KVH INDUSTRIES INC \DE\
Form 10-K
March 14, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(Mark One)

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

For the fiscal year ended December 31, 2015
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 0-28082
KVH Industries, Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware	05-0420589
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

50 Enterprise Center, Middletown, RI 02842
(Address of Principal Executive Offices) (Zip Code)
(401) 847-3327
(Registrant's Telephone Number, Including Area Code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.01 par value per share	The NASDAQ Stock Market LLC (NASDAQ Global Market)

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ¨ No x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x
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. (Check one):

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o	Smaller reporting company o

(Do not check if a smaller reporting company)

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

As of June 30, 2015, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $196,345,440 based on the closing sale price of $13.45 per share as reported on the NASDAQ Global Select Market. Shares of common stock held by

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executive officers and directors of the registrant and their affiliates have been excluded from this calculation because such persons may be deemed affiliates.

As of March 11, 2016, the registrant had 16,168,380 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement relating to its 2016 Annual Meeting of Stockholders are incorporated herein by reference in Part III.

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PART I

ITEM 1. Business

Cautionary Statement Regarding Forward-Looking Information

In addition to historical facts, this annual report contains forward-looking statements. Forward-looking statements are merely our current predictions of future events. These statements are inherently uncertain, and actual events could differ materially from our predictions. Important factors that could cause actual events to vary from our predictions include those discussed in this annual report under the headings “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Item 1A. Risk Factors.” We assume no obligation to update our forward-looking statements to reflect new information or developments. We urge readers to review carefully the risk factors described in this annual report and in the other documents that we file with the Securities and Exchange Commission. You can read these documents at www.sec.gov.

Additional Information Available

Our principal Internet address is www.kvh.com. Our website provides a hyperlink to a third-party website through which our annual, quarterly, and current reports, as well as amendments to those reports, are available free of charge. We believe these reports are made available as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. We do not provide any information regarding our SEC filings directly to the third-party website, and we do not check its accuracy or completeness.

Introduction

We are a leading manufacturer of solutions that provide global high-speed Internet, television, and voice services via satellite to mobile users at sea and on land. We are also a leading provider of commercially licensed entertainment, including news, sports, music, and movies, to commercial and leisure customers in the maritime, hotel, and retail markets. In addition, as a result of our July 2014 acquisition of Videotel Marine Asia Limited and Super Dragon Limited (together referred to as Videotel), we develop and distribute training films and e-Learning computer-based training courses to commercial maritime customers. We are also a premier manufacturer of high-performance navigational sensors and integrated inertial systems for defense and commercial guidance and stabilization applications. We are headquartered in Middletown, Rhode Island, with active operations in Denmark, Hong Kong, the State of Illinois, Japan, Norway, Singapore, and the United Kingdom.

Our Products and Services

We design, develop, manufacture, and market mobile communications products and services for the marine and land mobile markets, and navigation, guidance, and stabilization products for both the commercial and defense markets.

Mobile Broadband Products

In the global maritime market, we believe that there is increasing demand for mobile access to television, entertainment, voice services, the Internet, and near real-time operational services such as safety training, navigation chart updates, weather services, and voyage optimization. For both maritime and terrestrial customers that want to access live television while on the move, we offer a comprehensive family of mobile satellite antenna products marketed under the TracVision brand. For access to the Internet and voice services while on the move, which we refer to collectively as our airtime services, we offer a family of mobile satellite antenna products and services marketed under the brands TracPhone and mini-VSAT Broadband. The network infrastructure that we have developed to support our airtime services also supports the delivery of other value-added services over our IP-MobileCast content delivery service for both entertainment and operational needs.

Our mobile satellite antenna products are typically installed on mobile platforms and use sophisticated robotics, stabilization and control software, sensing technologies, transceiver integration, and advanced antenna designs to automatically search for, identify and point directly at the selected television and communications satellite while the vehicle or vessel is in motion. Our antennas use gyros and inclinometers to measure the pitch, roll and yaw of an antenna platform in relation to the earth. Microprocessors and our proprietary stabilization and control software use that data to compute the antenna movement necessary for the antenna’s motors to point the antenna properly and maintain contact with the satellite. If an obstruction temporarily blocks the satellite signal, our products continue to track the satellite’s location according to the movement of the antenna platform in order to carry out automatic, rapid reacquisition of the signal when a direct line of sight to the satellite is restored.

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Our Certified Support Network offers our TracVision and TracPhone customers an international network of skilled technical dealers and support centers in many locations where our customers are likely to travel. We have selected distributors based on their technical expertise, professionalism, and commitment to quality, and regularly provide them with extensive training in the sale, installation and support of our products.

Maritime

In the marine market, we offer a range of mobile satellite TV and communications products.

Satellite TV. Our TracVision TV-series satellite TV antennas, launched in mid-2014, are designed with the full spectrum of vessel sizes in mind, ranging from recreational vessels as small as 20 to 25 feet to large commercial vessels. The TV-series replaced a number of our M-series antennas with new antennas that incorporate new features, including an IP-enabled control unit to allow access to system information from any Wi-Fi device. Our family of marine TracVision products includes the 32-cm diameter TracVision TV1, 37-cm diameter TracVision TV3, 45-cm diameter TracVision TV5, and the 60-cm diameter TracVision TV6, each of which employs a high-efficiency circular antenna. In April 2015, we also introduced the 81-cm TracVision TV8. These products are compatible with Ku-band HDTV programming as well as high-powered regional satellite TV services around the globe, based on available signal strength and antenna size requirements.

Our TracVision HD-series satellite TV antennas are designed to offer a high definition TV experience comparable to that enjoyed by a home DIRECTV HDTV subscriber. Our TracVision HD7 uses a 61-cm diameter satellite TV antenna to receive signals from two DIRECTV Ka-band satellites and one DIRECTV Ku-band satellite simultaneously. It includes an Internet Protocol-enabled antenna control unit as well as optional antenna control via a free TracVision application for use on an Apple iPhone or iPad. We believe the TracVision HD7 was the first marine antenna to offer this combination of capabilities. Our TracVision HD11 offers a worldwide satellite TV capability through the use of a 1-meter diameter antenna and a global low noise block designed for use with the majority of direct-to-home satellite TV services. As a result, it is able to receive all Ku-band and DIRECTV Ka-band satellite television signals without changing out hardware elements. The Ku-band also works with modern satellite television services currently available in the world. The Ka-band will receive DIRECTV HDTV. Like the TracVision HD7, it features a customer application for the Apple iPhone or iPad to provide easy control of the system.

Satellite Phone and Internet. Our mini-VSAT Broadband network offers an end-to-end solution for offshore connectivity. This unified C/Ku-band Broadband service enables us to offer commercial, leisure, and government customers an integrated hardware and service solution for mobile communications and seamless region-to-region roaming. We design and manufacture the onboard TracPhone V-IP terminals, own the hub equipment installed in leased earth stations, lease the satellite capacity, manage the network through third-party service providers, and provide 24/7/365 after-sale support. Because we manufacture the onboard hardware, we can integrate the full rack of discrete below decks equipment typically used on traditional VSAT systems into a single, streamlined unit that is significantly easier to deploy than competing VSAT solutions. Our mini-VSAT Broadband network utilizes ArcLight spread spectrum modem technology developed by ViaSat. This spread spectrum approach reduces the broadcast power requirements and the pointing accuracy necessary to track the C- and Ku-band satellites that carry the service. The resulting efficiencies allowed us to develop and bring to market our TracPhone V-IP terminals. Our 60-cm diameter TracPhone V7-IP Ku-band antenna is 85% smaller by volume and 75% lighter than alternative 1-meter diameter VSAT antennas. Our 37-cm diameter TracPhone V3-IP Ku-band antenna is practical for use on smaller vessels as well as land vehicles. We believe that the TracPhone V3 is the smallest maritime VSAT system currently available. Our dual-mode TracPhone V11-IP antenna seamlessly tracks both C- and Ku-band satellites, making it the only 1-meter diameter maritime VSAT antenna to deliver seamless global coverage outside the far polar regions.

