.6		51.9		96.1		118.8	
Amortization of purchased intangibles	18.2		23.7		60.1		58.8	
Restructuring charges	4.4		36.7		6.5		36.7	
Non-GAAP income from operations	$122.3		$146.7		$395.8		$435.6	
Operating margin	12	%	6	%	14	%	13	%
Stock-based compensation expense	6	%	10	%	6	%	7	%
Amortization of purchased intangibles	3	%	4	%	3	%	4	%
Restructuring charges	1	%	7	%	—	%	2	%
Non-GAAP operating margin	22	%	27	%	23	%	26	%
Net income	$57.6		$29.4		$174.9		$172.9	
Stock-based compensation expense	31.6		51.9		96.1		118.8	
Amortization of purchased intangibles	18.2		23.7		60.1		58.8	
Restructuring charges	4.4		36.7		6.5		36.7	
(Gain) Loss on strategic investments (1)	(0.3	)	(0.1	)	1.0		3.8	
Discrete tax provision items	(3.0	)	(15.4	)	(2.3	)	(19.0	)
Income tax effect of non-GAAP adjustments	(14.2	)	(17.2	)	(43.9	)	(42.8	)
Non-GAAP net income	$94.3		$109.0		$292.4		$329.2	
Diluted net income per share (2)	$0.25		$0.13		$0.77		$0.75	
Stock-based compensation expense	0.14		0.23		0.42		0.51	
Amortization of purchased intangibles	0.07		0.10		0.26		0.26	
Restructuring charges	0.02		0.15		0.03		0.15	
(Gain) Loss on strategic investments (1)	—		—		—		0.02	
Discrete tax provision items	(0.01	)	(0.07	)	(0.01	)	(0.09	)
Income tax effect of non-GAAP adjustments	(0.06	)	(0.07	)	(0.19	)	(0.18	)
Non-GAAP diluted net income per share (2)	$0.41		$0.47		$1.28		$1.42	

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

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

Our non-GAAP financial measures may exclude the following:

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

periods. Moreover, because of varying available valuation methodologies, subjective assumptions and the variety of award types that companies can use under FASB

ASC Topic 718, we believe excluding stock-based compensation expenses allows investors to make meaningful comparisons between our recurring core business operating results and those of other companies.

Amortization of purchased intangibles. We incur amortization of acquisition-related purchased intangible assets in connection with acquisitions of certain businesses and technologies. Amortization of intangible assets is inconsistent in amount and frequency and is significantly affected by the timing and size of our acquisitions. Management finds it useful to exclude these variable charges to assess the appropriate level of various operating expenses to assist in budgeting, planning and forecasting future periods. Investors should note that the use of intangible assets contributed to our revenues earned during the periods presented and will contribute to our future period revenues as well. Amortization of purchased intangible assets will recur in future periods.

Goodwill impairment. This is a non-cash charge to write-down goodwill to fair value when there was an indication that the asset was impaired. As explained above, management finds it useful to exclude certain non-cash charges to assess the appropriate level of various operating expenses to assist in budgeting, planning and forecasting future periods.

Restructuring charges (benefits), net. These expenses are associated with realigning our business strategies based on current economic conditions. In connection with these restructuring actions, we recognize costs related to termination benefits for former employees whose positions were eliminated, and the closure of facilities and cancellation of certain contracts. We exclude these charges because these expenses are not reflective of ongoing business and operating results. We believe it is useful for investors to understand the effects of these items on our total operating expenses.

(Gain) loss on strategic investments. We exclude gains and losses related to our strategic investments from our non-GAAP measures primarily because management finds it useful to exclude these variable gains and losses on these investments in assessing our financial results. Included in these amounts are non-cash unrealized gains and losses on the derivative components and realized gains and losses on the sale or losses on the impairment of these investments. We believe excluding these items is useful to investors because these excluded items do not correlate to the underlying performance of our business and these losses or gains were incurred in connection with strategic investments which do not occur regularly.

Establishment of a valuation allowance on certain net deferred tax assets. This is a non-cash charge to record a valuation allowance on certain deferred tax assets. As explained above, management finds it useful to exclude certain non-cash charges to assess the appropriate level of various cash expenses to assist in budgeting, planning and forecasting future periods.

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

Income tax effects on the difference between GAAP and non-GAAP costs and expenses. The income tax effects that are excluded from the non-GAAP measures relate to the tax impact on the difference between GAAP and non-GAAP

expenses, primarily due to stock-based compensation, purchased intangibles and restructuring for GAAP and non-GAAP measures.

Liquidity and Capital Resources

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

At October 31, 2013, our principal sources of liquidity were cash, cash equivalents and marketable securities totaling $2,479.0 million and net accounts receivable of $304.1 million.

In fiscal 2013, we issued $400.0 million aggregate principal amount of 1.95% senior notes due December 15, 2017 and $350.0 million aggregate principal amount of 3.6% senior notes due December 15, 2022, (collectively, the “Senior Notes”). As of December 6, 2013, we have $750.0 million aggregate principal amount of Senior Notes outstanding. In addition, we have a

line of credit facility that permits unsecured short-term borrowings of up to $400.0 million. As of December 6, 2013, we have no amounts outstanding under the credit facility. We amended and restated the credit facility in May 2013. The amended and restated credit facility expires in May 2018. Borrowings under the credit facility and the net proceeds from the offering of the Senior Notes are available for general corporate purposes.

