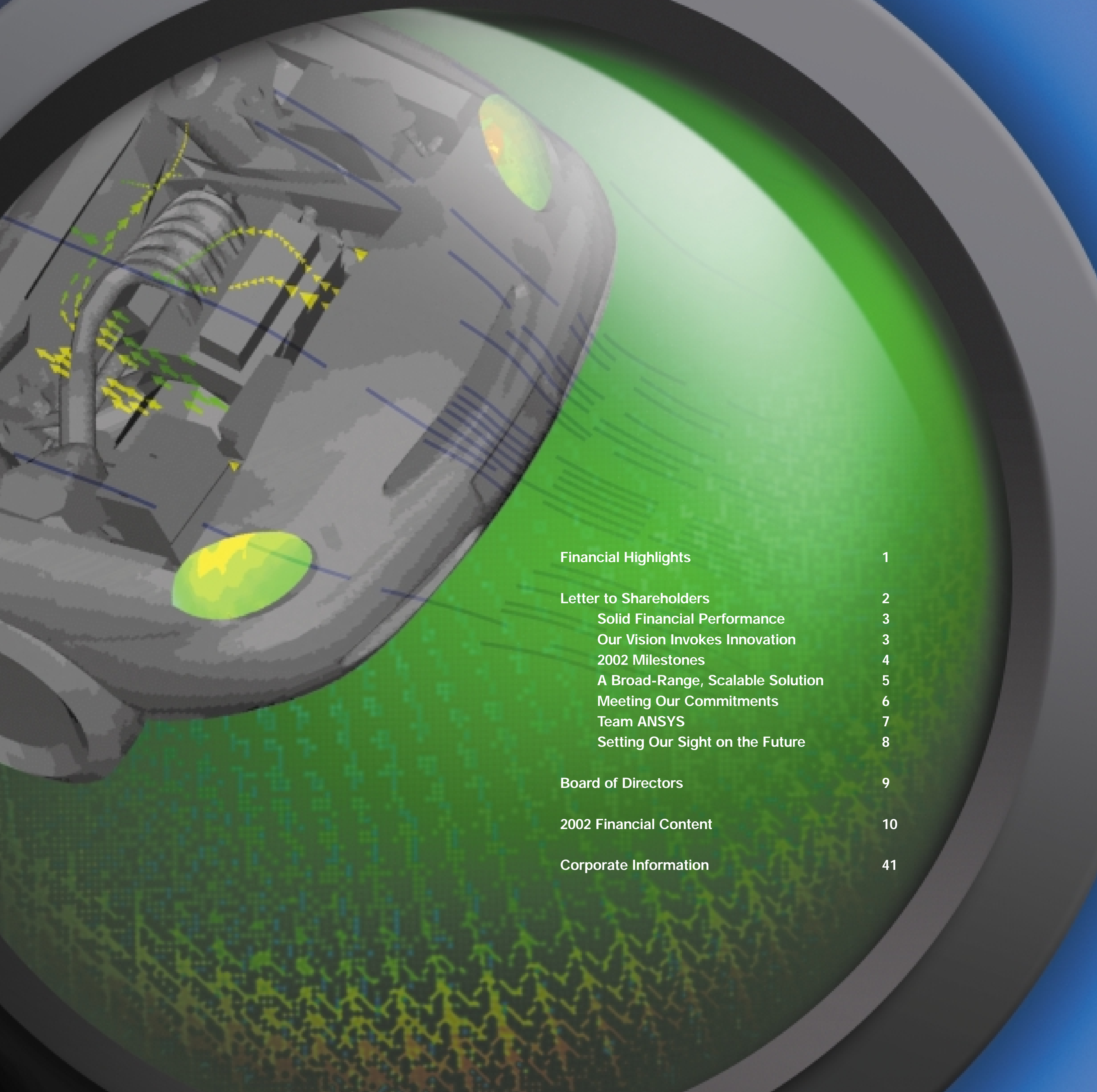
Vision Invokes Innovation

ANSYS®

ANNUAL REPORT 2002



Financial Highlights 1

Letter to Shareholders 2
- Solid Financial Performance 3
- Our Vision Invokes Innovation 3
- 2002 Milestones 4
- A Broad-Range, Scalable Solution 5
- Meeting Our Commitments 6
- Team ANSYS 7
- Setting Our Sight on the Future 8

