UNITED STATES-
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2002

OR

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

Commission file number: 0-20853

ANSYS, Inc.
(exact name of registrant as specified in its charter)

DELAWARE	04-3219960
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
275 Technology Drive, Canonsburg, PA	15317
(Address of principal executive offices)	(Zip Code)

724-746-3304
(Registrant's telephone number, including area code)

Indicate by a 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

The number of shares of the Registrant's Common Stock, par value $.01 per share, outstanding as of May 3, 2002 was 14,740,067 shares.

ANSYS, INC. AND SUBSIDIARIES

INDEX

Trademarks used in this Form 10-Q: ANSYS(R) and DesignSpace(R) are registered trademarks of SAS IP, Inc., a wholly-owned subsidiary of ANSYS, Inc.

PART I - FINANCIAL INFORMATION

Item 1. - Financial Statements:

ANSYS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share information)
(Unaudited)

	March 31, 2002	Dec. 31, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 18,457	$ 28,545
Short-term investments	31,843	24,903
Accounts receivable, less allowance for doubtful accounts of $1,640 and $1,610, respectively	13,057	15,352
Other current assets	12,738	12,803
Deferred income taxes	1,842	1,799
Total current assets	77,937	83,402
Long-term investments	1,100	500
Property and equipment, net	4,995	4,915
Capitalized software costs, net	693	817
Goodwill, net	18,468	16,937
Other intangibles, net	5,978	6,499
Deferred income taxes	4,577	4,692
Total assets	$113,748	$117,762
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 406	$ 624
Accrued bonuses	1,350	4,578
Other accrued expenses and liabilities	6,287	13,047
Deferred revenue	26,510	25,120
Total current liabilities	34,553	43,369
Stockholders' equity:		
Preferred stock, $.01 par value, 2,000,000 shares authorized	-	-
Common stock, $.01 par value; 50,000,000 shares authorized; 16,584,758 shares issued	166	166
Additional paid-in capital	39,085	37,822
Less treasury stock, at cost: 1,890,200 and 2,071,123 shares, respectively	(24,007)	(23,953)
Retained earnings	64,317	60,429
Accumulated other comprehensive loss	(366)	(71)
Total stockholders' equity	79,195	74,393
Total liabilities and stockholders' equity	$113,748	$117,762

The accompanying notes are an integral part of the condensed consolidated financial statements.

ANSYS, INC. AND SUBIDARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)
(Unaudited)

	Three months ended	
	March 31, 2002	March 31, 2001
Revenue:		
Software licenses	$ 11,330	$ 9,482
Maintenance and service	9,935	8,740
Total revenue	21,265	18,222
Cost of sales:		
Software licenses	1,037	1,110
Maintenance and service	1,814	1,553
Total cost of sales	2,851	2,663
Gross profit	18,414	15,559
Operating expenses:		
Selling and marketing	5,161	4,934
Research and development	4,819	3,915
Amortization	599	1,325
General and administrative	2,330	2,571
Total operating expenses	12,909	12,745
Operating income	5,505	2,814
Other income	171	644
Income before income tax provision	5,676	3,458
Income tax provision	1,788	1,087
Net income	$ 3,888	$ 2,371
Earnings per share - basic:		
Basic earnings per share	$ 0.27	$ 0.16
Weighted average shares - basic	14,588	14,914
Earnings per share - diluted:		
Diluted earnings per share	$ 0.25	$ 0.15
Weighted average shares - diluted	15,843	15,493

The accompanying notes are an integral part of the condensed consolidated financial statements.