Our cash and cash equivalents are held by diversified financial institutions globally. Our primary commercial banking relationship is with Citigroup and its global affiliates. In addition, Citibank N.A., an affiliate of Citigroup, is one of the lead lenders and agent in the syndicate of our $400.0 million line of credit.

The increase in our cash, cash equivalents and marketable securities from $2,365.4 million at January 31, 2013 to $2,479.0 million at October 31, 2013 is principally due to cash generated by operating activities, and proceeds from the issuance of common stock following stock option exercises and employee stock plan purchases. These increases to cash, cash equivalents and marketable securities are partially offset by cash used for repurchases of common stock, acquisitions including business combination and technology purchases, capital expenditures, and other investing activities. We anticipate the cash proceeds from issuance of common stock will vary based on our stock price, stock option exercise activity and the volume of employee purchases under the Employee Stock Purchase Plan (“ESP Plan”).

The primary source for net cash provided by operating activities of $380.0 million for the nine months ended October 31, 2013 was net income of $174.9 million increased by the cash effect of expenses totaling $191.8 million associated with depreciation, amortization and accretion and stock-based compensation. In addition, net cash flow provided by changes in operating assets and liabilities was $9.1 million. The primary source of working capital was a decrease in accounts receivable and increase in income tax payable. Our days sales outstanding in trade receivables was 50 at October 31, 2013 compared to 74 days at January 31, 2013. The days sales outstanding decrease relates primarily to seasonality in our subscription contract renewals; subscription billings are generally higher in the fourth quarter in comparison to the rest of our fiscal year. The primary working capital uses of cash were a decline in deferred revenue and for the reduction of the accrued compensation expense primarily related to a decrease in the employee bonus accrual.

At October 31, 2013, our short-term investment portfolio had an estimated fair value of $587.1 million and a cost basis of $580.7 million. The portfolio fair value consisted of $280.0 million invested in commercial paper and corporate securities, $131.7 million invested in certificates of deposit and time deposits with remaining maturities at the date of purchase greater than 90 days and less than one year, $68.8 million invested in U.S. government agency securities, $41.2 million invested in U.S. treasury securities, $42.3 million invested in mutual funds, $21.7 million invested in municipal securities and $1.4 million invested in other short-term securities.

At October 31, 2013, $42.3 million of trading securities were invested in a defined set of mutual funds as directed by the participants in our Deferred Compensation Plan (see Note 10, “Deferred Compensation,” in the Notes to Condensed Consolidated Financial Statements for further discussion).

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

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

products, technology and businesses as compelling opportunities become available. Our decision to acquire businesses or technology is dependent on our business needs, the availability of suitable sellers and technology, and our own financial condition.

On September 19, 2013, we entered into a definitive agreement with the shareholders of Graitec SA ("Graitec") to acquire certain technology assets, including Graitec's Advance Steel and Advance Concrete product lines, and associated employees for approximately $87.0 million. The transaction closed on November 21, 2013. In addition, on November 7, 2013, we announced our intention to acquire Delcam plc ("Delcam"), for £20.75 per share, or approximately £172.5 million. Other than the closed Graitec acquisition and the proposed Delcam acquisition, as of October 31, 2013, there have been no material changes in our contractual obligations or commercial commitments compared to those we disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2013.

Our cash, cash equivalent and marketable securities balances are concentrated in a few locations around the world, with substantial amounts held outside of the U.S. As of October 31, 2013, approximately 75% of our total cash, cash equivalents and marketable securities are located offshore and will fluctuate subject to business needs. Certain amounts held outside the U.S. could be repatriated to the U.S. (subject to local law restrictions), but under current U.S. tax law, could be subject to U.S. income taxes less applicable foreign tax credits. We have provided for the U.S. income tax liability on foreign earnings, except for foreign earnings that are considered permanently reinvested outside the U.S. Our intent is that amounts related to foreign earnings permanently reinvested outside the U.S. will remain outside the U.S. and we will meet our U.S. liquidity needs through ongoing cash flows, external borrowings, or both. We regularly review our capital structure and consider a variety of potential financing alternatives and planning strategies to ensure we have the proper liquidity available in the locations in which it is needed.

In the event that the proposed acquisition of Delcam closes, we expect to fund such purchase with offshore cash and have entered into forward contracts to lock in the U.S. dollar purchase price equivalent for payment in British pounds. In the event the proposed acquisition of Delcam does not close, we will be exposed to the foreign exchange gain or loss on the contracts at the time such contracts are terminated.

Cash from operations could also be affected by various risks and uncertainties, including, but not limited to the risks detailed in Part II, Item 1A titled “Risk Factors.” However, based on our current business plan and revenue prospects, we believe that our existing balances, our anticipated cash flows from operations and our available credit facility will be sufficient to meet our working capital and operating resource expenditure requirements for at least the next 12 months.

Our revenue, earnings, cash flows, receivables and payables are subject to fluctuations due to changes in foreign currency exchange rates, for which we have put in place foreign currency contracts as part of our risk management strategy. See Part I, Item 3, “Quantitative and Qualitative Disclosures about Market Risk” for further discussion.