We are actively engaged in sales efforts for the TracPhone V-IP Series and mini-VSAT Broadband service to government agencies for maritime, military, and emergency responder use. In September 2010, the U.S. Coast Guard awarded us a 10-year contract valued at up to $42 million to supply TracPhone V7 systems and mini-VSAT Broadband airtime to as many as 216 U.S. Coast Guard cutters. As of December 31, 2015, we have supplied TracPhone V7 and V7-IP systems for 113 U.S. Coast Guard vessels. We also continue to expand our ability to support the commercial maritime market. In March 2011, we signed a contract to provide TracPhone V7 and mini-VSAT Broadband service to Vroon B.V. and its fleet of more than 125 commercial vessels and, as of December 31, 2015,

approximately 125 systems have shipped. In March 2012, V.Ships, the world's largest independent ship manager serving a fleet of over 1,000 vessels, selected our mini-VSAT Broadband service as its preferred satellite communications solution. In June 2012, Tokyo-based shipping and logistics company, Nippon Yusen Kaisha (NYK Line), selected our TracPhone V7 and mini-VSAT Broadband service and, as of December 31, 2015, approximately 140 systems have shipped.

We also offer CommBox, a ship-to-shore network management product that comprises shipboard hardware, a KVH-hosted or privately owned shore-based hub, and a suite of software applications. CommBox offers a range of tools designed to

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increase communication efficiency, reduce costs, and manage network operations. Key functions include web and data compression and optimization to increase network capacity; remote PC management for customer IT departments; integrated e-mail, firewalls, and security; least-cost routing; and bandwidth management on multiple communication carriers. Since September 2013, we have offered the CommBox functionality as an option for all TracPhone V-IP Series products through software accompanying the integrated Commbox modem. We receive subscription fees related to the selected software applications and monthly system maintenance fees. Because we offer this integrated solution, we no longer generate meaningful revenue from sales of standalone CommBox hardware.

We also offer Iridium OpenPort hardware and service to be used in conjunction with our mini-VSAT service. Iridium OpenPort service provides data rates up to 128Kbps and covers the entire world, including the polar regions. We offer the Iridium hardware and service along with our own mini-VSAT solution with the integrated CommBox functionality, which will switch over to the Iridium service if the mini-VSAT service is not available. Our customers might choose to add the Iridium service to expand the geographic coverage of the system or as a backup service.

In addition to our TracPhone VSAT products and mini-VSAT Broadband service, we also offer a family of Inmarsat-compatible TracPhone products that provide in-motion access to global satellite communications. These products rely on services offered by Inmarsat, a satellite service provider that supports links for phone, fax, and data communications as fast as 432 Kbps. The TracPhone FB150, FB250, and FB500 antennas use the Inmarsat FleetBroadband service to offer voice as well as high-speed Internet service. The TracPhone FB150, FB250, FB500 and FleetOne products are manufactured by Thrane & Thrane A/S of Denmark (acquired by Cobham) and distributed on an OEM basis by us in North America under our TracPhone brand and distributed in other markets on a non-exclusive basis.

Unlike mini-VSAT Broadband, where we control and sell the airtime, we purchase Inmarsat and Iridium airtime from a distributor and resell it to our customers.

Land Mobile

We design, manufacture, and sell a range of TracVision satellite TV antenna systems for use on a broad array of vehicles, including recreational vehicles, buses, conversion vans, and automobiles.

In the RV and bus markets, we offer TracVision satellite TV products, intended for both stationary and in-motion use. Our TracVision R1 delivers DIRECTV or DISH network service through a small 32-cm diameter dome. Our TracVision A9, introduced in January 2015 as a replacement for the DIRECTV-only TracVision A7, uses hybrid phased-array antenna technology to provide in-motion reception of satellite TV programming in the continental United States using either the DIRECTV or DISH Network services. The TracVision A9 stands approximately five inches high and mounts either to a vehicle’s roof rack or directly to the vehicle’s roof, making it practical for use aboard minivans, SUVs and other passenger vehicles. The TracVision A9 includes a mobile satellite television antenna and an IP-enabled TV hub for easy system configuration and control via Wi-Fi devices, such as an Apple iPhone or iPad. The TracVision A9 is also suitable for tall motor coaches and buses. Automotive customers subscribe to DIRECTV’s TOTAL CHOICE MOBILE satellite TV programming package, which is specifically promoted for automotive applications, or to DISH Network programming. Local channels and network programming are also available as an option for TracVision A9 users as a result of the system’s integrated GPS. At this time, we are the only company authorized by DIRECTV to sell, promote, and activate automotive users for the TOTAL CHOICE MOBILE programming package.

Airtime Services

In addition to our mobile satellite antenna hardware and software, we offer airtime plans that enable customers to obtain Internet and voice services. We offer a variety of rate plans that typically require an initial commitment of one or more years with a one-year auto-renewal feature. In October 2015, we introduced mini-VSAT Broadband 2.0, our second generation mini-VSAT service. The key features of the new service are new airtime plans, a new network management portal and a new comprehensive global customer support program. Our new airtime plans are a series of usage-based plans, designed around each ship's monthly data requirements for operational and crew needs, that deliver data at higher speeds. Our new network management portal, myKVH, is a secure portal that enables a ship operator to manage network usage by vessel or by individual crew members by allocating operational and crew data caps while receiving customized usage alerts. For customers that want the certainty of a fixed monthly price, we continue to

provide fixed rate plans that vary depending on data speeds and include protocol restrictions, such as limiting those that stream video content. User speeds are also restricted but not stopped when users reach established data use thresholds. In addition, we offer multiple metered plans that are either billed monthly based on the data consumed without any application or protocol blocking or based on a monthly minimum data quota with the option to add more data for an incremental charge. The TracPhone V3-IP requires a metered plan while the TracPhone V7-IP and V11-IP

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can support any plan.

The high bandwidth offered by the Ku-band satellites also permits faster data rates than those supported by Inmarsat's L-band satellites. TracPhone V7-IP and V11-IP customers may select service packages with Internet data connections offering ship-to-shore satellite data rates as fast as 1 megabit per second, or Mbps, and shore-to-ship satellite data rates as fast as 4 Mbps. The TracPhone V3-IP, due to its smaller dish diameter, offers ship-to-shore data rates as fast as 128 kilobits per second, or Kbps, and shore-to-ship satellite data rates as fast as 2 Mbps. In addition, subscriptions include Voice over Internet Protocol (VoIP) telephone services optimized for use over satellite connections. The TracPhone V7-IP and V11-IP can support two or more simultaneous calls while the TracPhone V3-IP can support one call at a time.

Our mini-VSAT Broadband network currently uses a combination of 22 Ku-band and three global C-band transponders on 18 satellites to provide coverage throughout the northern hemisphere and all of the major continents in the southern hemisphere. We currently offer our Ku-band mini-VSAT Broadband service in the Americas, Europe, the Middle East, Africa, Asia-Pacific, and Australian and New Zealand waters. It is our long-term plan to continue to invest in and enhance our mini-VSAT Broadband network. In March 2015, we expanded our capacity in the Asia-Pacific and Pacific Northwest regions and doubled our mini-VSAT broadband network capacity in eastern Canada and U.S. coastal regions. In December 2015, we more than doubled our broadband capacity in the North Atlantic Ocean region and added a new beam across Europe, the Middle East and Africa, effectively adding 30% more capacity. Under the terms of our revenue sharing arrangement with ViaSat, these types of expansions position us to earn revenue not only from the maritime and land-based use of the mini-VSAT Broadband service but also from aeronautical applications that roam throughout our network.

In June 2015, we implemented a global private multiprotocol label switching (MPLS) network connecting all of our teleports and satellite beams. We believe that transitioning from the public Internet to a private MPLS network will provide increased security, enhanced quality of service and increased network reliability and uptime for our customers.

Advanced Media & Services

We offer a variety of value-added services to our maritime customers as well as news content to our hotel customers and radio content to a small number of retail customers. The vast majority of these value-added services are subscription-based. We also off a variety of engineering and program management services to certain customers that purchase our guidance and stabilization products.