ANSYS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Three months ended	
	March 31, 2002	March 31, 2001
Cash flows from operating activities:		
Net income	$ 3,888	$ 2,371
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,146	1,964
Deferred income tax provision	72	85
Provision for bad debts	49	-
Changes in operating assets and liabilities:		
Accounts receivable	2,246	3,507
Other current assets	65	347
Accounts payable, accrued expenses and liabilities	(5,967)	(3,908)
Deferred revenue	1,390	1,980
Net cash provided by operating Activities	2,889	6,346
Cash flows from investing activities:		
Capital expenditures	(645)	(722)
Acquisition payments	(845)	(150)
Purchases of short-term investments	(6,976)	(5,023)
Maturities of short-term investments	35	21,570
ICEM CFD acquisition	(2,591)	(183)
Purchase of long-term investment	(600)	-
Net cash (used in) provided by investing activities	(11,622)	15,492
Cash flows from financing activities:		
Proceeds from issuance of common stock under Employee Stock Purchase Plan	136	86
Purchase of treasury stock	(3,317)	(11,199)
Proceeds from exercise of stock options	2,061	451
Net cash used in financing activities	(1,120)	(10,662)
Effect of exchange rate changes on cash	(235)	(195)
Net increase in cash and cash equivalents	(10,088)	10,981
Cash and cash equivalents, beginning of period	28,545	6,313
Cash and cash equivalents, end of period	$ 18,457	$ 17,294
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Income taxes	$ 2,466	$ 1,590

The accompanying notes are an integral part of the condensed consolidated financial statements.

ANSYS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2002
(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements included herein have been prepared by ANSYS, Inc. (the "Company") in accordance with accounting principles generally accepted in the United States of America for interim financial information for commercial and industrial companies and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. The financial statements as of and for the three months ended March 31, 2002 should be read in conjunction with the Company's consolidated financial statements (and notes thereto) included in the Company's Annual Report on Form 10-K for the year ended December 31, 2001. Accordingly, the accompanying statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation of the financial statements have been included, and all adjustments are of a normal and recurring nature. Operating results for the three months ended March 31, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002.

2. Accumulated Other Comprehensive Income

As of March 31, 2002 and December 31, 2001, accumulated other comprehensive income, as reflected on the condensed consolidated balance sheets, was comprised of foreign currency translation adjustments.

Comprehensive income for the three-month periods ended March 31, 2002 and 2001 was $3,593,000 and $2,175,000, respectively.

3. Other Current Assets

The Company reports accounts receivable related to the portion of annual lease licenses and software maintenance that has not yet been recognized as revenue as a component of other current assets. These amounts totaled $9.1 million and $10.3 million as of March 31, 2002 and December 31, 2001, respectively.

4. Recently Issued Accounting Pronouncements

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standard No. 142 (Statement 142), "Goodwill and Other Intangible Assets," for existing goodwill and other intangible assets, including the non-amortization provisions of this standard arising from business combinations after June 30, 2001. This standard eliminates the amortization of goodwill and intangible assets with indefinite useful lives and requires annual testing for impairment. This standard also requires the assignment of assets acquired and liabilities assumed, including goodwill, to reporting units for purposes of the annual impairment test. As of March 31, 2002 and December 31, 2001, ANSYS had net unamortized goodwill of $18.5 million and $16.9 million, respectively. The Company expects to complete the required transitional goodwill impairment test during the quarter ended June 30, 2002. The following table sets forth the condensed consolidated pro forma results of operations for the three-month periods ended March 31, 2002 and 2001 as if Statement 142 had been in effect for both periods:

	Three Months Ended March 31, 2002	Three Months Ended March 31, 2001
Reported net income	$3,888	$2,371
Add back: Goodwill and trademark amortization, net of tax	-	633
Adjusted net income	$3,888	$3,004
Earnings per share-basic:		
Reported net income	$ 0.27	$ 0.16
Goodwill and trademark amortization	-	.04
Adjusted net income	$ 0.27	$ 0.20
Earnings per share-diluted:		
Reported net income	$ 0.25	$ 0.15
Goodwill and trademark amortization	-	.04
Adjusted net income	$ 0.25	$ 0.19

As of March 31, 2002, the Company's intangible assets are classified as follows:

(in thousands)	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:		
Core technology	$ 4,335	$(1,435)
Non-compete agreements	2,280	(521)
Customer List	1,407	(445)
Total	$ 8,022	$(2,401)
Unamortized intangible assets:		
Trademark	$ 357	

Amortization expense for the amortized intangible assets reflected above is expected to be approximately $1,743,000, $1,482,000, $961,000, $738,000 and $199,000 for the years ending December 31, 2002, 2003, 2004, 2005 and 2006, respectively.