Board of Directors 9

2002 Financial Content 10

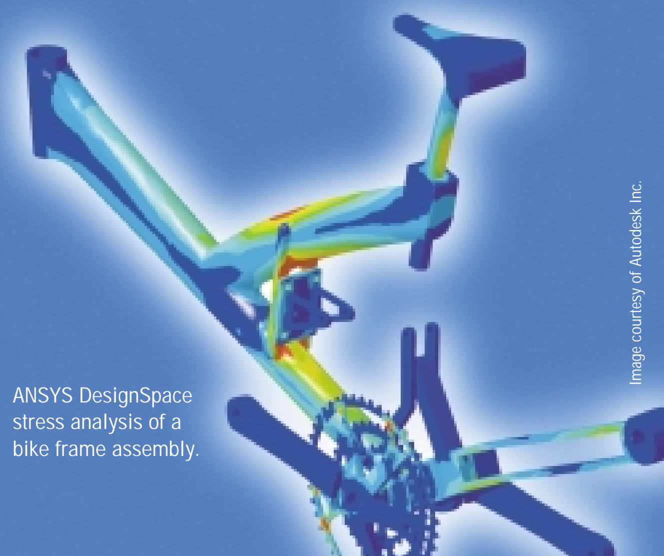
Corporate Information 41

Financial Highlights

Year Ended December 31, (in thousands, except per share data)	2002	2001	2000	1999	1998
Revenue	**$ 91,011**	$ 84,836	$ 74,467	$ 63,139	$ 56,553
Operating income	**27,074**	18,548	19,579	17,243	15,206
Net income	**18,959**	13,692	16,310	14,751	11,349
Earnings per share – basic	**$ 1.30**	$ .94	$ 1.03	$ .90	$ .71
Weighted average shares – basic	**14,598**	14,554	15,804	16,366	16,052
Earnings per share – diluted	**$ 1.22**	$ .89	$ 1.00	$ .88	$ .68
Weighted average shares – diluted	**15,594**	15,438	16,269	16,689	16,581
Total assets	**$ 127,001**	$ 117,762	$ 101,120	$ 89,174	$ 72,146
Working capital	**56,883**	40,033	40,046	52,655	38,049
Long-term obligations	**-**	-	-	-	-
Stockholders' equity	**91,393**	74,393	69,364	65,631	52,367
Cash provided by operating activities	**22,116**	23,638	22,850	18,341	15,646
Return on stockholders' equity	**23%**	19%	24%	25%	24%
Return on total assets	**15%**	13%	17%	18%	17%

About ANSYS

Founded in 1970, ANSYS Inc. develops, markets and globally supports engineering simulation software and technologies widely used by engineers and analysts across a broad spectrum of industries. ANSYS 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. Headquartered in Canonsburg, Pennsylvania, U.S.A., ANSYS employs approximately 450 people worldwide.



ANSYS DesignSpace stress analysis of a bike frame assembly.

Image courtesy of Autodesk Inc.

Dear Shareholder,

For ANSYS and its shareholders, 2002 will be remembered as a time of great challenges and even greater opportunities.

Our performance over the past year extended a track record of remarkable durability. Throughout its history, ANSYS has remained a stable and consistent presence through many economic cycles. This was true in 2002 as we weathered the storm that dramatically impacted the entire business world, and we emerged as a relatively calm, consistent performer.

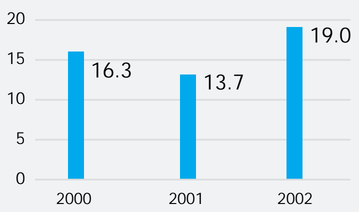
Despite the uncertainties and confidence issues directed at the overall economic environment, ANSYS remained focused on its vision. We moved forward with the development of new products and technologies, and invested in critical areas of the company's business. And in doing so, ANSYS addressed the evolving needs of a growing base of customers and met its commitment to shareholders.