Issuer Purchases of Equity Securities

Autodesk's stock repurchase program is largely to help offset the dilution from the issuance of stock under our employee stock plans and for such other purposes as may be in the interests of Autodesk and its stockholders, and has the effect of returning excess cash generated from our business to stockholders. The number of shares acquired and the timing of the purchases are based on several factors, including general market conditions, the volume of employee stock option exercises, stock issuance, the trading price of our common stock, cash on hand and available in the U.S., and company defined trading windows. During the three and nine months ended October 31, 2013, we repurchased 2.0 million and 8.3 million, respectively, of our common stock. At October 31, 2013, 24.0 million shares remained available for repurchase under the repurchase program approved by the Board of Directors. This program does not have a fixed expiration date. See Note 15, “Common Stock Repurchase Program,” in the Notes to Condensed Consolidated Financial Statements for further discussion.

The following table provides information about the repurchase of common stock in open-market transactions during the quarter ended October 31, 2013:

(Shares in millions)	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (2)
August 1 - August 31	0.5	$37.35	0.5	25.5
September 1 - September 30	1.0	39.33	1.0	24.5

October 1 - October 31	0.5	41.50	0.5	24.0
Total	2.0	$39.37	2.0	

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

(2) These amounts correspond to the plan approved by the Board of Directors in June 2012 that authorized the repurchase of 30.0 million. This plan does not have a fixed expiration date.

There were no sales of unregistered securities during the nine months ended October 31, 2013.

Off-Balance Sheet Arrangements

As of October 31, 2013, we did not have any significant off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K.

Glossary of terms

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

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

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

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

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

Maintenance — Our maintenance program provides our commercial and educational customers with a cost effective and predictable budgetary option to obtain the productivity benefits of our new releases and enhancements when and if released during the term of their contracts. Under our maintenance program, customers are eligible to receive unspecified upgrades when and if available, downloadable training courses and online support. We recognize maintenance revenue over the term of the agreements, generally between one and three years.

New and Adjacent—Autodesk new and adjacent products include Autodesk's new product offerings as well as products that are not included in flagship or suites. New and adjacent includes the following services and products: Autodesk Alias Design products, Autodesk Consulting, Autodesk Buzzsaw, Autodesk Constructware, Autodesk consumer products, Autodesk Creative Finishing products, Autodesk Moldflow products, Autodesk Navisworks, Autodesk Simulation, Autodesk Vault products and all other products.

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

Subscription — Autodesk subscription revenue consists of two components: maintenance revenue for our software products and revenue for our cloud service offerings, including Autodesk 360.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign currency exchange risk

Our revenue, earnings, cash flows, receivables and payables are subject to fluctuations due to changes in foreign currency exchange rates. Our risk management strategy utilizes foreign currency contracts to manage our exposure to foreign currency volatility that exists as part of our ongoing business operations. We utilize cash flow hedge contracts to reduce the exchange rate impact on a portion of the net revenue or operating expense of certain anticipated transactions. In addition, we use balance sheet hedge contracts to reduce the exchange rate risk associated primarily with foreign currency denominated receivables and payables. As of October 31, 2013 and January 31, 2013, we had open cash flow and balance sheet hedge contracts with future settlements within one to twelve months. Contracts were primarily denominated in euros, Japanese yen, Swiss francs, British pounds, Canadian dollars and Australian dollars. We do not enter into any foreign exchange derivative instruments for trading or speculative purposes. The notional amount of our option and forward contracts was $414.9 million and $438.2 million at October 31, 2013 and January 31, 2013, respectively.

We utilize foreign currency contracts to reduce the exchange rate impact on the net revenue and operating expenses of certain anticipated transactions. A sensitivity analysis performed on our hedging portfolio as of October 31, 2013 indicated that a hypothetical 10% appreciation of the U.S. dollar from its value at October 31, 2013 and January 31, 2013 would increase the fair value of our foreign currency contracts by $27.8 million and $29.6 million, respectively. A hypothetical 10% depreciation of the dollar from its value at October 31, 2013 and January 31, 2013 would decrease the fair value of our foreign currency contracts by $30.0 million and $33.1 million, respectively.

Interest Rate Risk

Interest rate movements affect both the interest income we earn on our short term investments and the market value of certain longer term securities. At October 31, 2013, we had $1,820.7 million of cash equivalents and marketable securities, including $587.1 million classified as short-term marketable securities and $418.5 million classified as long-term marketable securities. If interest rates were to move up or down by 50 or 100 basis points over a twelve month period, the market value change of our marketable securities would have a unrealized gain or loss of $4.7 million and $9.4 million, respectively.

Other Market Risk

From time to time we make direct investments in privately held companies. The privately held companies in which we invest are considered inherently risky. The technologies and products these companies have under development are typically in the early stages and may never materialize, which could result in a loss of all or a substantial part of our initial investment in these companies. The evaluation of privately held companies is based on information that we request from these companies, which is not subject to the same disclosure regulations as U.S. publicly traded companies, and as such, the basis for these evaluations is subject to the timing and accuracy of the data received from these companies.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

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

Changes in Internal Control Over Financial Reporting

There were no changes in our internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) during the quarter ended October 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

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

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

As our business has expanded globally, we have increasingly become subject to risks arising from adverse changes in global economic and political conditions. The past several years have been characterized by weak global economic conditions, a tightening in the credit markets, relatively high unemployment, a low level of liquidity in many financial markets, increased government deficit spending and debt levels, uncertainty about certain governments' abilities to repay such debt or to address certain fiscal issues (such as “austerity” measures in Southern Europe and the “sequestration” in the United States), and volatility in many financial instrument markets. While some recent indicators point to a slow economic recovery, on the whole indicators continue to suggest a mixed trend in economic activity among the different geographical regions and markets.