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors and Stockholders of
ANSYS, Inc.
Canonsburg, Pennsylvania

We have reviewed the accompanying condensed consolidated balance sheet of ANSYS, Inc. and subsidiaries (the "Company") as of March 31, 2002, and the related condensed consolidated statements of income and cash flows for the three-month period then ended. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to such condensed consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP
- ----------------------------
Pittsburgh, Pennsylvania
April 12, 2002

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ANSYS, Inc. (the "Company") develops and globally markets engineering simulation software and technologies widely used by engineers and designers across a broad spectrum of industries, including aerospace, automotive, manufacturing, electronics and biomedical. Headquartered at Southpointe in Canonsburg, Pennsylvania, the Company employs approximately 460 people and focuses on the development of open and flexible solutions that enable users to analyze designs directly on the desktop, providing a common platform for fast, efficient and cost-conscious product development, from design concept to final-stage testing and validation. The Company distributes its ANSYS(R), DesignSpace(R), AI*Solutions, ICEM CFD Engineering and CADOE products through a network of channel partners in 37 countries, in addition to its own direct sales offices in 18 strategic locations throughout the world. The following discussion should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and notes thereto for the three-month periods ended March 31, 2002 and 2001, and with the Company's audited financial statements and notes thereto for the year ended December 31, 2001 filed in Form 10-K with the Securities and Exchange Commission.

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements below concerning future trends regarding the Company's intentions related to continued investments in sales and marketing and research and development, plans related to future capital spending, the sufficiency of existing cash and cash equivalent balances to meet future working capital and capital expenditure requirements, estimates of tax rates in future periods, as well as statements which contain such words as "anticipates", "intends", "believes", "plans" and other similar expressions. The Company's actual results could differ materially from those set forth in forward-looking statements. Certain factors that might cause such a difference include risks and uncertainties detailed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section in the 2001 Annual Report to Shareholders and in "Certain Factors Regarding Future Results" included herein as Exhibit 99 to this Form 10-Q.

Results of Operations

Three Months Ended March 31, 2002 Compared to Three Months Ended March 31, 2001

Revenue. The Company's total revenue increased 16.7% in the 2002 first quarter to $21.3 million from $18.2 million in the 2001 first quarter. Reported revenue for the prior year first quarter was affected by a modification of the Company's revenue recognition policy related to noncancellable annual software leases.

As previously disclosed, in 2001 the Company modified its revenue recognition policy for annual software leases to comply with Technical Practice Aid ("TPA") 5100.53 "Fair Value of PCS in a Short-Term Time-Based License and Software Revenue Recognition," issued by the American Institute of Certified Public Accountants. Prior to the revenue recognition modification, the Company recognized a portion of the license fee from annual software leases upon inception or renewal of the lease, while the remaining portion was recognized ratably over the lease period. The TPA requires all revenue from noncancellable annual software lease licenses to be recognized ratably over the lease term. Had this revenue recognition policy modification been initially made in January 2002, first quarter 2002 revenue would have been approximately $19.6 million.

Software license revenue increased 19.5% in the 2002 quarter to $11.3 million from $9.5 million in the 2001 quarter. The quarterly revenue increase was primarily the result of an increase in license revenue related to annual software leases, which substantially resulted from the adverse impact of the revenue recognition policy modification discussed above on reported revenue in the first quarter of 2001. Also contributing to the increase in the 2002 quarter were higher sales of paid-up software licenses.