Solid Financial Performance

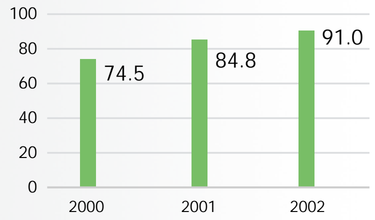
ANSYS stayed on the path of market leadership and growth at a time when economic issues slowed progress across the marketplace. In fact, we continued to outpace the market in 2002, realizing seven percent growth in our business while our industry segment overall faced a decline. Our fiscal year revenue increased from $84.8 million in 2001 to $91.0 million.

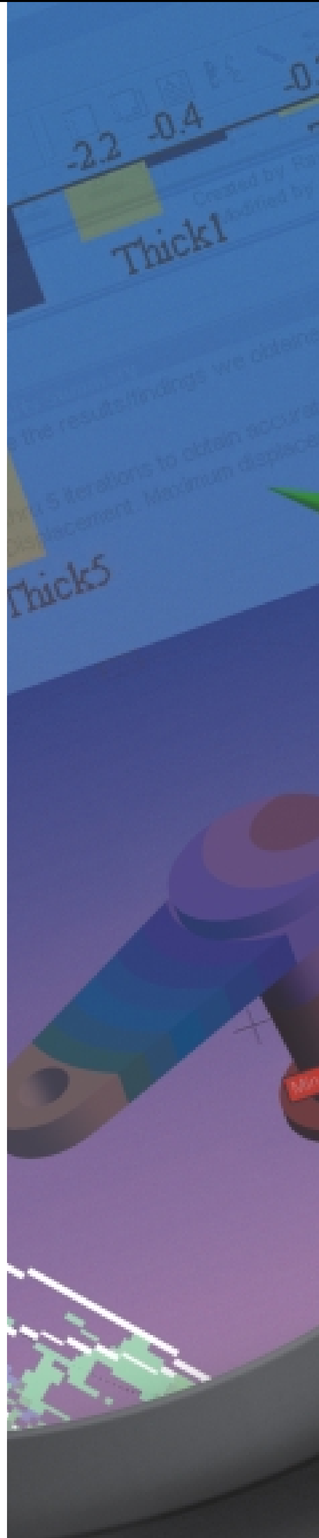
ANSYS ended 2002 with $61.1 million in cash and short-term investments. To further enhance long-term shareholder value, we repurchased 504,900 shares of ANSYS stock in 2002. We believe that the repurchase program is an appropriate use of our capital and represents our commitment to shareholders.

Net Income
(in millions of dollars)



Revenue
(in millions of dollars)





Our Vision Invokes Innovation

While ANSYS is solid financially, our success in 2002 can be attributed to a continued focus on the vision that has fueled ANSYS' success — and the success of our customers. ANSYS has remained focused on driving the technology; the tools and the culture of a new era in computer-aided engineering (CAE) defined by advances in simulation, collaboration and innovation. We call this the era of the CAEvolution.

The foundation of our company's strength is the engineering simulation technology for which ANSYS is known. While some competitors have diversified into other markets, ANSYS continues to build on this core competency.

For more than three decades, ANSYS has maintained an extraordinary record of market and technology leadership: In each of the past 30-plus years, ANSYS always has been a leader in simulation software and services.

ANSYS' advanced simulation software and technologies are unmatched in their ability to optimize the product development process. We help companies take products from concept to reality more rapidly and efficiently with broad-range solutions that support the design, prototyping and testing of products, as well as the collaboration of engineering teams.

2002 Milestones

In 2002, engineering simulation took on new strategic importance for our customers.

Never have ANSYS' innovative software and technologies been more critical than in 2002, as competitive pressures faced by our customers emphasized the need for simulation solutions that streamline product development and ensure the quality of those products.

Never have ANSYS offerings been as powerful or as accessible as in 2002, as we leveraged advancements that enabled us to deliver solutions that address increasingly complex problems. We delivered those solutions to a broader base of users in a wider range of vertical markets.