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

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

- lack of credit available to and the insolvency of key channel partners, which may impair our distribution channels and cash flows;

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

- counterparty failures negatively affecting our insured risks;

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

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

Even if economic conditions in the U.S. and foreign markets improve generally, a slower economic recovery in industries important to our business, such as the architecture, engineering and construction, manufacturing and digital media and entertainment industries, may adversely affect our business, financial results and financial condition. If a macro-economic recovery does not occur as rapidly as anticipated, our ability to meet our long-term financial targets may also be adversely affected.

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

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

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

Our strategy to develop and introduce new products and services, including our increased emphasis on cloud and mobile computing strategies and flexible license and service offerings, exposes us to risks such as limited customer acceptance, costs related to product defects and large expenditures that may not result in additional net revenue or could result in decreased net revenue.

Rapid technological changes, as well as changes in customer requirements and preferences, characterize the software industry. Just as the transition from mainframes to personal computers transformed the industry 30 years ago, we believe our industry is undergoing a similar transition from the personal computer to cloud, mobile and social computing. Customers are also reconsidering the manner in which they license software products, which requires us to constantly evaluate our business model and strategy. In response, we are focused on providing cloud-based services and delivery of our solutions on mobile devices and new hardware platforms to enable our customers to be more agile and collaborative on their projects. We are also developing consumer products for digital art, personal design and creativity, and home design. We devote significant resources to the development of new technologies, such as our cloud-based and mobile services, design and entertainment products, digital prototyping and collaboration products and consumer products. In addition, we frequently introduce new business models or methods that require a considerable investment of technical and financial resources such as an increase in our portfolio of, and focus on, suites and, most recently, our introduction of flexible license and service offerings. We are making such investments through our internal reorganization efforts and further development and enhancement of our existing products and services, as well as through acquisitions of new product lines. Such investments may not result in sufficient revenue generation to justify their costs and could result in decreased net revenue. Market acceptance of these new technologies, business models or methods will be dependent on our ability to (1) include functionality and usability in

such releases that address certain customer requirements with which our operating history is not extensive, and (2) to optimally price and deliver our products in light of marketplace conditions, our costs and customer demand. Customer adoption of our cloud, mobile, and social computing services or rental offerings may not occur as rapidly as anticipated, or competitors may introduce new products and services that achieve acceptance among our current customers, adversely affecting our competitive position. In addition, our cloud, mobile, and social computing and rental offerings price and deliver our products and services in a way that differs from our historical pricing and delivery methods. If we are not able to meet customer requirements, either with respect to our software products or the manner in which we provide such products, or if we are not able to adapt our business model to meet our customers' requirements, our business, financial condition or results of operations may be adversely impacted.

In particular, a critical component of our growth strategy is to have customers of our AutoCAD and AutoCAD LT products expand their portfolios to include our suites and cloud-based services. Over time, we aim to migrate customers using standalone Autodesk products to expand their portfolio with our suites and cloud-based offerings. At times, sales of licenses of our AutoCAD and AutoCAD LT or standalone Autodesk flagship products have decreased without a corresponding increase in

suites product or cloud-based services revenue or without purchases of customer seats to our suites. Should this continue, our results of operations will be adversely affected. Also, adoption of our cloud and mobile computing offerings and changes in the delivery of our software and services to our customers, such as rental offerings, will change the way in which we recognize revenue relating to our software and services, with a potential negative impact on our financial performance. The accounting impact of these offerings and other business decisions are expected to result in an increase in the percentage of our ratable revenue, making for a more predictable business over time, while correspondingly reducing our upfront perpetual revenue stream. Additionally, the software products we offer are complex, and despite extensive testing and quality control, may contain errors or defects. These errors or defects could result in the need for corrective releases to our software products, damage to our reputation, loss of revenue, an increase in product returns or lack of market acceptance of our products, any of which would likely harm our business.

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

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

We are dependent on our international operations for a significant portion of our revenue. International net revenue represented 69% and 70% of our net revenue in the three and nine months ended October 31, 2013, respectively. Our international revenue, including that from emerging economies, is subject to general economic and political conditions in foreign markets, including conditions in foreign markets resulting from economic and political conditions in the U.S. Our revenue is also impacted by the relative geographical and country mix of our revenue over time. These factors have recently adversely impacted and may in the future adversely impact our international revenue, and consequently our business as a whole. Our dependency on international revenue makes us much more exposed to global economic and political trends, which can negatively impact our financial results, even if our results in the U.S. are strong for a particular period. Further, a significant portion of our earnings from our international operations may not be freely transferable to the U.S. due to remittance restrictions, adverse tax consequences or other factors. Our intent is that amounts related to foreign earnings permanently reinvested outside the U.S. will remain outside the U.S., and we will meet our U.S. liquidity needs through ongoing cash flows, external borrowings (such as our Senior Notes), or both. However, if, in the future, amounts held by foreign subsidiaries are needed to fund our operations in the U.S., or to service our external borrowings, the repatriation of such amounts to the U.S. could result in a significant incremental tax liability in the period in which the decision to repatriate occurs and payment of any such tax liability would reduce the cash available to fund our operations.