In May 2013, we acquired Headland Media Limited (now known as KVH Media Group), a media and entertainment service company based in the United Kingdom that distributes commercially licensed entertainment, including news, sports, music, and movies, to commercial and leisure customers in the maritime, hotel, and retail markets. Sales from KVH Media Group are included in our mobile broadband services sales. Our "news from home" digital newspaper service includes more than 100 daily newspapers in more than 20 languages that at the end of 2015 was delivered to more than 8,500 commercial ships, hotels, and cruise ships. The digital content can be printed onboard or viewed on a tablet, smartphone, or laptop. For movie content, we are an approved distributor of licensed content for certain major Hollywood, Bollywood, and independent studios. For television content, we are an approved distributor for certain major TV studios worldwide.

In July 2014, we acquired Videotel, a leading provider of high-quality training films and e-Learning services for the commercial maritime industry. Servicing over 12,000 vessels at the end of 2015, Videotel offers video, animation, e-Learning computer-based training (CBT) and interactive distance learning services. Certification and refresher courses are mandated by international regulations and, at the end of 2015, more than 10 million training hours of Videotel content had been delivered to over 300,000 registered crew members. Sales from Videotel are included in our mobile broadband service sales.

In late 2014, we launched a new content delivery service called IP-MobileCast. Content and data files are transmitted using a sophisticated multicast technology across our global satellite network to every vessel or mobile vehicle that has an active, compatible TracPhone V series or V-IP series terminal. The content is either stored on the terminal itself or on a KVH-supplied media server, which is required for digital rights managed content such as movies and Videotel content. This delivery mechanism reduces the amount of bandwidth required to transmit large files to a large

population of customers. Before multicasting, large data files were generally transmitted across satellite networks “on demand” or unicast, which consumes significant bandwidth. Moreover, copyright law requires permission from the rights holder for exhibitions of copyrighted film and television. Historically, studios have granted KVH Media Group permission to license non-theatrical exhibitions aboard ships. While traditionally we have licensed this content to commercial maritime customers through the distribution of DVDs, we have now automated the transmission of this type of entertainment via IP-MobileCast.

Customers that subscribe to one of our entertainment packages generally receive a variety of movie and television

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content that is cached locally onboard with unlimited onboard viewing for a year. We transmit 124 thirty-minute local "news from home" segments in a variety of languages on a daily basis, up to 20 movies a month plus daily sports and news clips and special programming such as the highlights of sporting events.

We also offer a variety of operational services through IP-MobileCast. Subscribers to the Videotel training and e-Learning content can also receive new content over the IP-MobileCast network through TRAININGlink, whereby customers receive new content more frequently than once a year. As part of our CHARTlink service, we transmit electronic chart updates for ECDIS solution providers Transas and Jeppesen. For our FORECASTlink service, we transmit global forecasts and high-resolution weather data provided by AWT. Our charting and weather forecasting services provide critical content for voyage optimization.

In addition, we offer professional services for our VSAT products that include network design, installation of onboard TracPhone terminals and custom configuration of the CommBox based on customer requirements. These services are performed by our employees as well as a dealer network of certified engineers.

Guidance and Stabilization Products

We offer a portfolio of digital compass and fiber optic gyro (FOG)-based systems that address the rigorous requirements of military and commercial customers. Our systems provide reliable, easy-to-use and continuously available navigation and pointing data. Our guidance and stabilization products include our FOG-based inertial measurement units (IMUs) for precision guidance, FOGs for tactical navigation as well as pointing and stabilization systems, and digital compasses that provide accurate heading information for demanding applications.

Guidance and Stabilization

Our high-performance digital signal processing (DSP)-based FOG products use an all-fiber design that has no moving parts, resulting in an affordable combination of precision, accuracy, and durability. Our FOG products support a broad range of military applications, including stabilization of remote weapons stations, antennas, radar, optical devices, or turrets; image stabilization and synchronization for shoulder-or tripod-mounted weapon simulators; precision tactical navigation systems for military vehicles, and guidance for weapons and unmanned autonomous vehicles. Our FOG products are also used in numerous commercial products, such as navigation and positioning systems for various applications including precision mapping, dynamic surveying, autonomous vehicles, train location control and track geometry measurement systems, industrial robotics, and optical stabilization.

Our TG-6000 IMU is a guidance system that provides precise measurement of motion and acceleration in three dimensions. It uses a three-axis configuration of our FOGs integrated with three accelerometers. We believe that this configuration provides outstanding performance, high reliability, low maintenance and easy system integration. The TG-6000 IMU is a component in the U.S. Navy's MK54 lightweight torpedo and is suitable for use in other applications that involve flight control, orientation, instrumentation, and navigation, such as unmanned aerial vehicles. The CG-5100, our first commercial-grade IMU, is suitable for a wide range of applications such as 3D augmented reality, mobile mapping, platform navigation, and GPS augmentation for unmanned vehicle programs, precise mapping, and imagery.

Our CNS-5000 continuous navigation system is a self-contained navigation system that combines our FOG-based inertial measurement technology with GPS technology from NovAtel. This navigation solution provides precise position and orientation of a host platform on a continuous basis, even during periods where GPS signals are blocked by natural or man-made obstructions or conditions. The CNS-5000 is designed for demanding commercial applications, such as dynamic surveying, mobile mapping, precision agriculture, container terminal management, and autonomous vehicle navigation, where the ability to determine the precise position and orientation of a piece of equipment or a mobile platform is critical. The CNS-5000 is a commercial-off-the-shelf (COTS) product consisting of a FOG-based inertial measurement unit tightly integrated with GPS within a single enclosure. This design reduces the operational complexities for customers whose products cross international boundaries.

Our open-loop DSP-1750, DSP-3000, and DSP-4000 FOGs provide precision measurement of the rate and angle of a platform's turning motion for significantly less cost than competing closed-loop gyros. These DSP-based products deliver performance superior to analog signal processing devices, which experience greater temperature-sensitive drift and rotation errors. Applications for these products include inertial measurement units, integrated navigation systems, attitude/heading/reference systems, and stabilization of antenna, radar, and optical equipment.

The DSP-1750, which we believe to be the world’s smallest high-performance FOG, is the first to use our E·Core

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ThinFiber® technology. This thin fiber, which is created at our Tinley Park, Illinois manufacturing facility, is only 170 microns in diameter, enabling longer lengths of fiber to be wound into smaller housings. Since the length of the fiber used in a FOG directly relates to gyro accuracy and performance, this technology enables us to produce smaller and more accurate gyros. The small size and weight of the DSP-1750 make it well suited for applications with size and weight restrictions, such as night vision and thermal imaging systems, aircraft-mounted gimbaled cameras for law enforcement and homeland security, and shipboard optical systems.

Our DSP-1760 single-axis and multi-axis FOGs offer improved performance and ease of integration relative to the DSP-1750. Many customers using our DSP-1750 single-axis and dual-axis FOGs also had requirements for packaged DSP-1750s. To address this demand, we introduced the DSP-1760 product line, consisting of packaged one, two, or three axes of FOGs, each with two different interface connector options.

The DSP-3000 and DSP-3100 are each slightly larger than a deck of playing cards and offers a variety of interface options to support a range of applications. High-performance 2-axis and 3-axis configurations can be realized by integrating multiple DSP-3000 and DSP-3100 units. Currently, the DSP-3000 and DSP-3100 are used in an array of pointing and stabilization applications, including the U.S. Army's Common Remotely Operated Weapon Station (CROWS) to provide the image and gun stabilization necessary to ensure that the weapon remains aimed at its target. We estimate that more than 20 companies have developed or are developing stabilized remote weapons stations that we believe will require similar FOG stabilization capabilities. The larger, militarized dual axis DSP-4000 is designed for use in high-shock and highly dynamic environments, such as gun turret stabilization.

Our 1750 IMU is an advanced 6-degrees-of-freedom sensor designed to integrate easily into the most demanding stabilization, pointing, and navigation applications. It offers enhanced performance at a lower cost than competing systems. The 1750 IMU marries the E·Core ThinFiber technology of our DSP-1750 FOGs with very low noise, solid state MEMS accelerometers to create a commercial-off-the-shelf IMU. In September 2014, we introduced our new 1775 IMU and 1725 IMU products to complement the 1750 IMU and provide customers with a range of choices for advanced 6-degrees-of-freedom sensors. The family of IMUs offers exceptional precision in a very small form factor, making them suitable for applications where space is limited, such as manned and unmanned commercial and defense platforms, optical equipment stabilization systems, pipeline inspection equipment, and autonomous vehicle control and navigation systems.