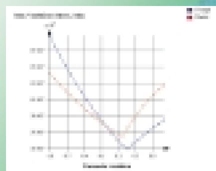
And never have ANSYS solutions more effectively covered the span of the product design continuum.

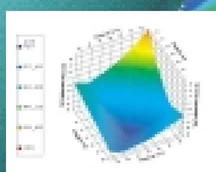
ANSYS' ability to realize these milestones was made possible by the introduction of new products and technologies in 2002, all of which support our vision of the CAEvolution. This new era of CAE can be traced to ANSYS' fundamental advanced simulation technologies. As we have moved ahead with our vision, the CAEvolution is enabling virtual prototyping, process compression and dynamic collaboration.

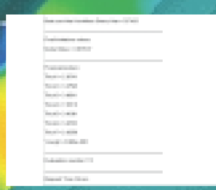
The CAEvolution is enabling virtual prototyping, process compression and dynamic collaboration.

An example of progress toward this vision was the launch of new versions of the ANSYS core software suite in 2002. These new offerings incorporate our proprietary Variational Technology that gives users a far broader view and analysis of design concepts. Upgrades to our ICEM CFD solutions enable ANSYS to offer some of the industry's leading mechanical engineering "meshing" technologies. And our recently unveiled AI*NASTRAN solution enables users to solve larger and more complex problems at a fraction of the total time and cost.

With these and other developments, ANSYS is breaking new ground in virtual prototyping, in which users are able to look beyond traditional aspects of simulation and analyze entire systems within simulated environments.







Released in October 2002, Variational Technology is a robust solution that gives users a broader view and analysis of design concepts.