We anticipate that our international operations will continue to account for a significant portion of our net revenue, and, as we expand our international development, sales and marketing expertise, will provide significant support to our overall efforts in countries outside of the U.S. Risks inherent in our international operations include fluctuating currency exchange rates, including risks related to any hedging activities we undertake, unexpected changes in regulatory requirements and practices, delays resulting from difficulty in obtaining export licenses for certain technology, tariffs, quotas and other trade barriers and restrictions, transportation delays, operating in locations with a higher incidence of corruption and fraudulent business practices, particularly in emerging economies, increasing enforcement by the U.S. under the Foreign Corrupt Practices Act, adoption of stricter anti-corruption laws in certain

countries, including the United Kingdom, difficulties in staffing and managing foreign sales and development operations, longer collection cycles for accounts receivable, potential changes in tax laws, including possible U.S. and foreign tax law changes that, if enacted, could significantly impact how multinational companies are taxed, tax arrangements with foreign governments, including our ability to meet and review the terms of those tax arrangements, and laws regarding the management of and access to data and public networks, possible future limitations upon foreign owned businesses, increased financial accounting and reporting burdens and complexities, inadequate local infrastructure, greater difficulty in protecting intellectual property, and other factors beyond our control, including popular uprisings, terrorism, war, natural disasters and diseases.

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

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

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

- general market, economic, business and political conditions in particular geographies, including Europe and emerging economies,
- failure to produce sufficient revenue growth and profitability,
- weak or negative growth in one or more of the industries we serve, including architecture, engineering and construction, manufacturing, education and digital media and entertainment markets,
- dependence on and the timing of large transactions,
- changes in product mix, pricing pressure or changes in product pricing,
- changes in billings linearity,
- platform and business model changes,
- fluctuations in foreign currency exchange rates and the effectiveness of our hedging activity,
- the ability of governments around the world to adopt fiscal policies, meet their financial and debt obligations, and to finance infrastructure projects,
- lower growth or contraction of our upgrade or maintenance programs,
- failure to achieve and maintain planned cost reductions and productivity increases,
- the effectiveness of our internal business reorganization,
- restructuring or other accounting charges and unexpected costs or other operating expenses,
- failure to expand our AutoCAD and AutoCAD LT products customer base to related design products,
- our inability to rapidly adapt to technological and customer preference changes, including those related to cloud computing, mobile devices, and new computing platforms,
- the timing of the introduction of new products by us or our competitors,
- the success of new business or sales initiatives and increasing our portfolio of product suites,
- the financial and business condition of our reseller and distribution channels,

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

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

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

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

- increases in cloud services-related expenses,

- security breaches and potential financial penalties to customers and government entities,
- timing of additional investments in the development of our platform or deployment of our services,
- timing of product releases and retirements,
- failure to continue momentum of frequent release cycles or to move a significant number of customers from prior product versions in connection with our programs to retire major products,
- changes in tax laws or regulations, tax arrangements with foreign governments or accounting rules, such as increased use of fair value measures and the potential requirement that U.S. registrants prepare financial statements in accordance with International Financial Reporting Standards ("IFRS"),
- changes in sales compensation practices,
- failure to effectively implement our copyright legalization programs, especially in developing countries,
- failure to achieve sufficient sell-through in our channels for new or existing products,
- renegotiation or termination of royalty or intellectual property arrangements,
- interruptions or terminations in the business of our consultants or third party developers,
- the timing and degree of expected investments in growth and efficiency opportunities,
- failure to achieve continued success in technology advancements,
- catastrophic events or natural disasters,
- regulatory compliance costs,
- costs associated with acquisitions of companies and technologies,
- potential goodwill impairment charges related to prior acquisitions, and
- adjustments arising from ongoing or future tax examinations.

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

Our operating expenses are based in part on our expectations for future revenue and are relatively fixed in the short term. Accordingly, any revenue shortfall below expectations have had, and in the future could have, an immediate and significant adverse effect on our profitability. Greater than anticipated expenses or a failure to maintain rigorous cost controls would also negatively affect profitability.

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

We sell our software products both directly to end-users and through a network of distributors and resellers. For the three and nine months ended October 31, 2013, approximately 83% and 84%, respectively, of our revenue was derived from indirect channel sales through distributors and resellers, and we expect that the majority of our revenue will continue to be derived from indirect channel sales in the future. Our ability to effectively distribute our products depends in part upon the financial and business condition of our distributor and reseller network. Computer software distributors and resellers typically are not highly

capitalized, have previously experienced difficulties during times of economic contraction and experienced difficulties during the past several years. We have processes to ensure that we assess the creditworthiness of distributors and resellers prior to our sales to them. In the past we have taken steps to support them, and may take additional steps in the future, such as extending credit terms and providing temporary discounts. These steps, if taken, could harm our financial results. If our distributors and resellers were to become insolvent, they would not be able to maintain their business and sales, or provide customer support services, which would negatively impact our business and revenue.

We rely significantly upon major distributors and resellers in both the U.S. and international regions, including the distributor Tech Data Corporation and its global affiliates (“Tech Data”). Tech Data accounted for 24% and 25% of our total net revenue for the three and nine months ended October 31, 2013, respectively, as compared to 24% and 23% of our total net revenue for the three and nine months ended October 31, 2012, respectively. Although we believe that we are not substantially dependent on Tech Data, if Tech Data were to experience a significant disruption with its business or if our relationship with Tech Data were to significantly deteriorate, it is possible that our ability to sell to end users would be, at least temporarily, negatively impacted. This could in turn negatively impact our financial results.