In January 2016, we introduced the GEO-FOG 3D and GEO-FOG 3D Dual inertial navigation systems that offers roll, pitch and heading accuracies of 0.05 degrees for demanding applications in unmanned, autonomous and manned aerial platforms. The product combines our 1750 IMU technology with centimeter-level precise GNSS receivers, a 3-axis magnetometer and a barometric pressure sensor.

Tactical Navigation

Our TACNAV® tactical navigation product line employs digital compass sensors and KVH FOGs to offer vehicle-based navigation and pointing systems with a range of capabilities, including GPS backup and enhancement, vehicle position, hull azimuth and navigation displays. Because our digital compass products measure the earth's magnetic field rather than detect satellite signals from the GPS, they are not susceptible to GPS jamming devices. TACNAV systems vary in size and complexity to suit a wide range of vehicles. Our TACNAV Light is a low-cost, digital compass-based battlefield navigation system specifically designed for non-turreted vehicles, such as high mobility multi-wheeled vehicles (HMMWVs) and trucks. Our TACNAV TLS, a digital compass-based tactical navigation and targeting system, offers a FOG upgrade for enhanced accuracy designed for turreted vehicles, including reconnaissance vehicles, armored personnel carriers, and light armored vehicles. Our TACNAV II Fiber Optic Gyro Navigation system offers a compact design, continuous output of heading and pointing data, and a flexible architecture that allows it to function as either a stand-alone navigation module or as the central component of an expanded, multifunctional navigation system. In June 2014, we introduced our new TACNAV 3D product, which is FOG-based and provides full three dimensional navigation. The TACNAV 3D is fitted with an Iridium transceiver to transmit and receive vehicle position, waypoint, and target location to or from a command center or other vehicle. The system also allows messages to be received from battlefield management systems.

Our navigation systems function as standalone tools and also aggregate, integrate, and communicate critical information from a variety of on-board systems. TACNAV can receive data from systems such as the vehicle's

odometer, military and commercial GPS devices, laser rangefinders, turret angle indicators and laser warning systems. TACNAV can also output this data to an on-board computer for retransmission through the vehicle's communications systems to a digital battlefield management application.

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Our TACNAV digital compass products have been sold for use aboard U.S. Army, Marine Corps, and Navy vehicles as well as to many foreign countries, including Australia, the United Kingdom, Canada, Germany, Italy, New Zealand, Saudi Arabia, Spain, Sweden, Taiwan, Malaysia, and Switzerland. We believe that we are among the leading manufacturers of such systems. Our standard TACNAV products can be customized to our customers' specifications. At customer request, we offer training and other services on a time-and-materials basis.

Value-Added Services

Our value-added services for the guidance and stabilization market include product repairs, engineering services provided under development contracts, and extended warranty sales.

Sales, Marketing and Support

Our sales, marketing and support efforts target markets that are substantial and require dedicated dealers and distributors to reach customers. These channels vary from time to time, but currently include targeted efforts to reach the commercial and leisure maritime markets; the RV, high-end automotive and bus markets; and the commercial, industrial, and government markets. We believe our brands are well known and well respected by customers within their respective niches. These brands include:

- TracVision - satellite television systems for vessels and vehicles
- TracPhone - two-way satellite communications systems
- mini-VSAT Broadband - mobile satellite communications network
- IP-MobileCast - content delivery service
- NEWSLink - maritime newspapers
- Videotel - maritime training content and services
- CommBox - network management hardware and software for maritime communications
- TACNAV - tactical navigation systems for military vehicles
- OneCare - services and support for the mini-VSAT Broadband solution

We sell our mobile satellite communications products directly and through an international network of independent retailers, chain stores and distributors, as well as to manufacturers of vessels and vehicles.

We sell entertainment media content directly through our KVH Media Group, headquartered in Leeds, England, and our training and e-Learning content directly though our Videotel group, which is located in London, England, and Hong Kong.

Our European headquarters, which is located in Denmark, coordinates our sales, marketing, and support efforts for our mobile satellite communications products in Europe, the Middle East, and Africa. Asian and Australia/New Zealand sales are managed through our offices located in Singapore. All international offices are managed under the oversight of our North American sales and marketing office. See Note 13 of the notes to our consolidated financial statements for information regarding our geographic segments.

We sell our guidance and stabilization products directly to U.S. and foreign governments and government contractors, as well as through an international network of authorized independent sales representatives. This network also sells our FOG products to commercial and industrial customers.

In 2013, purchases of TACNAV products and services by the U.S. Army Program Office - Saudi Arabian National Guard (SANG) represented 12% of our total sales.

Backlog

Backlog is not a meaningful indicator for predicting revenue in future periods. Commercial resellers for our mobile satellite communications products and legacy products do not carry extensive inventories and rely on us to ship products quickly. Generally due to the rapid delivery of our commercial products, our backlog for those products is not significant.

Our backlog for all products and services was $19.8 million, $27.3 million, and $20.5 million on December 31, 2015, 2014, and 2013, respectively. As of December 31, 2015, $18.0 million of our backlog was scheduled for fulfillment in 2016 and $1.8 million was scheduled for fulfillment in 2017 through 2020. The decrease in backlog of $7.5 million from December 31, 2014 to December 31, 2015 was primarily a result of shipments made in the fourth quarter of 2015 related to a $19.0 million TACNAV product and services contract, announced in October 2014, with an

international military customer for our new FOG-

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based tactical navigation system. The increase in backlog of $6.8 million from December 31, 2013 to December 31, 2014 was primarily the result of the same $19.0 million TACNAV product and services contract. The contract includes program management and engineering services expected to be delivered through 2017 and hardware shipments expected to be fulfilled in 2015 and 2016, as well as out-year support services to be provided as part of this order.

Backlog consists of orders evidenced by written agreements and specified delivery dates for customers who are acceptable credit risks. We do not include satellite connectivity or media content service sales in our backlog even though many of our satellite connectivity and media content customers have signed annual or multi-year service contracts providing for a fixed monthly fee. Military orders included in backlog are generally subject to cancellation for the convenience of the customer. When orders are canceled, we generally recover actual costs incurred through the date of cancellation and the costs resulting from termination. As of December 31, 2015, our backlog included approximately $14.0 million in orders that are subject to cancellation for convenience by the customer. Individual orders for guidance and stabilization products are often large and may require procurement of specialized long-lead components and allocation of manufacturing resources. The complexity of planning and executing larger orders generally requires customers to order well in advance of the required delivery date, resulting in backlog.

Intellectual Property

Our ability to compete effectively depends to a significant extent on our ability to protect our proprietary information. We rely primarily on patent, copyright and trade secret laws, confidentiality procedures, and licensing arrangements to protect our intellectual property rights. We own 22 U.S. and foreign patents and have 5 additional patent applications that are currently pending. We also register our trademarks in the United States and other key markets where we do business. Our patents will expire at various dates between March 2016 and April 2033. We enter into confidentiality agreements with our consultants, key employees, and sales representatives and maintain controls over access to and distribution of our technology, software, and other proprietary information. The steps we have taken to protect our technology may be inadequate to prevent others from using what we regard as our technology to compete with us.

We do not generally conduct exhaustive patent searches to determine whether the technology used in our products infringes patents held by third parties. In addition, product development is inherently uncertain in a rapidly evolving technological environment in which there may be numerous patent applications pending, many of which are confidential when filed, with regard to similar technologies.

From time to time, we have faced claims by third parties that our products or technologies infringe their patents or other intellectual property rights, and we may face similar claims in the future. Any claim of infringement could cause us to incur substantial costs defending against or settling the claim, even if the claim is invalid, and could distract the attention of our management. If any of our products is found to violate third-party proprietary rights, we may be required to pay substantial damages. In addition, we may be required to re-engineer our products or seek to obtain licenses from third parties to continue to offer our products. Any efforts to re-engineer our products or obtain licenses on commercially reasonable terms may not be successful, which would prevent us from selling our products, and, in any case, could substantially increase our costs and have a material adverse effect on our business, financial condition, and results of operations.