Maintenance and service revenue increased 13.7% in the 2002 quarter to $9.9 million from $8.7 million in the 2001 quarter. This increase was primarily the result of maintenance contracts sold in association with increased paid-up license sales in recent quarters, as well as an increase in consulting revenue provided by the Company's environmental business unit.

Of the Company's total revenue in the 2002 quarter, approximately 56.1% and 43.9%, respectively, were attributable to international and domestic sales, as compared to 56.5% and 43.5%, respectively, in the 2001 quarter.

Cost of Sales and Gross Profit. The Company's total cost of sales increased 7.1% to $2.9 million, or 13.4% of total revenue, in the 2002 first quarter from $2.7 million, or 14.6% of total revenue, in the 2001 first quarter. The increase in the 2002 quarter was principally attributable to costs associated with engineering consulting services provided by the Company's environmental business unit.

As a result of the foregoing, the Company's gross profit increased 18.3% to $18.4 million in the 2002 quarter from $15.6 million in the 2001 quarter.

Selling and Marketing. Total selling and marketing expenses increased from $4.9 million, or 27.1% of total revenue in the 2001 quarter, to $5.2 million, or 24.3% of total revenue in the 2002 quarter. The increase resulted from higher salaries and related headcount costs associated with the addition of personnel within the Company's direct sales and sales support organization. These additions include personnel associated with the Company's recently established direct sales offices in India and France. The Company anticipates that it will continue to make significant investments throughout the remainder of 2002 in its global sales and marketing organization to strengthen its competitive position, to enhance major account sales activities and to support its worldwide sales channels and marketing strategies.

Research and Development. Research and development expenses increased 23.1% in the 2002 first quarter to $4.8 million, or 22.7% of total revenue, from $3.9 million, or 21.5% of total revenue, in the 2001 quarter. The increase primarily resulted from additional headcount and related costs, across all business units, related to the development and introduction of new and enhanced products. The Company has traditionally invested significant resources in research and development activities and intends to continue to make significant investments in this area.

Amortization. Amortization expense decreased to $599,000 in the 2002 first quarter from $1.3 million in the prior year quarter. The reduction primarily related to the adoption of Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets. This standard eliminates the amortization of goodwill and other intangible assets with indefinite useful lives and requires annual testing for impairment. Had this standard been in effect for the first quarter of 2001, amortization expense in that quarter would have been approximately $513,000.

General and Administrative. General and administrative expenses decreased from $2.6 million, or 14.1% of total revenue in the 2001 quarter, to $2.3 million, or 11.0% of total revenue in the 2002 quarter. The decrease was primarily the result of lower legal expenses in the 2002 quarter.

Other Income. Other income decreased to $171,000 in the 2002 first quarter from $644,000 in the prior year quarter. The decrease was primarily attributable to a reduced interest rate environment in the 2002 first quarter as compared to that in the 2001 first quarter.

Income Tax Provision. The Company's effective rates of taxation were 31.5% in the 2002 quarter and 31.4% in the 2001 quarter. These rates are lower than the federal and state combined statutory rate as a result of the utilization of a foreign sales corporation, as well as the generation of research and experimentation credits. The Company expects that the effective tax rate will remain in the range of 29.5% - 31.5% for the remainder of the year.

Net Income. The Company's net income in the 2002 quarter was $3.9 million as compared to $2.4 million in the 2001 quarter. Diluted earnings per share increased to $.25 in the 2002 quarter as compared to $.15 in the 2001 quarter as a result of the increase in net income. The weighted average shares used in computing diluted earnings per share were 15.8 million in the 2002 quarter and 15.5 million in the 2001 quarter.

Excluding acquisition-related amortization, net income increased 28.4% to $4.2 million, or diluted earnings per share of $0.26.

Liquidity and Capital Resources

As of March 31, 2002, the Company had cash, cash equivalents and short-term investments totaling $50.3 million and working capital of $43.4 million, as compared to cash, cash equivalents and short-term investments of $53.4 million and working capital of $40.0 million at December 31, 2001. The short-term investments are generally investment grade and liquid, which allows the Company to minimize interest rate risk and to facilitate liquidity in the event an immediate cash need arises.