Over time, we have modified and will continue to modify aspects of our relationship with our distributors and resellers, such as their incentive programs, pricing to them and our distribution model to motivate and reward them for aligning their businesses with our strategy and business objectives. Changes in these relationships and underlying programs could negatively impact their business and harm our business. In addition, the loss of or a significant reduction in business with those distributors or resellers or the failure to achieve anticipated levels of sell-through with any one of our major international distributors or large resellers could harm our business. In particular, if one or more of such distributors or resellers were unable to meet their obligations with respect to accounts payable to us, we could be forced to write off such accounts and may be required to delay the recognition of revenue on future sales to these customers. These events could have a material adverse effect on our financial results.

Our restructuring and cost reduction actions may not be as effective as anticipated.

During fiscal years 2013 and 2014, we undertook restructuring plans. If we are unable to realize the outcomes from the restructuring efforts as planned, we may need to undertake additional restructuring efforts, and our business and operating results may be harmed. In taking any future restructuring actions, we may incur additional costs that negatively impact our operating margins. Additionally, a prolonged and slow economic recovery or a renewed recession in U.S. or foreign markets could also lead to additional restructuring actions and associated costs.
We have taken actions to reduce our cost structure to more closely align our costs with our revenue levels. In taking these actions, we have attempted to balance the cost of such initiatives against their longer term benefits. If we do not achieve the proper balance of these cost reduction initiatives, we may eliminate critical elements of our operations, the loss of which could negatively impact our ability to benefit from an economic recovery. We cannot assure that our cost cutting efforts will achieve appropriate levels of expenses, and we may take additional actions in the future.
In addition, we are taking actions to stimulate demand for our products through a number of programs. Although we are attempting to balance the cost of these programs against their longer term benefits, it is possible that we will make such investments without a corresponding increase in demand for our products. This would further reduce our operating margins and have a negative impact on our financial results.
A significant portion of our revenue is generated through maintenance revenue; decreases in maintenance attach or renewal rates or a decrease in the number of new licenses we sell would negatively impact our future revenue and financial results.

Our maintenance customers have no obligation to attach maintenance to their initial license or renew their maintenance contract after the expiration of their initial maintenance period, which is typically one year. Our customers' attach and renewal rates may decline or fluctuate as a result of a number of factors, including the overall

global economy, the health of their businesses, and the perceived value of the maintenance program. If our customers do not attach maintenance to their initial license or renew their maintenance contract for our products, our maintenance revenue will decline and our financial results will suffer.

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

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

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

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

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

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

Our business could suffer as a result of risks, costs and charges associated with strategic acquisitions and investments such as the recent announcement of our intent to acquire Delcam plc (“Delcam”).

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

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

- the inability to retain customers, vendors, distributors, business partners, and other entities associated with the acquired business;
- the potential impact on relationships with existing customers, vendors and distributors as business partners as a result of acquiring another business;
- the potential that due diligence of the acquired business or product does not identify significant problems;

- the potential any one or multiple of the investments become impaired in a given reporting period;
- the potential for incompatible business cultures;
- significant transaction or integration-related costs;
- potential additional exposure to fluctuations in currency exchange rates; and
- exposure to litigation or other claims in connection with, or inheritance of claims or litigation risk as a result of, an acquisition, including but not limited to, claims from terminated employees, customers, or other third parties.

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

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

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

- shortfalls in our expected financial results, including net revenue, earnings or key performance metrics;
- quarterly variations in our or our competitors' results of operations;
- general socio-economic, political or market conditions;
- uncertainty about certain governments' abilities to repay debt or effect fiscal policy;
- changes in estimates of future results or recommendations by securities analysts;
- the announcement of new products or product enhancements by us or our competitors;
- unusual events such as significant acquisitions, divestitures, regulatory actions and litigation;
- changes in laws, rules or regulations applicable to our business;
- outstanding debt service obligations; and
- other factors, including factors unrelated to our operating performance, such as instability affecting the economy or the operating performance of our competitors.

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

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

As part of our effort to accommodate our customers' needs and demands and the rapid evolution of technology, we from time to time evolve our business and sales initiatives such as realigning our development and marketing organizations, and expanding our portfolio of suites and our offering of software as a service, and realigning our

internal resources in an effort to improve efficiency. Specifically, during fiscal 2013 we undertook organizational changes in order to address major business initiatives, including our desire to accelerate our move to the cloud, transform our customers' experience, increase industry focus to meet customer demands, and develop more effective marketing. These reorganizational efforts included changes to the structure and alignment of our product development and marketing teams and re-organization of our sales teams by industry. We may take such actions without clear indications that they will prove successful, and at times, we have been met with short-term challenges in the execution of such initiatives. Market acceptance of any new business or sales initiative is dependent on our ability to match our customers' needs at the right time and price. Often we have limited prior experience and operating history in these new areas of emphasis. If any of our assumptions about expenses, revenue or revenue recognition principles from these initiatives proves incorrect, or our attempts to improve efficiency are not successful, our actual results may vary materially from those anticipated, and our financial results will be negatively impacted.

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

We derive a substantial portion of our net revenue from sales of licenses of a limited number of our products, including AutoCAD software, products based on AutoCAD, which include our suites that serve specific markets, upgrades to those products and products that are interoperable with AutoCAD. Any factor adversely affecting sales of these products, including the product release cycle, market acceptance, product competition, performance and reliability, reputation, price competition, economic and market conditions and the availability of third-party applications, would likely harm our financial results. During the three and nine months ended October 31, 2013, combined revenue from our AutoCAD and AutoCAD LT products, not including suites having AutoCAD or AutoCAD LT as a component, represented 29% and 31% of our total net revenue, respectively.