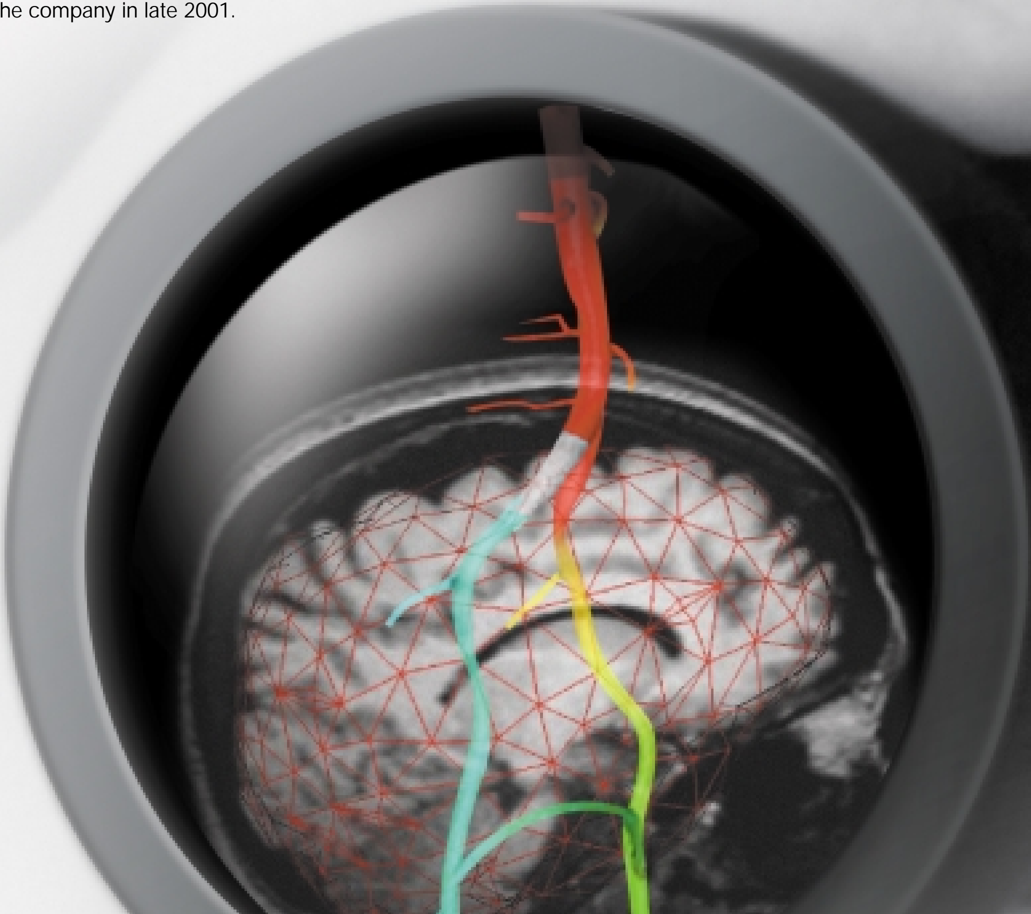
A Broad-Range, Scalable Solution

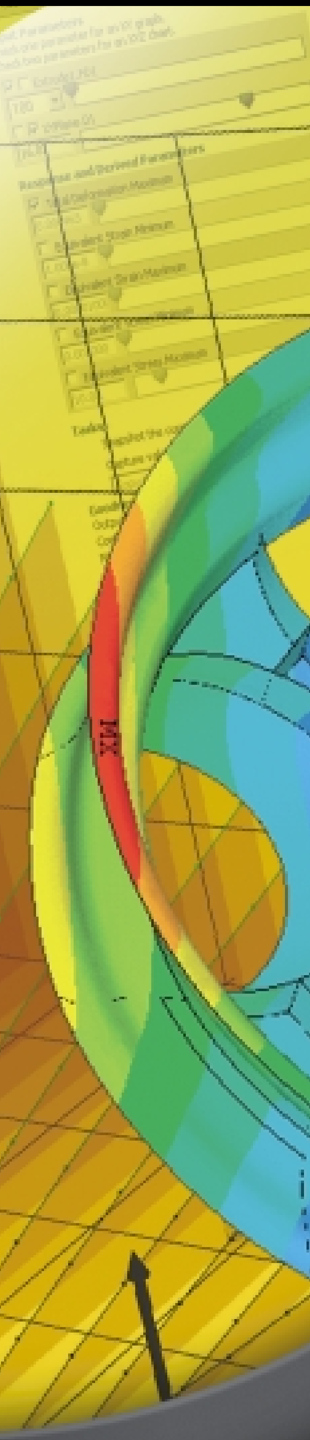
ANSYS continues to lead the market with innovative solutions that overcome technical barriers and enable more effective product development. We also are addressing cultural barriers. ANSYS is a pioneer in the area of process compression and dynamic collaboration, enhancing the collaborative capabilities of engineering and design teams, and extending simulation across all phases of product development to help companies realize even greater cost and time savings. For example, with enhancements to the ANSYS Workbench Environment, we can offer a software architecture that provides new levels of collaboration and technology-integration capabilities.

In other words, ANSYS can be customized to fit into any product development process and interact with virtually any software.

Many of these advancements emerged from the successful integration of companies acquired by ANSYS in recent years. For example, the Variational Technology made available by our acquisition of CADOE enabled us to deliver new functionality that extends leadership and reach of the ANSYS software solutions. We are proud of our ability to launch products featuring CADOE technology in less than a year after the acquisition of the company in late 2001.

ANSYS is used extensively in the medical field to simulate everything from blood flow to brain meshes.





In 2002, we continued to invest aggressively, committing 22 percent of revenues to R&D, despite the economic challenges that impacted our marketplace as a whole.

Meeting Our Commitments

Another key to these technology and product advances is ANSYS' ongoing commitment to innovation and development. Maintaining technology leadership would not be possible without continued investment in ANSYS tools and technology. In 2002, we continued to invest aggressively, committing 22 percent of revenues to R&D, despite the economic challenges that impacted our marketplace as a whole.

Commitment to Our Shareholders

By taking steps to improve operational efficiencies in 2002, ANSYS was able to maintain this focus on innovation and technology development. Over the past year, ANSYS moved strategically to control costs, enabling us to reduce G&A spending.

The savings resulting from cost controls and improvements to our business infrastructure — an example of a long-range decision made two years ago — allowed ANSYS to continue to invest in strategic areas, including R&D, sales, customer satisfaction and the development of business partnerships.