The Company's operating activities provided cash of $2.9 million for the three months ended March 31, 2002 and $6.3 million for the three months ended March 31, 2001. The decrease in the company's cash flow from operations in the 2002 three-month period as compared to the comparable 2001 period was primarily a result of the payment of approximately $2.0 million associated with the settlement of a dispute with a former distributor. This amount was fully accrued in the third quarter of 2001. Also contributing to the reduction in cash generated from operating activities were higher income tax payments. Net cash generated by operating activities provided sufficient resources to fund increased headcount and capital needs, as well as to sustain share repurchase activity under the Company's ongoing stock repurchase program.

The Company's investing activities used cash of $11.6 million in the three months ended March 31, 2002 and provided cash of $15.5 million in the three months ended March 31, 2001. In the 2002 three-month period, cash outlays primarily related to purchases of short-term investments and a final payment of $2.6 million related to the 2000 acquisition of ICEM CFD Engineering. In the 2001 three-month period, cash was primarily generated from net maturities of short-term investments. The Company currently plans additional capital spending of approximately $1.9 million throughout the remainder of 2002; however, the level of spending will be dependent upon various factors, including growth of the business and general economic conditions.

Financing activities used cash of approximately $1.1 million and $10.7 million in the three months ended March 31, 2002 and 2001, respectively. In both periods, cash outlays related to the Company's share repurchase program were partially offset by proceeds from the issuance of common stock under employee stock purchase and option plans.

The Company believes that existing cash and cash equivalent balances, together with cash generated from operations, will be sufficient to meet the Company's working capital and capital expenditure requirements through the remainder of fiscal 2002. The Company's cash requirements in the future may also be financed through additional equity or debt financings. There can be no assurance that such financings can be obtained on favorable terms, if at all.

Critical Accounting Policies

ANSYS believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements. ANSYS recognizes revenue in accordance with SOP 97-2, Software Revenue Recognition, and related interpretations. Revenue for perpetual licenses is recognized upon delivery of the authorization keys to the end user, acceptance by the customer and receipt of a signed contractual obligation, provided that no significant Company obligations remain and collection of the receivable is probable. Revenue for software lease licenses is recognized ratably over the period of the lease contract. Revenue is recorded at the net price to ANSYS for sales through the ANSYS distribution network. The Company estimates the value of post-contract customer support sold together with perpetual licenses by reference to published price lists which generally represent the prices at which customers could purchase renewal contracts for such services. ANSYS maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of ANSYS customers, including ANSYS distributors, were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. ANSYS capitalizes internal labor costs associated with the development of product enhancements subsequent to the determination of technological feasibility. Amortization of capitalized software costs, both for internally developed as well as for purchased software products, is computed on a product-by-product basis over the estimated economic life of the product, which is generally three years. The Company periodically reviews the carrying value of capitalized software and impairments will be recognized in the results of operations if the expected future undiscounted operating cash flow derived from the capitalized software is less than its carrying value.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is subject to various legal proceedings from time to time that arise in the ordinary course of business. Each of these matters is subject to various uncertainties, and it is possible that these matters may be resolved unfavorably to the Company.

Item 2. Changes in Securities

(c) The following information is furnished in connection with securities sold by the Registrant during the period covered by this Form 10-Q which were not registered under the Securities Act. The transactions constitute sales of the Registrant's Common Stock, par value $.01 per share, upon the exercise of vested options issued pursuant to the Company's 1994 Stock Option and Grant Plan, issued in reliance upon the exemption from registration under Rule 701 promulgated under the Securities Act and issued prior to the Registrant becoming subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act of 1934, as amended.

Month/Year	Number of Shares	Number of Individuals	Aggregate Exercise Price
March 2002	750	1	$ 7,500.00

Item 3. Defaults upon Senior Securities

Not Applicable.