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

We make significant efforts to maintain the security and integrity of our product source code and computer systems. The risk of a security breach or disruption, particularly through cyber attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. These threats include but are not limited to identity theft, unauthorized access, DNS attacks, wireless network attacks, viruses and worms, advanced persistent threat (APT), application centric attacks, peer-to-peer attacks, phishing, backdoor trojans and distributed denial of service (DDoS) attacks. Any of the foregoing could attack our products and computer systems. Despite significant efforts to create security barriers to such programs, it is virtually impossible for us to entirely eliminate this risk. Like all software products, our software is vulnerable to such cyber attacks. In the past, hackers have targeted our software, and they may do so in the future. The impact of cyber attacks could disrupt the proper functioning of our software products, cause errors in the output of our customers' work, allow unauthorized access to sensitive, proprietary or confidential information of ours or our customers, and other destructive outcomes. Moreover, as we continue to invest in new lines of consumer products and services we are exposed to increased security risks and the potential for unauthorized access to, or improper use of, the information of our consumer users. If any of the foregoing were to occur, our reputation may suffer, customers may stop buying our products, we could face lawsuits and potential liability, and our financial performance could be negatively impacted.

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

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

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

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

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

Additionally, we actively protect the secrecy of our confidential information and trade secrets, including our source code. If unauthorized disclosure of our source code occurs, we could potentially lose future trade secret protection for that source code. The loss of future trade secret protection could make it easier for third-parties to compete with our products by copying functionality, which could adversely affect our financial performance and our reputation. We also seek to protect our confidential information and trade secrets through the use of non-disclosure agreements with our customers, contractors, vendors and partners. However, it is possible that our confidential information and trade secrets may be disclosed or published without our authorization. If this were to occur, it may be difficult and/or costly for us to enforce our rights, and our financial performance and reputation could be negatively impacted.

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

As more software patents are granted worldwide, the number of products and competitors in our industry segments grows and the functionality of products in different industry segments overlaps, we expect that software product developers will be increasingly subject to infringement claims. Infringement or misappropriation claims have in the past been, and may in the future be, asserted against us, and any such assertions could harm our business. Additionally, certain patent holders without products have become more aggressive in threatening and pursuing litigation in attempts to obtain fees for licensing the right to use patents. Any such claims or threats, whether with or without merit, have been and could in the future be time-consuming to defend, result in costly litigation and diversion of resources, cause product shipment delays or require us to enter into royalty or licensing agreements. In addition, such royalty or license agreements, if required, may not be available on acceptable terms, if at all, which would likely harm our business.

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

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

From time to time we make direct investments in privately held companies. The privately held companies in which we invest are considered inherently risky. The technologies and products these companies have under development are typically in the early stages and may never materialize, which could result in a loss of all or a substantial part of our initial investment in these companies. The evaluation of privately held companies is based on information that we request from these companies, which is not subject to the same disclosure regulations as U.S. publicly traded companies, and as such, the basis for these evaluations is subject to the timing and accuracy of the data received from these companies.

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

our business, taking advantage of opportunities and potentially meeting our financial obligations as they come due.

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

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

change certain business practices, significant dedication of management time, diversion of significant operational resources, or otherwise harm our business. In any of these cases, our financial results could be negatively impacted.

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

Pursuant to Section 404, we are required to furnish a report by our management on our internal control over financial reporting. The report contains, among other matters, an assessment of the effectiveness of our internal control over financial reporting as of the end of our fiscal year, including a statement as to whether or not our internal control over financial reporting is effective. This assessment must include disclosure of any material weaknesses in our internal control over financial reporting identified by management.

Although we have determined that our internal control over financial reporting was effective as of January 31, 2013, as indicated in our Management Report on Internal Control over Financial Reporting, included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2013, we must continue to monitor and assess our internal control over financial reporting. If our management identifies one or more material weaknesses in our internal control over financial reporting and such weakness remains uncorrected at fiscal year-end, we will be unable to assert such internal control is effective at fiscal year-end. If we are unable to assert that our internal control over financial reporting is effective at fiscal year-end (or if our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal controls or concludes that we have a material weakness in our internal controls), we could lose investor confidence in the accuracy and completeness of our financial reports, which would likely have an adverse effect on our business and stock price.

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

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

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

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

For example, the U.S.-based Financial Accounting Standards Board (“FASB”) is currently working together with the International Accounting Standards Board (“IASB”) on several projects to further align accounting principles and facilitate more comparable financial reporting between companies who are required to follow U.S. Generally

Accepted Accounting Principles ("GAAP") under SEC regulations and those who are required to follow IFRS outside of the U.S. These efforts by the FASB and IASB may result in different accounting principles under GAAP that may result in materially different financial results for us in areas including, but not limited to principles for recognizing revenue and lease accounting.

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

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

sales models, we are currently unable to determine how these potential changes may impact our new models, particularly in the area of revenue recognition.

Changes in laws and/or regulations related to the Internet or related to privacy and data security concerns or changes in the Internet infrastructure itself may cause our business to suffer.