Manufacturing

Manufacturing operations for our mobile satellite communications and navigation products consist of light manufacture, final assembly and testing. Manufacturing operations for our FOG products are more complex. We produce specialized optical fiber, FOG components and sensing coils and combine them with components purchased from outside vendors for assembly into finished goods. We own optical fiber drawing towers with which we produce the specialized optical fiber that we use in all of our FOG products. Excluding the CommBox product, which we manufacture in Norway, we manufacture, warehouse and distribute our mobile satellite communications products at our facilities in Middletown, Rhode Island. We manufacture our navigation and FOG products in our facility located in Tinley Park, Illinois.

We contract with third parties for fabrication and assembly of printed circuit boards, injection-molded plastic parts, machined metal components, connectors and housings. We believe there are a number of acceptable vendors for the components we purchase. We regularly evaluate both domestic and foreign suppliers for quality, dependability and

cost effectiveness. In some instances we utilize sole-source suppliers to develop strategic relationships to enhance the quality of materials and save costs. Our manufacturing processes are controlled by an ISO 9001:2008-certified quality standards program.

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For subscribers of the Videotel maritime safety video and computer-based training modules, we provide computer hardware preloaded with the content ("VOD kiosk"), which is updated annually by DVD. We use two contract manufacturers in the United Kingdom to supply the VOD kiosks, which eliminates the dependence on one vendor.

Competition

We encounter significant competition in all of our markets, and we expect this competition to intensify in the future. Many of our primary competitors are well-established companies and some have substantially greater financial, managerial, technical, marketing, operational, and other resources than we do.

In the marine market for satellite TV equipment, we compete primarily with Intellian, Cobham SATCOM, Orbit Communication Systems, RayMarine (Intellian made), KNS, and Sea King (King Controls).
In the marine market for voice, fax, data, and Internet communications equipment, we compete primarily with Intellian, Cobham SATCOM, Orbit Communication Systems, Jotron AS, KNS Inc., Inmarsat, AddValue, and Iridium Satellite LLC.
In the marine market for voice, fax, data, and Internet services, we compete primarily with Inmarsat, Globalstar LP, and Iridium Satellite LLC. We also face competition from providers of marine satellite data services and maritime VSAT solutions, including Inmarsat (which has successfully launched three Ka-band satellites that will deliver its new Global Xpress service and has announced that it anticipates offering commercial service early in the second quarter of 2016), Marlink, MTN/SeaMobile, Speedcast, and Harris CapRock.
In the market for land mobile satellite TV equipment, we compete primarily with King Controls and Winegard Company.
In the markets for media content, we compete primarily with Swank Motion Pictures and PressReader.
In the markets for safety and e-Learning content, we compete primarily with Seagull AS.
In the markets for mobile satellite communications technology, the principal competitive factors are product size, features, design, performance, reliability, and price. In the markets for airtime services, the principal competitive factors are geographic coverage, data speed, value-added services, and price. In the markets for media content, the principal competitive factors are license rights, distribution, and price.
In the guidance and stabilization markets, we compete primarily with Honeywell International Inc., Northrop Grumman Corporation, Goodrich Aerospace, IAI, Fizoptica, SAGEM, and Systron Donner Inertial. We believe the principal competitive factors in these markets are performance, size, reliability, durability, and price.
Research and Development
Focused investments in research and development are critical to our future growth and competitive position in the marketplace. Our research and development efforts are directly related to timely development of new and enhanced products and services that are central to our core business strategy. The industries in which we compete are subject to rapid technological developments, evolving industry standards, changes in customer requirements, and new product and service introductions and enhancements. As a result, our success depends in part upon our ability, on a cost-effective and timely basis, to continue to enhance our existing products and to develop and introduce new products and services that improve performance and meet customers' operational and cost requirements. Our current research and development efforts include projects to achieve additional cost reductions in our products and the development of new products and services for our existing marine and land mobile communications markets, and navigation, guidance, and stabilization application markets. For example:

- In April 2015, we launched our new TracVision TV8 products designed to provide the tracking, reception and extended coverage area needed for yachts and merchant vessels calling in ports all around the world.
- In November 2015, we updated our IP-MobileCast content delivery service with subtitle languages for movies and more accessible menus and program guides on vessels' set-top boxes.
- In January 2016, we launched our GEO-FOG 3D and GEO-FOG 3D Dual inertial navigation systems, which combine KVH's FOG-based 1750 IMU's with GPS for demanding applications

Our research and development activities consist of projects funded by us and projects funded with the assistance of customer-funded contract research. Our customer-funded research efforts are made up of contracts with defense and OEM

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customers, whose performance specifications are unique to their product applications. Defense and OEM research often results in new product offerings. We strive to be the first company to bring a new product to market, and we use our own funds to accelerate new product development efforts.

Government Regulation

Our manufacturing operations are subject to various laws governing the protection of the environment and our employees. These laws and regulations are subject to change, and any such change may require us to improve our technologies, incur expenditures, or both, in order to comply with such laws and regulations.

We are subject to compliance with the U.S. Export Administration Regulations. Some of our products have military or strategic applications and are on the Munitions List of the U.S. International Traffic in Arms Regulations. These products require an individual validated license to be exported to certain jurisdictions. The length of time involved in the licensing process varies and can result in delays of the shipping of the products. Sales of our products to either the U.S. government or its prime contractors are subject to the U.S. Federal Acquisition Regulations.

We are also subject to the laws and regulations of the U.S. and foreign jurisdictions in which we offer and sell our satellite communication products and services, including those of the European Union, Brazil, Norway, Singapore, and Japan. These laws and regulations, as well as the interpretation and application of these laws and regulations, are subject to change and any such change may affect our ability to offer and sell existing and planned satellite communications products and services.

Employees

On December 31, 2015, we employed 567 full-time employees. We also employ part-time employees as well as temporary or contract personnel, when necessary, to provide short-term and/or specialized support for production and other functional projects.

We believe our future success will depend upon the continued service of our key technical and senior management personnel and upon our continued ability to attract and retain highly qualified technical and managerial personnel. None of our employees is represented by a labor union. We have never experienced a work stoppage and consider our relationship with our employees to be good.

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ITEM 1A. Risk Factors

An investment in our common stock involves a high degree of risk. You should carefully consider the following risk factors in evaluating our business. If any of these risks, or other risks not presently known to us or that we currently believe are not significant, develops into an actual event, then our business, financial condition and results of operations could be adversely affected. If that happens, the market price of our common stock could decline.

Our revenues and results of operations have been and may continue to be adversely impacted by worldwide economic turmoil, credit tightening and associated declines in consumer spending.

Worldwide economic conditions have experienced significant turmoil over the last several years, including slower economic activity, tightened credit markets, inflation and deflation concerns, decreased consumer confidence, reduced corporate profits, reduced or canceled capital spending, attom:0px">

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

EXECUTIVE OFFICER COMPENSATION

Summary Compensation Table

The following table presents information concerning the total compensation of the Chief Executive Officer and each of the four most highly compensated officers during the last fiscal year (the Named Executive Officers) for services rendered to Autodesk in all capacities for the three fiscal years ended January 31, 2004:

Summary Compensation Table

		Annual Compensation		Long-Term Compensation Awards	
Name and Principal Position	**Year**	**Salary ($)**	**Bonus ($)**	**Securities Underlying Options (#)**	**All Other Compensation ($) (1)**
Carol A. Bartz	2004	680,000	1,260,500	400,000	13,171
	2003	765,000		320,000	34,811
Chairman of the Board,	2002	841,667	550,000	750,000	63,745
Chief Executive Officer					
and President					
Carl Bass					
Senior Executive Vice President,	2004	400,000	499,250	175,000	21,908
	2003	380,000		200,000	15,322
Design Solutions Group	2002	151,423		310,000	
Alfred J. Castino					
Senior Vice President,	2004	300,000	315,500	40,000	3,940
	2003	147,885		120,000	2,704
Chief Financial Officer	2002				
Marcia K. Sterling					
Senior Vice President,	2004	320,000	263,000	70,000	3,940
	2003	298,462		75,000	4,075
General Counsel and Secretary	2002	316,667	120,000	120,000	26,099
Michael E. Sutton	2004	380,000	299,750	70,000	500
	2003	358,077		75,000	112,700
Executive Vice President,	2002	376,667	150,000	120,000	27,946

(1) Includes matching contributions by Autodesk to one of Autodesk s pre-tax savings plans, Autodesk contributions to one of Autodesk s pre-tax plans, reimbursement for certain relocation expenses, and organization dues.