Item 4. Submission of Matters to a Vote of Security Holders

Not Applicable.

Item 5. Other information

Not Applicable.

Item 6. Exhibits and Reports Filed on Form 8-K

(a) Exhibits.

15	Independent Accountants' Letter Regarding Unaudited Financial Information
99	Certain Factors Regarding Future Results

(b) Reports on Form 8-K.

The Company filed a Current Report on Form 8-K with the Securities and Exchange Commission on March 19, 2002 to report a change in the Company's certifying accountants from PricewaterhouseCoopers LLP to Deloitte and Touche LLP.

SIGNATURES

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

ANSYS, Inc.

Date: May 3, 2002

By: /s/ James E. Cashman, III

James E. Cashman, III
President and Chief
Executive Officer

Date: May 3, 2002

By: /s/ Maria T. Shields

Maria T. Shields
Chief Financial Officer

Item 6.

EXHIBIT INDEX

Exhibit No.	
15	Independent Accountants' Letter Regarding Unaudited Financial Information
99	Certain Factors Regarding Future Results

EXHIBIT 15

May 3, 2002

ANSYS, Inc.
275 Technology Drive
Canonsburg, PA 15317

We have made a review, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim financial information of ANSYS, Inc. and subsidiaries for the period ended March 31, 2002, as indicated in our report dated April 12, 2002; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended March 31, 2002, is incorporated by reference in Registration Statement No. 333-08613 on Form S-8.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ Deloitte & Touche LLP
- ----------------------------
Pittsburgh, Pennsylvania

EXHIBIT 99 Certain Factors Regarding Future Results

Information provided by the Company or its spokespersons may from time to time contain forward-looking statements concerning projected financial performance, market and industry segment growth, product development and commercialization or other aspects of future operations. Such statements will be based on the assumptions and expectations of the Company's management at the time such statements are made. The Company cautions investors that its performance (and, therefore, any forward-looking statement) is subject to risks and uncertainties. Various important factors including, but not limited to, the following may cause the Company's future results to differ materially from those projected in any forward-looking statement.

POTENTIAL FLUCTUATIONS IN OPERATING RESULTS: The Company may experience significant fluctuations in future quarterly operating results. Fluctuations may be caused by many factors, including the timing of new product releases or product enhancements by the Company or its competitors; the size and timing of individual orders, including a fluctuation in the demand for and the ability to complete large contracts; software errors or other product quality problems; competition and pricing; customer order deferrals in anticipation of new products or product enhancements; reduction in demand for the Company's products; changes in operating expenses; changes in the mix of software license and maintenance and service revenue; personnel changes and general economic conditions. A substantial portion of the Company's operating expenses is related to personnel, facilities and marketing programs. The level of personnel and related expenses cannot be adjusted quickly and is based, in significant part, on the Company's expectation for future revenue. The Company does not typically experience significant order backlog. Further, the Company has often recognized a substantial portion of its revenue in the last month of a quarter, with this revenue frequently concentrated in the last weeks or days of a quarter. During certain quarterly periods, the Company has been dependent upon receiving large orders of perpetual licenses involving the payment of a single up-front fee and, more recently, has shifted the business emphasis of its products to provide a collaborative solution to the Company's customers. This emphasis has increased the Company's average order size and increased the related sales cycle time for the larger orders and may have the effect of increasing the volatility of the Company's revenue and profit from period to period. As a result, product revenue in any quarter is substantially dependent on sales completed in the latter part of that quarter, and revenue for any future quarter is not predictable with any significant degree of accuracy.

STOCK MARKET AND STOCK PRICE VOLATILITY: Market prices for securities of software companies have generally been volatile. In particular, the market price of the Company's common stock has been and may continue to be subject to significant fluctuations as a result of factors affecting the Company, the software industry or the securities markets in general. Such factors include, but are not limited to, declines in trading price that may be triggered by the Company's failure to meet the expectations of securities analysts and investors. The Company cannot provide assurance that in such circumstances the trading price of the Company's common stock will recover or that it will not experience a further decline. Moreover, the trading price could be subject to additional fluctuations in response to quarter-to-quarter variations in the Company's operating results, material announcements made by the Company or its competitors, conditions in the software industry generally or other events and factors, many of which are beyond the Company's control.