Commitment to Our Customers

ANSYS' foresight was an essential part of the company's continued success over the past year. For example, early investments in customer relationship management paid off in 2002, and the infrastructure we created allows us to stay closer to customer problem resolution, enabling ANSYS to better respond to and serve the needs of customers. We are proud of our ability to meet our commitments to a base of customers who have come to value ANSYS' focus on quality, customer satisfaction and leadership in technology innovation.

And this base of customers continues to grow. Today, 85 of *Fortune's* top 100 industrial companies use ANSYS products. Within these companies and other customers of ANSYS, our technology is becoming more and more accessible as the result of product and technology advancements.

Commitment to the Investment Community

The measure of our success reaches beyond acceptance by customers. It can be seen in the recognition of those who follow our industry, including *Forbes* and *Business 2.0* magazines, both of which included ANSYS in lists of top-performing companies in 2002. In addition, it can be seen in our listing in the S&P 600 Index, which is a measure not only of financial performance but also of the overall quality of a company.

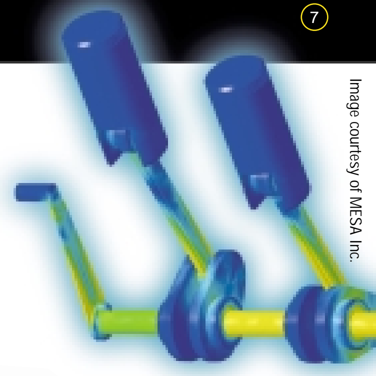


Image courtesy of MESA Inc.

ANSYS DesignSpace stress analysis of a crank assembly.

Team ANSYS

I cannot overemphasize the important contributions of our employees, who were the essential factor in our ability to meet our commitments — not only to customers, but also to you, our shareholders. Throughout the year, I was impressed with the collective contributions of the ANSYS team. Virtually everyone at ANSYS helped us step up to and face the economic realities that challenged our industry. We saw our employees make more efficient use of ANSYS' corporate resources and work together as a team to find new ways to solve customer problems and address business issues, while actually increasing the flow of our new stream of products.

As we enter 2003, ANSYS has approximately 450 employees around the world. We have clearly emerged as a global company, not only with a worldwide base of employees, but also with a network of business partners in 37 countries, development resources in Europe, Asia and the United States, operations in developing markets like India and China, and a product offering translated into nearly a dozen languages.

Our employees — together with a large and loyal customer base and a network of valued partners that we have cultivated over the past 30 years — have helped us to create what I believe is the world's largest and most influential community of CAE users. This is the foundation for our future success — a success marked by continued technology leadership, consistent growth and profitability, and a vision that invokes innovation.

Setting Our Sight on the Future

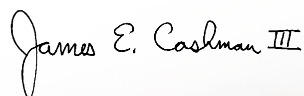
As we look ahead, ANSYS is determined to continue to converge on this vision. We will continue to work toward further growth and earnings — but not growth at the expense of earnings, or earnings at the expense of growth.

We are committed to balancing our vision and our ability to execute against that vision. We are as interested in execution as we are in the vision that has driven ANSYS' growth and success.

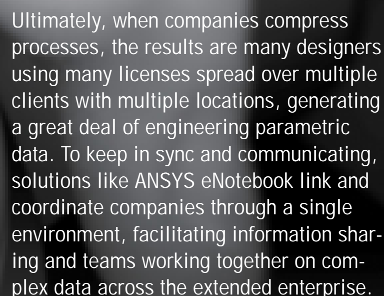
As we saw in 2002, the foundation and strategic focus upon which ANSYS is built enables us to withstand great challenges, to be aggressive year after year, and to position the company for long-term success.

Our work is far from over. While over the long term we are very optimistic, in the short term we are realistic. ANSYS stands ready to take on new challenges — ready to weather new storms.

And together with our employees, partners, customers and you, our shareholders, we look forward to greater opportunities in 2003 and beyond.



James E. Cashman III
President and Chief Executive Officer



Ultimately, when companies compress processes, the results are many designers using many licenses spread over multiple clients with multiple locations, generating a great deal of engineering parametric data. To keep in sync and communicating, solutions like ANSYS eNotebook link and coordinate companies through a single environment, facilitating information sharing and teams working together on complex data across the extended enterprise.