Employment Contracts and Certain Transactions

In April 1992, Autodesk entered into an agreement with Carol A. Bartz that provides for a minimum base salary of $400,000, incentive bonus of up to 80% of base salary, a one-time employment bonus of $250,000 (to compensate for a foregone bonus) and the grant of options to purchase 4,000,000 shares of Common Stock vesting over five years of employment. The agreement provides for a severance payment equal to two years base salary and incentive compensation in the event Ms. Bartz s employment is terminated without cause within two years after commencement of employment or one year after a change of control of Autodesk not approved by the Board of Directors or two years base compensation in the event Ms. Bartz s employment is terminated without cause under any other circumstances.

In accordance with SEC Rule 10b5-1, Ms. Bartz established a written plan that provides for the exercise of certain options to purchase the Company s Common Stock and the automatic sale of the underlying shares of Common Stock in accordance with specific guidelines.

On September 8, 1999, we entered into a retention agreement with Marcia Sterling to act as Senior Vice President, General Counsel and Secretary of Autodesk. This retention agreement provides that in the event Ms. Sterling is terminated without cause any time before September 8, 2004, then she is entitled to receive a severance payment up to a maximum of one year s base compensation.

During fiscal year 2004, the law firm of Wilson Sonsini Goodrich & Rosati, Professional Corporation, acted as principal outside counsel to Autodesk. Mr. Bertelsen, a director of Autodesk, is a member of Wilson Sonsini Goodrich & Rosati, Professional Corporation. Payments by Autodesk to Wilson Sonsini Goodrich & Rosati were less than one percent of that firm s revenues in the last fiscal year. We believe that the services performed by Wilson Sonsini Goodrich & Rosati, Professional Corporation were provided on terms no more or less favorable than those with unrelated parties.

In March 2000, the Board of Directors approved the Executive Change in Control Program (the Change in Control Program), in an effort to ensure the continued service of the Company s key executives in the event of a future change in control event. Each of the Company s current executive officers participates in the Change of Control Program. Under the terms of the Change in Control Program, if, within 12 months of a Change of Control (as defined below), an executive officer who participates in the Program is terminated without cause, he or she will receive:

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

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

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

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

- The acquisition of beneficial ownership by any person, directly or indirectly, of 50% or more of the total voting power represented by the Company s then-outstanding voting securities;

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The consummation of the sale or disposition of all or substantially all of the Company s assets;

The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation where the outstanding voting securities of the Company immediately prior to the merger or consolidation continue to represent at least 60% of the voting power of the surviving entity immediately after such merger or consolidation; or

A change in the composition of the Board of Directors, which results in the incumbent directors representing less than a majority of the entire Board.

EMPLOYEE AND DIRECTOR STOCK OPTIONS

Option Program Description

Autodesk maintains three active stock option plans for the purpose of granting stock options to employees and members of Autodesk s Board of Directors: the 1996 Stock Plan (available only to employees), the Nonstatutory Stock Option Plan (available only to non-executive employees and consultants) and the 2000 Directors Option Plan (available only to non-employee directors). Additionally, there are five expired plans with options outstanding. In addition to its stock option plans, the Company s employees are also eligible to participate in Autodesk s 1998 Employee Qualified Stock Purchase Plan. Autodesk does not have a practice of awarding stock options to consultants.

Our stock option program is broad-based and designed to promote long-term retention. Essentially all of our employees participate. Approximately 88% of the options we granted during fiscal year 2004 were awarded to employees other than Named Executive Officers as detailed below. Options granted under our equity plans vest over periods ranging from one to five years and expire within ten years of date of grant. The exercise price of the stock options is equal to the closing price of our Common Stock on the Nasdaq National Market on the grant date.

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

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

Distribution and Dilutive Effect of Options

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

	Fiscal Year Ended January 31,		
	2004	2003	2002
Net grants during the period as % of outstanding shares	3.1%	3.1%	6.5%
Grants to Named Executive Officers during the period as % of total options granted	11.7%	9.3%	14.1%
Grants to Named Executive Officers during the period as % of outstanding shares	0.7%	0.6%	1.1%
Cumulative options held by Named Executive Officers as % of total options outstanding	20.9%	18.0%	18.9%

General Option Information

Our stock option activity for the two fiscal years ended January 31, 2004, is summarized as follows:

		Options Outstanding	
(Shares in thousands)	Shares Available for Options	Number of Shares	Weighted Average Price Per Share
Options outstanding at January 31, 2002	8,998	29,164	$ 16.50
Granted	(7,356)	7,356	15.41
Options assumed in an acquisition	12	255	1.51
Exercised		(3,428)	14.42
Canceled	3,902	(3,902)	17.64
Additional shares reserved	4,001		
Options outstanding at January 31, 2003	9,557	29,445	$ 16.19
Granted	(6,460)	6,460	17.46
Exercised		(6,425)	14.48
Canceled	2,766	(3,012)	17.13
Additional shares reserved	4,084		
Options outstanding at January 31, 2004	9,947	26,468	$ 16.80

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

The following table compares the number of shares subject to option grants with exercise prices at or below the closing price of our common stock at January 31, 2004 (in-the-money) with the number of shares subject to option grants with exercise prices greater than the closing price of our Common Stock at the same date (out-of-the-money). The closing price of our Common Stock on January 30, 2004, was $25.69 per share.

	Exercisable		Unexercisable		Total	
(Shares in thousands)	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
In-the-Money	13,163	$ 16.89	13,215	$ 16.60	26,378	$ 16.74
Out-of-the-Money	90	32.49			90	32.49
Total Options Outstanding	13,253	$ 17.00	13,215	$ 16.60	26,468	$ 16.80

Option Grants in Last Fiscal Year

The following table sets forth, as to the Named Executive Officers, information concerning stock options granted during the fiscal year ended January 31, 2004:

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term ($) (4)	
Name	Number of Securities Underlying Options Granted (1)	Percent of Total Options Granted to Employees in Fiscal Year (2)	Exercise Price	Expiration Date (3)	5%	10%
Carol A. Bartz	200,000		$ 14.73	3/13/13	$ 1,852,724	$ 4,695,165
	200,000		$ 17.45	9/25/13	2,194,842	5,562,161
	400,000	6.19%			$ 4,047,566	$ 10,257,326
Carl Bass	75,000		$ 14.73	3/13/13	$ 694,771	$ 1,760,687
	100,000		$ 17.45	9/25/13	1,097,421	2,781,081
	175,000	2.71%			$ 1,792,192	$ 4,541,768
Alfred J. Castino	40,000	0.62%	$ 17.45	9/25/13	$ 438,968	$ 1,112,432
Marcia K. Sterling	30,000		$ 14.73	3/13/13	$ 277,909	$ 704,275
	40,000		$ 17.45	9/25/13	438,968	1,112,432
	70,000	1.08%			$ 716,877	$ 1,816,707
Michael E. Sutton	30,000		$ 14.73	3/13/13	$ 277,909	$ 704,275
	40,000		$ 17.45	9/25/13	438,968	1,112,432
	70,000	1.08%			$ 716,877	$ 1,816,707

(1) The options in this table are incentive stock options or nonstatutory stock options granted under the 1996 Stock Plan, and have exercises prices equal to the fair market value of the Company s Common Stock on the date of grant. Generally, all such options have ten year terms and vest over one to five years. The shares subject to each option will immediately vest in full in the event the Company is acquired by merger or asset sale, unless the option is to be assumed by the acquiring entity. In addition, under the Change in Control Program, in the event that the Company terminates any of the Named Executive Officers within 12 months following a change in control, the shares subject to each option will vest as to the number of shares that would have vested within the 12 months following such termination.

(2) The Company granted options to purchase 6.5 million shares of Common Stock in the fiscal year ended January 31, 2004, to 2,737 employees.

(3) The options in this table may terminate before their expiration upon the termination of the optionee s status as an employee or consultant or upon the optionee s disability or death.

(4) Under rules promulgated by the SEC, the amounts in these two columns represent the hypothetical gain or option spread that would exist for the options in this table based on assumed stock price appreciation from the date of grant until the end of such options ten-year term at assumed annual rates of 5% and 10%. Annual compounding results in total appreciation of 63% (at 5% per year) and 159% (at 10% per year). The 5% and 10% assumed annual rates of appreciation are specified in SEC rules and do not represent the Company s estimate or projection of future stock price growth. The Company does not necessarily agree that this method can properly determine the value of an option, and there can be no assurance that the potential realizable values shown in this table will be achieved.