RAPIDLY CHANGING TECHNOLOGY; NEW PRODUCTS; RISK OF PRODUCT DEFECTS: The markets for the Company's products are generally characterized by rapidly changing technology and frequent new product introductions that can render existing products obsolete or unmarketable. A major factor in the Company's future success will be its ability to anticipate technological changes and to develop and introduce, in a timely manner, enhancements to its existing products and new products to meet those changes. If the Company is unable to introduce new products and respond quickly to industry changes, its business, financial condition and results of operations could be materially adversely affected. The introduction and marketing of new or enhanced products require the Company to manage the transition from existing products in order to minimize disruption in customer purchasing patterns. There can be no assurance that the Company will be successful in developing and marketing, on a timely basis, new products or product enhancements, that its new products will adequately address the changing needs of the marketplace or that it will successfully manage the transition from existing products. Software products as complex as those offered by the Company may contain undetected errors or failures when first introduced or as new versions are released, and the likelihood of errors is increased as a result of the Company's commitment to accelerating the frequency of its product releases.

There can be no assurance that errors will not be found in new or enhanced products after commencement of commercial shipments. Any of these problems may result in the loss of or delay in market acceptance, diversion of development resources, damage to the Company's reputation or increased service and warranty costs, any of which could have a materially adverse effect on the Company's business, financial condition and results of operations.

DEPENDENCE ON DISTRIBUTORS: The Company continues to distribute most of its products through its global network of 30 independent, regional ASDs. The ASDs sell ANSYS and DesignSpace products to new and existing customers, expand installations within their existing customer base, offer consulting services and provide the first line of technical support. The ASDs have more immediate contact with most customers who use ANSYS software than does the Company. Consequently, the Company is highly dependent on the efforts of the ASDs. Difficulties in ongoing relationships with ASDs, such as delays in collecting accounts receivable, failure to meet performance criteria or to promote the Company's products as aggressively as the Company expects and differences in the handling of customer relationships could adversely affect the Company's performance. Additionally, the loss of any major ASD for any reason, including an ASD's decision to sell competing products rather than the Company's products, could have a materially adverse effect on the Company. Moreover, the Company's future success will depend substantially on the ability and willingness of its ASDs to continue to dedicate the resources necessary to promote the Company's products and to support a larger installed base of the Company's products. If the ASDs are unable or unwilling to do so, the Company may be unable to sustain revenue growth.

COMPETITION: The CAD, CAE and computer-aided manufacturing ("CAM") markets are intensely competitive. In the traditional CAE market, the Company's primary competitors include MSC.Software Corporation and Hibbitt, Karlsson and Sorenson, Inc. The Company also faces competition from smaller vendors of specialized analysis applications in fields such as computational fluid dynamics. In addition, certain integrated CAD suppliers such as Parametric Technology Corporation, Electronic Data Systems Corporation and Dassault Systemes provide varying levels of design analysis, optimization and verification capabilities as part of their product offerings. The entrance of new competitors would likely intensify competition in all or a portion of the overall CAD, CAE and CAM markets. Some of the Company's current and possible future competitors have greater financial, technical, marketing and other resources than the Company, and some have well established relationships with current and potential customers of the Company. It is also possible that alliances among competitors may emerge and rapidly acquire significant market share or that competition will increase as a result of software industry consolidation. Increased competition may result in price reductions, reduced profitability and loss of market share, any of which would materially adversely affect the Company's business, financial condition and results of operations.

DEPENDENCE ON SENIOR MANAGEMENT AND KEY TECHNICAL PERSONNEL: The Company is highly dependent upon the ability and experience of its senior executives and its key technical and other management employees. Although the Company has an employment agreement with one executive, the loss of this employee, or any of the Company's other key employees, could adversely affect the Company's ability to conduct its operations.