ANSYS Inc. Board of Directors

Peter J. Smith Director since 1994

Chairman of the Board and former Chief Executive Officer, ANSYS Inc. • Chief Executive Officer, Neartek, Inc. • Chairman of the Board, The Martin Group, Inc.

Other directorships: NxTrend, Inc.

James E. Cashman III Director since 2000

President and Chief Executive Officer, ANSYS Inc. • Director, Pittsburgh Technology Council • Former Senior Vice President of Operations, ANSYS Inc. • Former Vice President Marketing and International Operations, PAR Technology Corporation • Former Vice President Product Development and Marketing in the Metaphase Division, Structural Dynamics Research Corporation.

Roger J. Heinen, Jr.[1] Director since 1996

Managing Director, Flagship Ventures • Former Senior Vice President, Microsoft Corporation and Apple Computer, Inc.

Other directorships: Progress Software Corporation

Jacqueline C. Morby[2] Director since 1994

Managing Director, TA Associates, Inc.

Other directorships: Pacific Life Corporation and other private companies.

Bradford C. Morley[1, 3] Director since 2001

Former President and CEO, Applicon, Inc. • Former Senior Vice President and General Manager, Structural Dynamics Research Corporation.

Other directorships: CoCreate, Inc.

John F. Smith[2, 3] Director since 1995

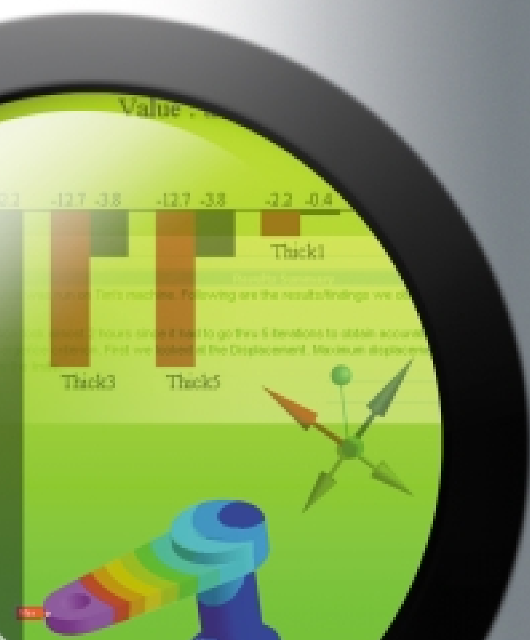
Venture Partner, Flagship Ventures • Former Chief Operating Officer and Senior Vice President, Digital Equipment Corporation.

Other directorships: InfiniSwitch Corporation, GenuOne Corporation and Data Core Software.

Patrick J. Zilvitis[1, 3] Director since 2000

Chief Information Officer, Segway LLC • Former Chief Information Officer and Corporate Vice President of The Gillette Company.

Other directorships: Advisory boards at Babson College and several start-up companies.



1 Audit and Ethics Committee
2 Compensation and Option Committee
3 Nominating and Corporate Governance Committee

Financials

2002 FINANCIAL CONTENT

Management's Discussion and Analysis of Financial Condition and Results of Operations	11
Independent Auditors' Reports	21, 22
Consolidated Balance Sheets	23
Consolidated Statements of Income	24
Consolidated Statements of Cash Flow	25
Consolidated Statements of Stockholders' Equity	26
Notes to Consolidated Financial Statements	28
Quarterly Financial Information (Unaudited)	40
Corporate Information	41

Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

ANSYS Inc. (the "Company" or "ANSYS") 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 450 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®, DesignSpace®, AI*NASTRAN™ and ICEM CFD suite of products through a network of channel partners in 37 countries, in addition to its own direct sales offices in 20 strategic locations throughout the world, as well as through distribution arrangements with developers of other design software products. The following discussion should be read in conjunction with the audited consolidated financial statements and notes thereto included elsewhere in this Annual Report.

