

2007 Q2 EARNINGS SCRIPT

Good afternoon. Thank you for joining us as we report results for our second quarter of Fiscal 2007. With me are Carl Bass and Al Castino.

Today's conference call is being broadcast live through an audio web cast. In addition, a replay of the call will be available by webcast on our website, www.autodesk.com/investor.

During the course of this conference call we will make forward-looking statements regarding future events and the future performance of the Company, including our guidance for the third fiscal quarter and for fiscal year 2007, our competitive position, future business prospects and revenue growth, spending related to growth investment initiatives, market opportunities for our products, our efforts to increase subscription and upgrade revenue and market opportunities in various geographies. We caution you that such statements reflect our best judgment based on factors currently known to us, and that actual events or results could differ materially. Please refer to the documents we file from time to time with the SEC, and specifically our 10K for fiscal year 2006, our 10-Q for the quarter ended April 30, 2006 and our periodic 8-K filings, including the 8-K filed with today's press release. These documents contain and identify important risks and other factors that may cause the actual results to differ from those contained in our forward-looking statements.

In adherence to Regulation Fair Disclosure, Autodesk will provide quarterly information and forward-looking guidance in its quarterly financial results press release and this publicly announced financial results conference call. We will not provide any further guidance or updates on our performance during the quarter unless we do so in a public forum. Autodesk does not assume any obligation to update the forward-looking statements provided to reflect events that occur or circumstances that exist after the date on which they were made.

Now I'd like to turn the call over to Carl Bass.

Good afternoon and thank you for joining us.

I want to begin this call on a personal note. As we said in our press release, like many companies we have undertaken a voluntary review of our past stock option granting practices. We are following evolving best practices as we conduct this review. The Audit Committee is leading the review with the assistance of independent outside legal counsel, and we will not share the results of the review until it is completed. Best practices also preclude us from providing our preliminary earnings numbers until the review is complete.

I do wish to communicate several key points that are important to the company and our investors.

- First of all, we have an excellent management team and they are focused on continued strong business execution.
- Secondly, the practices being reviewed involve prior fiscal years and do not impact the health of our business going forward. Our business is strong, our products are great, our management team is excellent and our employees are world class.

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This is a very strong company and we are well positioned to keep delivering great products and great financial results.

Now lets move to a discussion of our operations, which as you will hear are very strong. Today Autodesk reported another terrific quarter of financial performance. Quarterly revenue was a record \$450M, a 21% increase over last year. Once again, we achieved record quarterly results on many of our most important business metrics, including new seat revenue, 3D revenue and subscription revenue.

Spending in the quarter came in approximately \$5 million less than the amount used for the high end of our previously delivered second quarter earnings guidance. This was due to the timing of spend related to growth investment initiatives. And we continued to execute on a number of strategic and tactical fronts as well. During the quarter, we substantially completed the integration of Alias into Autodesk. We've also made good progress in the transition of our Advanced Systems product portfolio from SGI workstations to Linux.

Customer demand for Autodesk products was robust this quarter. Compared to last year, revenue from new seats increased 24%. And once again, sales from new seats and emerging businesses were approximately 2/3 of our revenue in the quarter. This continues to be an indicator of the underlying strength of our business.

Our 3D solutions – Inventor, Revit and Civil 3D -- continue to gain market share as customers across all industries recognize the benefits of adopting model-based design. Total 3D revenue increased 37% over the second quarter of last year. Revenue from new seats of our 3D products increased 41% over the second quarter of last year. We shipped more than 32,000 commercial seats of our 3D products. 3D now represents 20% of total revenues.

Our Revit family of products had outstanding performance again. Quarterly revenues increased 96% over last year, and we shipped more than 15,000 commercial seats.

Civil 3D had terrific performance in the quarter growing revenue 57% over last year, and shipping nearly 6,800 commercial seats.

Inventor sales increased 14% over last year. However, Inventor sales in the Americas and EMEA were very strong, increasing 20% and 21% respectively. Like some of our competitors, we experienced a decline of manufacturing 3D sales in Japan compared to last year. In total, we shipped nearly 9,700 commercial seats in the quarter. We continue to win market share as the boundaries erode between mainstream solutions such as Inventor and overpriced legacy offerings.

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While model-based 3D products are already 20% of revenue, we are still in the early stages of penetrating our large installed base of 2D users and converting users of competitive legacy systems. We estimate that only 10% of the 2d base has converted to 3D, leaving significant opportunity for future growth in front of us.

Our emerging economies continue to be an area of very strong performance. Quarterly revenue in our emerging economies increased 32% over last year and now represents 13% of total quarterly revenues.

Subscriptions showed terrific performance in the second quarter. Driven by strong attach and renewal rates, subscription revenue reached \$104M, an increase of 65% compared to the second quarter of last year. Our success with attach and renewals drove a \$12M sequential increase in deferred subscription revenue. Consistent with the large increase in subscriptions, upgrade revenue decreased in the quarter as expected. Combined revenues from subscription and upgrades in the second quarter increased 14% over last year to \$153M, representing approximately 1/3 of total quarterly revenue.