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Equity Compensation Plan Information

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

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	19,269	$ 16.85	15,213(2)
Equity compensation plans not approved by security holders (3)	7,199	$ 16.66	109
Total	26,468	$ 16.80	15,322

(1) Included in these amounts are 0.3 million securities available to be issued upon exercise of outstanding options with a weighted-average exercise price of $15.94 related to equity compensation plans assumed in connection with previous business mergers and acquisitions.
(2) Included in this amount are 5.4 million securities available for future issuance under Autodesk s 1998 Employee Qualified Stock Purchase Plan.
(3) Amounts correspond to Autodesk s Nonstatutory Stock Option Plan, which is not subject to stockholder approval, described below.

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

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

Our Nonstatutory Stock Option Plan, which is not subject to stockholder approval, was adopted in 1996. The Nonstatutory Stock Option Plan permitted the grant of options to purchase up to 16.9 million shares to be granted to eligible employees, all of which have been previously granted. Currently only shares which were previously granted and returned to the plan after termination of employment are available for future grants. Executive officers and members of the Board of Directors are not eligible to participate in this plan. The Nonstatutory Stock Option Plan is intended to help the Company attract and

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retain outstanding individuals in order to promote the Company s success. Only nonstatutory stock options may be granted under the Nonstatutory Stock Option Plan. The Nonstatutory Stock Option Plan is administered by the Compensation and Human Resources Committee of the Board of Directors.

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

Option Exercises and Holdings

The following table sets forth, as to the Named Executive Officers, certain information concerning stock options exercised during fiscal year 2004, and the number of shares of the Company s Common Stock subject to both exercisable and unexercisable stock options as of January 31, 2004. Also reported are values for in-the-money options that represent the positive spread between the respective exercise prices of outstanding stock options and the fair market value of the Company s Common Stock as of January 31, 2004. The market value of the underlying securities is based on $25.69, the closing price of the Company s Common Stock on January 30, 2004 (the last trading day of fiscal year 2004).

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

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options at Fiscal Year End		Value of Unexercised In-the-Money Options at Fiscal Year End	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Carol A. Bartz	170,000	$ 1,455,785	2,592,698	1,110,000	$ 28,926,130	$ 9,390,511
Carl Bass	100,000	730,000	105,000	480,000	731,200	3,740,200
Alfred J. Castino			30,000	130,000	389,100	1,496,900
Marcia K. Sterling	183,002	1,222,618	158,750	201,250	924,337	1,713,516
Michael E. Sutton	56,550	632,346	530,000	201,250	3,672,090	1,713,516

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

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

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

The Audit Committee reviewed and discussed the audited financial statements for fiscal year 2004 with management and Ernst & Young LLP, Autodesk s independent auditors. Management is responsible for the quarterly and annual financial statements and the reporting process, including the systems of internal controls. Ernst & Young LLP is responsible for expressing an opinion on the conformity of our audited financial statements with generally accepted accounting principles. In addition, we received from and discussed with Ernst & Young LLP the written disclosures and the letter required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, discussed Ernst & Young LLP s independence with them, and discussed with Ernst & Young LLP the matters required to be discussed by Statement on Auditing Standards No. 61, Communications with Audit Committees, each as currently in effect.

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

On the basis of these reviews and discussions, the Audit Committee recommended to the Board of Directors (and the Board of Directors has approved) that Autodesk s audited financial statements be included in Autodesk s Annual Report on Form 10-K for the fiscal year ended January 31, 2004, for filing with the SEC.

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

J. Hallam Dawson, Chairman
Mary Alice Taylor
Steven L. Scheid

REPORT OF THE COMPENSATION AND HUMAN RESOURCES COMMITTEE OF THE

BOARD OF DIRECTORS

The Compensation and Human Resources Committee of the Board of Directors is comprised of three non-employee directors. Members of this Committee are required to meet the independent director requirements of the listing standards of The Nasdaq Stock Market, the non-employee director requirements of Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934 and the outside director requirements of Section 162(m) of the Internal Revenue Code of 1986. During fiscal year 2004, the Compensation and Human Resources Committee consisted of Crawford W. Beveridge, Chairman, Per-Kristian Halvorsen and Larry W. Wangberg.

The purpose of the Compensation and Human Resources Committee is to ensure the Company has programs in place to attract, retain and develop a highly effective management team and to discharge the Board s responsibilities relating to certain compensation matters of the Company.

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

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

Compensation Philosophy

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

ensures that the executive team has clear goals and accountability with respect to financial and non-financial corporate performance;

establishes pay opportunities that are competitive based on prevailing practices for the industry, the stage of growth of Autodesk, and the dynamic and challenging high technology labor markets in which Autodesk operates;

independently assesses operating results on a regular basis in light of our expected performance; and

aligns pay incentives with the long-term interests of our stockholders.

The Compensation and Human Resources Committee s actions for the fiscal year ending January 31, 2004, were influenced by improving general economic conditions, as well as Autodesk s improved performance during the year.

Compensation Program

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

1. *Base salary* for executive officers is set annually by reviewing the competitive pay practices of comparable high technology companies. Local, national and, for international executives, foreign compensation data are examined and taken into account, along with the skills and performance of the individual and the needs of Autodesk. During the last half of fiscal year 2003, several executives and other vice presidents agreed to a 10% pay cut, reflecting the Company s revenue slowdown. Chief Executive Officer Carol A. Bartz took a voluntary 20% pay cut during the last half of fiscal year 2003 and kept her pay cut in place during fiscal year 2004.

2. *Cash incentive compensation* is designed to motivate executives to attain short-term and longer-term corporate, business unit and individual management goals. The actual annual cash bonuses received by an executive depend upon attainment of these specified business goals, together with discretionary analysis of individual contribution. Incentive bonuses for fiscal year 2004 were based upon the achievement of these corporate and individual goals and related contribution to our success. In setting goals and measuring performance against those goals, the Compensation and Human Resources Committee considers compensation practices among companies competing for a common employee pool, as well as general economic and market conditions. It is the intention of the Compensation and Human Resources Committee in fiscal year 2005 to continue this linkage between the achievement of specific financial targets, corporate and individual goals and the payment of incentive cash compensation to our officers and other executives.

3. *Equity-based incentive compensation* has been provided to employees and management through our stock incentive plans. Under these plans, officers and employees are eligible to be granted stock options based on competitive market data, as well as their responsibilities and position at Autodesk. These options allow participants to purchase shares of our Common Stock at the market price on the date of the grant, subject to vesting during the participant s employment with Autodesk. Employees are also permitted to purchase shares of our Common Stock, subject to certain limitations, at 85% of fair market value under the Employee Stock Purchase Plan. The purpose of these stock plans is to instill the economic incentives of ownership and to create management incentives to improve stockholder value. Our stock option plans utilize vesting periods to encourage employees and executives to remain with Autodesk and to focus on longer-term results.

The Compensation and Human Resources Committee believes that Autodesk s executive compensation program falls within the typical range of compensation programs offered by comparable high technology companies.

Chief Executive Officer Compensation

In determining Ms. Bartz s compensation for the fiscal year ended January 31, 2004, the Compensation and Human Resources Committee reviewed industry surveys of compensation paid to chief executive officers of comparable companies, with a focus on those companies located in the San Francisco Bay Area, and evaluated achievement of corporate and individual objectives for the fiscal year. Ms. Bartz took a voluntary 20% salary cut for the second half of fiscal year 2003, which she elected to keep in place during fiscal year 2004, resulting in her base salary of $680,000 for fiscal year 2004.

In addition, like other executive officers, Ms. Bartz was eligible to receive an incentive bonus determined on the basis of achievement of financial and non-financial individual and corporate goals and contribution to our success. Based on the Company s achievement against the financial targets set at the

beginning of the fiscal year, Ms. Bartz received a bonus of $1,260,500 for fiscal year 2004. Ms. Bartz received no bonus during the prior fiscal year. In recognition of her contribution to Autodesk s performance, Ms. Bartz was granted options to buy an aggregate of 400,000 shares of Autodesk stock during fiscal year 2004. We believe it is critical to the Company s long-term success to continue to tie our Chief Executive Officer s financial incentives to our performance and to align individual financial interests with those of stockholders.