RISKS ASSOCIATED WITH INTERNATIONAL ACTIVITIES: A significant portion of the Company's business comes from outside the United States of America. Risks inherent in the Company's international business activities include imposition of government controls, export license requirements, restrictions on the export of critical technology, political and economic instability, trade restrictions, changes in tariffs and taxes, difficulties in staffing and managing international operations, longer accounts receivable payment cycles and the burdens of complying with a wide variety of foreign laws and regulations. Effective patent, copyright and trade secret protection may not be available in every foreign country in which the Company sells its products. The Company's business, financial condition and results of operations could be materially adversely affected by any of these risks.

Additionally, countries in certain international regions have continued to experience weaknesses in their currency, banking and equity markets. These weaknesses could adversely affect consumer demand for the Company's products and ultimately the Company's financial condition or results of operations.

In November 2000, the United States enacted the FSC Repeal and Extraterritorial Income Exclusion Act (the "Act") in response to a challenge from the World Trade Organization ("WTO") that the existing tax benefits provided by foreign sales corporations were prohibited tax subsidies. The Act generally repeals the foreign sales corporation and implements an extraterritorial income ("ETI") tax benefit. Recently, the European Union stated that it did not believe the ETI provisions bring U.S. tax law into WTO-compliance and asked the WTO to rule on the matter. On January 14, 2002, the WTO ruled in favor of the European Union's charge. As a result, there may be further related changes to U.S. export tax law in connection with this ruling. Any such prospective changes regarding tax benefits associated with the Company's export sales may adversely impact the Company's effective tax rate and decrease its net income in future periods.

DEPENDENCE ON PROPRIETARY TECHNOLOGY: The Company's success is highly dependent upon its proprietary technology. Although the Company was awarded a patent by the U.S. Patent and Trademark Office for its web-based reporting technology, the Company generally relies on contracts and the laws of copyright and trade secrets to protect its technology. Although the Company maintains a trade secrets program, enters into confidentiality agreements with its employees and distributors and limits access to and distribution of its software, documentation and other proprietary information, there can be no assurance that the steps taken by the Company to protect its proprietary technology will be adequate to prevent misappropriation of its technology by third parties, or that third parties will not be able to develop similar technology independently. Although the Company is not aware that any of its technology infringes upon the rights of third parties, there can be no assurance that other parties will not assert technology infringement claims against the Company, or that, if asserted, such claims will not prevail.

INCREASED RELIANCE ON PERPETUAL LICENSES: The Company has historically maintained stable recurring revenue from the sale of monthly lease licenses and noncancellable annual leases for its software products. More recently, the Company has experienced an increase in customer preference for perpetual licenses that involve payment of a single up-front fee and that are more typical in the computer software industry. While revenue generated from monthly lease licenses and noncancellable annual leases currently represents a portion of the Company's software license revenue, to the extent that perpetual license revenue continues to represent a significant percentage of total software license revenue, the Company's revenue in any period will increasingly depend on sales completed during that period.

RISKS ASSOCIATED WITH ACQUISITIONS: The Company has consummated and may continue to consummate certain strategic acquisitions in order to provide increased capabilities to its existing products, enter new product and service markets or enhance its distribution channels. The ability of the Company to integrate the acquired businesses, including delivering sales and support, ensuring continued customer commitment, obtaining further commitments and challenges associated with expanding sales in particular markets and retaining key personnel, will impact the success of these acquisitions. If the Company is unable to properly and timely integrate the acquired businesses, there could be a materially adverse effect on the Company's business, financial condition and results of operations.

GENERAL CONTINGENCIES: The Company is subject to various investigations, claims and legal proceedings from time to time that arise in the ordinary course of its business activities. Each of these matters is subject to various uncertainties, and it is possible that some of these matters may be resolved unfavorably to the Company.