Quarterly revenue from our Media & Entertainment segment grew 30% over last year. Advanced Systems revenue was approximately flat with last year, but increased 40% on a sequential basis. As you know, the Advanced Systems business is transitioning away from proprietary, high-end SGI workstations to Linux-based solutions running on standard PC's. Through this transition, our customers are obtaining better price performance, and Autodesk is moving toward a business model with higher margins but lower revenue due to lower cost hardware. Revenue from our Linux-based solutions was strong in the quarter. In fact, less than 20% of systems product revenue was SGI-based. While we don't believe this transition is complete, we are very encouraged by these results.

We had a lot of success on the animation front. Our Max business grew 13% over last year. During the quarter, we substantially completed the Alias integration. At the end of July, we announced strong new versions of both Max and Maya. Customer feedback on the products was terrific.

Overall I am very pleased with our financial performance this quarter. Now I'd like to turn the call over to Al for a review of our financials.

Thanks Carl.

Once again Autodesk delivered great performance. As Carl said, net revenues in the quarter were \$450M, 21% higher than last year. This includes revenues from Alias of approximately \$20M after the write down of deferred revenues required by GAAP.

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As we said, because we are in the process of completing the stock option review, we have been advised that best practice is to provide only select highlights and not provide EPS. However we can tell you that our spending came in approximately 5 million less than the amount used in the high end of previously delivered guidance, due to the timing of spending related to growth investment initiatives.

You should note that we have substantially completed the integration of Alias. With the merger completed, we do not anticipate additional dilution from the acquisition, and the former Alias operations are now indistinguishable from the rest of our operations. Therefore, we will no longer provide you separate result for Alias.

Each of our geographies grew substantially in the quarter:

- Revenue in the Americas was \$168M, an increase of 19% over the second quarter of last year;
- EMEA grew 24% to \$174M;
- Asia Pacific increased 18% as reported and 22% constant currency. Revenues in Japan increased 8% as reported and a very strong 20% on a constant currency basis.

Looking at the divisions,

- Platform Technology increased revenue 11% over the second quarter of last year to \$201M. Growth in PTD was led by a 29% increase in LT revenue from new commercial seats and a continued robust 17% increase in revenue from new commercial seats of AutoCAD.
- Manufacturing Solutions revenue was \$76M, an increase of 26%. Without the results of Alias products, MSD grew revenue 15%. And we shipped more than 74,000 total manufacturing seats in the quarter.
- Revenue for Building Solutions increased 32% to \$57M.
- Infrastructure Solutions revenue reached \$55M, an increase of 30%; and
- Media and Entertainment revenue was \$59M, an increase of 30%. Without the results of Alias products, M&E was approximately flat compared to last year.

As Carl mentioned, our spending was approximately \$5 million less in the quarter than the amount included in the high end of our previous earnings guidance. This was due to the timing of spend related to growth investment initiatives. However, we plan to make those investments in the third quarter however.

Compared to last year, foreign currency impact was \$2M unfavorable on revenues and immaterial on expenses.

Total deferred revenues increased \$100M from the second quarter of last year to \$331M, including

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\$48M classified as long-term. Deferred subscription revenues were \$264M, an increase of \$12M sequentially and \$84M over the second quarter of last year.

Total backlog including deferred revenue increased to \$353M. This includes product backlog of \$21M, which increased \$12M from last quarter.

Channel inventory was at the low end of our normal range of 3 to 4 weeks.

DSO decreased 6 days from last quarter to 52 days.

Cash and investments increased \$82M sequentially to \$468M.

Capital expenditures were \$7M in the quarter.

We received \$15M from employee stock plans and used \$89M to buy back 2.5M shares of stock.

There were 230M total shares outstanding and 243M fully diluted shares.

We had a very strong second quarter. Now I would like to turn to guidance. As usual, our guidance takes into account today's foreign exchange rates, including some level of buffer against future strengthening of the dollar. As noted in our press release, I am not going to provide EPS guidance. However, I will tell you that our planned levels of spending for the year have not changed.

For the third quarter, we expect revenue in the range of \$450M to \$460M. We expect that our spending in the third quarter will increase by approximately \$10M relative to spending in the second quarter, in part as a result of the additional \$5 million spend for growth initiatives that we didn't make in the second quarter.

For fiscal 2007, we are now expecting revenue in the range of \$1.82B to \$1.85B and our projections of spending for the full year have not changed.

You should note, Congress has not yet renewed the federal Research & Development Tax Credit, so we do not believe our tax rate will change from our previous 24% guidance, absent any potential impact of the ongoing stock option review.

Now let me turn it back to Carl.

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Thanks Al. Before we take your questions, I'd like to summarize a few key thoughts.

There continues to be mixed signals about the overall economy, given the price of oil, foreign exchange movements, and interest rate increases. I can tell you we see no signs of a slowdown in our business. As a company, we are in a great competitive position with our strategy, our products, and our sales and marketing execution.

We continue to invest in our very encouraging growth opportunities, which will drive us toward the 15% growth target. We see great growth prospects in several areas. We believe 3D adoption will expand in **every market** driven by our strong solutions. Geographic expansion into emerging economies will remain robust. As well, our Media & Entertainment Division will see growth from the increased demand for animation in feature films and next-generation game platforms.

We have a wealth of opportunities, and our employees and channel partners continue to execute extremely well. Our management team is excited about the opportunities and is committed to driving continued strong results over the upcoming years. Our business prospects have never been better.

Operator we are ready for questions.