Other Executive Compensation

Autodesk provides certain compensation programs to executives that are also available to our other employees, including pre-tax savings plans and medical/dental/vision benefits. There are no pension programs except where prescribed by law in countries other than the United States. We generally do not provide executive perquisites such as club memberships. In fiscal year 1998, we introduced a Deferred Compensation Program for executives, which Autodesk subsequently extended to other key employees.

Deductibility of Executive Compensation

Beginning in 1994, the Internal Revenue Code of 1986, as amended, limited the federal income tax deductibility of compensation paid to our chief executive and to each of the other four most highly compensated executive officers. For this purpose, compensation can include, in addition to cash compensation, the difference between the exercise price of stock options and the value of the underlying stock on the date of exercise. We may deduct compensation with respect to any of these individuals only to the extent that during any fiscal year such compensation does not exceed $1.0 million or meets certain other conditions enabling it to be characterized as performance-based. Considering our current compensation plans and policy, Autodesk and the Compensation and Human Resources Committee believe that, for the near future, there is little risk that we will lose any significant tax deduction relating to executive compensation. If the deductibility of executive compensation becomes a significant issue, our compensation plans and policy will be modified to maximize deductibility if Autodesk and the Compensation Committee determine that such action is in the best interests of Autodesk.

COMPENSATION AND HUMAN RESOURCES

COMMITTEE OF THE BOARD OF DIRECTORS

Crawford W. Beveridge, Chairman
Per-Kristian Halvorsen
Larry W. Wangberg

COMPANY STOCK PRICE PERFORMANCE

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

Comparison of Five Year Cumulative Total Stockholder Return (1)

(1) Assumes $100 invested January 31, 1999, in the Company s stock, the Standard & Poor s 500 Stock Index, and the Dow Jones Software Index, with reinvestment of all dividends. Total stockholder returns for prior periods are not an indication of future investment returns.

OTHER MATTERS

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

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

THE BOARD OF DIRECTORS

May 19, 2004

San Rafael, California

APPENDIX A

Autodesk, Inc.

Audit Committee Charter

Purpose

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

Membership

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

Meetings

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

Reporting

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

Responsibilities

The Audit Committee will:

1. Approve the selection, compensation, evaluation, and replacement of, and oversee the work of, the independent auditors (including the resolution of any disagreements between management and the independent auditor regarding financial reporting); and pre-approve all fees and terms of audit and non-audit engagements, including the audit engagement letter.

2. Have a clear understanding with management and the independent auditors that the independent auditors are ultimately accountable to the Audit Committee and the Board of Directors, as representatives of the Company s stockholders.

3. Monitor the independence and objectivity of the independent auditors and ensure that the Committee annually receives from the independent auditors the required formal written statement on their independence.

4. Prior to the annual independent audit, review with the independent auditors and financial management the scope of the independent audit and the areas of audit emphasis.

5. Review with management and the independent auditors the financial statements, including the Company s disclosures under Management s Discussion and Analysis of Financial Condition and Results of Operations, prior to the filing of the Company s Annual Report on Form 10-K. Discuss with the independent auditors their judgment about the quality, not just acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity and completeness of the disclosures in the financial statements.

6. Discuss with management and the independent auditors the management letter and response and any other matters required to be communicated to the Audit Committee by the independent auditors.

7. Review with management and the independent auditors the interim financial statements, including the Company s disclosures under Management s Discussion and Analysis of Financial Condition and Results of Operations, prior to the filing of the Company s quarterly report on Form 10-Q and discuss the results of the quarterly review and any other matters required to be communicated to the Audit Committee by the independent auditors.

8. Together with management, select and subsequently evaluate the internal audit head.

9. Approve the charter of the internal audit department and the annual internal audit plan.

10. Review the results of internal audit s activities, including evaluation of compliance with laws, regulations and Company policy.

11. Monitor actions taken to address matters noted in internal audit reports and in management letters issued by the independent auditors.

12. Discuss and review Autodesk s key internal accounting control policies and procedures and accounting policy changes.

13. Provide a forum for internal audit and the independent auditors to meet in closed session with the Audit Committee.

14. Establish and monitor the procedures for handling complaints regarding accounting, internal accounting controls, or auditing matters, including procedures for confidential, anonymous submission of concerns by employees regarding accounting and auditing matters.

15. Review compliance with Autodesk s Related Party and Non-routine Transactions Policy, including reviewing and approving in advance any proposed related party transactions.

16. Review the Company s plans and subsequent progress in addressing and resolving significant operational or other issues as they may arise.

17. Review and reassess this charter at least annually and submit it to the Board of Directors for approval.

18. Require an annual assessment of the performance of the Audit Committee.

19. Submit for inclusion in the Company s annual Proxy Statement the audit committee disclosures required by the SEC and NASDAQ Marketplace Rules, including the Audit Committee Report and the confirmation of the existence of a written charter (and its publication at least every three years), and confirm to the Board of Directors the independence and financial literacy of Audit Committee members.

20. Review and investigate other matters within the scope of the Audit Committee s duties, as deemed necessary.

Proxy Autodesk, Inc.

Meeting Details

2004 ANNUAL MEETING OF STOCKHOLDERS

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF AUTODESK, INC.

The undersigned stockholder of AUTODESK, INC., a Delaware corporation, hereby acknowledges receipt of the Notice of Annual Meeting of Stockholders and Proxy Statement, each dated May 19, 2004, and hereby appoints Carol A. Bartz and Marcia K. Sterling, or either of them, proxies and attorneys-in-fact, with full power to each of substitution, on behalf and in the name of the undersigned, to represent the undersigned at the 2004 Annual Meeting of Stockholders of AUTODESK, INC. to be held on June 17, 2004, at 2:00 p.m., at AUTODESK, INC. s principal executive office, located at 111 McInnis Parkway, San Rafael, California and at any adjournment or postponement thereof, and to vote all shares of common stock that the undersigned would be entitled to vote if there personally present upon such business as may properly come before the meeting, including the items on the reverse side of this form.

This proxy, when properly executed, will be voted as directed, or, if no contrary direction is indicated, will be voted FOR the election of the nominees named in the Proxy Statement to AUTODESK, INC. s Board of Directors, FOR the ratification of the appointment of Ernst & Young LLP as independent auditors for the fiscal year ending January 31, 2005, AGAINST the stockholder proposal and as said proxies deem advisable on such other matters as may properly come before the meeting.

In their descretion, the proxies are authorized to vote upon such other business as may properly come before the meeting.

(Continued and to be voted on reverse side.)

•• Mark this box with an X if you have made changes to your name or address details above.

Annual Meeting Proxy Card

A Election of Directors

1. The Board of Directors recommends a vote FOR the listed nominees.

	For	Withhold		For	Withhold		For	Withhold
01 - Carol A. Bartz			04 - J. Hallam Dawson			07 - Steven Scheid		
02 - Mark A. Bertelsen			05 - Michael J. Fister			08 - Mary Alice Taylor		
03 - Crawford W. Beveridge			06 - Per-Kristian Halvorsen			09 - Larry W. Wangberg		

B Issues

The Board of Directors recommends a vote FOR Item 2.
Please read the resolution in full on the accompanying proxy materials.

	For	Against	Abstain
2. Proposal to ratify the appointment of Ernst & Young LLP as the independent auditors of Autodesk, Inc. for the fiscal year ending January 31, 2005.			

The Board of Directors recommends a vote AGAINST Item 3.
Please read the resolution in full on the accompanying proxy materials.

	For	Against	Abstain
3. To consider a stockholder proposal if properly presented at the meeting.			

C Authorized Signatures - Sign Here - This section must be completed for your instructions to be executed.

This proxy card should be marked, dated, and signed by the stockholder(s) exactly as his or her name appears hereon, and returned promptly in the enclosed envelope. Persons signing in a fiduciary capacity should so indicate. If shares are held by joint tenants or as community property, all should sign.

Signature 1 - Please keep signature within box	Signature 2 - Please keep signature within the box.	Date (mm/dd/yyyy)