The future success of our business depends upon the continued use of the Internet as a primary medium for commerce, communication and business applications. Federal, state or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations affecting data privacy and the transmission of certain types of content using the Internet. For example, the State of California has adopted legislation requiring operators of commercial websites and mobile applications that collect personal information from California residents to conspicuously post and comply with privacy policies that satisfy certain requirements. Several other U.S. states have adopted legislation requiring companies to protect the security of personal information that they collect from consumers over the Internet, and more states may adopt similar legislation in the future. Additionally, the Federal Trade Commission has used its authority under Section 5 of the Federal Trade Commission Act to bring actions against companies for failing to maintain adequate security for personal information collected from consumers over the Internet and for failing to comply with privacy-related representations made to Internet users. The U.S. Congress has at various times proposed federal legislation intended to protect the privacy of Internet users and the security of personal information collected from Internet users that would impose additional compliance burdens upon companies collecting personal information from Internet users, and the U.S. Congress may adopt such legislation in the future. The European Union also has adopted various directives regulating data privacy and security and the transmission of content using the Internet involving residents of the European Union, including those directives known as the Data Protection Directive, the E-Privacy Directive, and the Privacy and Electronic Communications Directive, and may adopt similar directives in the future. Several other countries, including Canada and several Latin American and Asian countries, have constitutional protections for, or have adopted legislation protecting, individuals' personal information. Additionally, some federal, state, or foreign governmental bodies have established laws which seek to censor the transmission of certain types of content over the Internet or require that individuals be provided with the ability to permanently delete all electronic personal information, such as the German Multimedia Law of 1997.

Given the variety of global privacy and data protection regimes, it is possible we may find ourselves subject to inconsistent obligations. For instance, the USA Patriot Act is considered by some to be in conflict with certain directives of the European Union. Situations such as these require that we make prospective determinations regarding compliance with conflicting regulations. Increased enforcement of existing laws and regulations, as well as any laws, regulations or changes that may be adopted or implemented in the future, could limit the growth of the use of public cloud applications or communications generally, result in a decline in the use of the Internet and the viability of Internet-based applications, and require implementation of additional technological safeguards.

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

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

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

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

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

We rely on certain software that we license from third parties, including software that is integrated with internally developed software and used in our products to perform key functions. These third-party software licenses may not continue to

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

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

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

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

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

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

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

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

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

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

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

We issued $750.0 million aggregate principal amount of senior unsecured notes in a debt offering in December 2012 and have an existing $400.0 million revolving credit facility, and may incur other debt in the future, which may adversely affect our financial condition and future financial results.

In December 2012, we issued 1.95% notes due December 15, 2017 in an aggregate principal amount of $400.0 million and 3.6% notes due December 15, 2022 in an aggregate principal amount of $350.0 million. As the December 2017 and December 2022 debt matures, we will have to expend significant resources to either repay or refinance these notes. If we decide to refinance the notes, we may be required to do so on different or less favorable terms or we may be unable to refinance the notes at all, both of which may adversely affect our financial condition.

We also have a $400.0 million revolving credit facility. As of October 31, 2013, we had no outstanding borrowings on the line of credit. Although we have no current plans to borrow under this credit facility, we may use the proceeds of any future borrowing for general corporate purposes, or for future acquisitions or expansion of our business. Our existing and future levels of indebtedness may adversely affect our financial condition and future financial results by, among other things:

- increasing our vulnerability to adverse changes in general economic, industry and competitive conditions;
- requiring the dedication of a greater than expected portion of our expected cash from operations to service our indebtedness, thereby reducing the amount of expected cash flow available for other purposes, including capital expenditures and acquisitions; and
- limiting our flexibility in planning for, or reacting to, changes in our business and our industry.

We are required to comply with the covenants set forth in our senior unsecured notes and revolving credit facility. Our ability to comply with these covenants may be affected by events beyond our control. If we breach any of the covenants and do not obtain a waiver from the noteholders or lenders, then, subject to applicable cure periods, any outstanding indebtedness may be declared immediately due and payable. In addition, changes by any rating agency to our credit rating may negatively impact the value and liquidity of our securities. Under certain circumstances, if our credit ratings are downgraded or other negative action is taken, the interest rate payable by us under our revolving credit facility could increase. Downgrades in our credit ratings could also restrict our ability to obtain additional financing in the future and could affect the terms of any such financing.

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

There were no sales of unregistered securities during the three months ended October 31, 2013.

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

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

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

Exhibit No.	Description
3.1	Bylaws, as amended (incorporated by reference to Exhibit 3.1 filed with the Registrant's Current Report on Form 8-K filed on September 23, 2013)
10.1*	Amended and Restated Executive Change in Control Plan (incorporated by reference to Item 5.02 of the Registrant's Current Report on Form 8-K filed on September 23, 2013)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
32.1 †	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS ††	XBRL Instance Document
101.SCH ††	XBRL Taxonomy Extension Schema
101.CAL ††	XBRL Taxonomy Extension Calculation Linkbase
101.DEF ††	XBRL Taxonomy Definition Linkbase
101.LAB ††	XBRL Taxonomy Extension Label Linkbase
101.PRE ††	XBRL Taxonomy Extension Presentation Linkbase

* Denotes a management contract or compensatory plan or arrangement.

† The certifications attached as Exhibit 32.1 that accompany this Quarterly Report on Form 10-Q, are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Autodesk, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Form 10-Q, irrespective of any general incorporation language contained in such filing.

†† The financial information contained in these XBRL documents is unaudited.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: December 6, 2013

AUTODESK, INC.
(Registrant)

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