The Company's discussion and analysis of its financial condition and results of operations are based upon ANSYS' consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires ANSYS to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, ANSYS evaluates its estimates, including those related to bad debts, investments, goodwill, intangible assets, income taxes, and contingencies and litigation. ANSYS bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

This Annual Report 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 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 the forward-looking statements due to various risks and uncertainties which are detailed in "Important Factors Regarding Future Results" beginning on page 18.

Acquisitions

In November 2001, ANSYS acquired CADOE, S.A. ("CADOE"), a company based in Lyon, France. The acquisition of CADOE's stock included an up-front payment of approximately $3.9 million in cash, $900,000 of which was placed in escrow. The escrowed funds will be released upon the completion of certain product development milestones and the resolution of any outstanding indemnification claims. The total up-front purchase price was allocated to the assets and liabilities of CADOE based upon their estimated fair market values. The allocation of the purchase price was based on an independent valuation and included an allocation of $2,480,000 to identifiable intangibles (including $1,990,000 to the core technology and $490,000 to non-compete agreements) and $1,289,000 to goodwill, which is not tax-deductible. The identified intangibles are being amortized over four to 10 years. In accordance with the provisions of Statement of Financial Accounting Standards No. 142, *"Goodwill and Intangible Assets,"* the goodwill is not being amortized. The acquisition agreement provides for additional future cash payments if the acquired business achieves certain performance criteria in 2002, 2003 and 2004. If the performance criteria are achieved, the future cash payments could equal or exceed the up-front purchase price. The amount paid in 2003 related to 2002 performance is approximately $570,000 and has resulted in an increase in goodwill as of December 31, 2002 associated with this acquisition.

In August 2000, ANSYS acquired Pacific Marketing and Consulting, Inc., a California corporation (hereafter "ICEM CFD"). The total up-front purchase price was allocated to the assets and liabilities of ICEM CFD based upon their estimated fair market values. The allocation of the purchase price was based on an independent valuation and included an allocation of $5,542,000 to identifiable intangibles (including $2,345,000 to existing software, $1,790,000 to non-compete agreements and $1,407,000 to customer list) and $12,201,000 to goodwill, which is not tax-deductible. The identified intangibles are being amortized over three to five years. The acquisition agreement also provided for additional future payments if the acquired business achieved certain performance criteria. Such payments in 2002 included $2,591,000 in cash and 98,847 shares of ANSYS Inc. common stock, and in 2001 included $183,000 in cash and 15,465 shares of ANSYS Inc. common stock. The additional payments resulted in an increase in goodwill associated with this acquisition. There are no future payments required.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The acquisitions of CADOE and ICEM CFD were accounted for as purchases and, accordingly, their operating results have been included in ANSYS Inc.'s consolidated financial statements since the dates of acquisition.

On February 4, 2003, the Company signed a definitive agreement to acquire CFX, a leading supplier of computational fluid dynamics software and services, for a purchase price of approximately $21 million in cash. The acquisition was completed in February 2003. The Company has not yet completed its identification and valuation of the intangible assets acquired. After allocation to the identifiable assets and liabilities, the remaining excess of the purchase price over the value of net assets acquired will be attributed to goodwill.

Results of Operations

As previously discussed, the Company completed the acquisition of ICEM CFD in August 2000. Accordingly, the results of operations for 2002 and 2001 reflect a full year of activity for ICEM CFD versus only four months for 2000. The acquisition of CADOE in November 2001 did not have a material impact on the results of operations for 2001.

For purposes of the following discussion and analysis, the table below sets forth certain consolidated financial data for the years 2002, 2001 and 2000.

	Year Ended December 31,		
(in thousands)	**2002**	2001	2000
Revenue:			
Software licenses	**$ 48,177**	$ 45,318	$ 43,528
Maintenance and service	**42,834**	39,518	30,939
Total revenue	**91,011**	84,836	74,467
Cost of sales:			
Software licenses	**3,897**	4,726	4,278
Maintenance and service	**7,863**	6,627	4,407
Total cost of sales	**11,760**	11,353	8,685
Gross profit	**79,251**	73,483	65,782
Operating expenses:			
Selling and marketing	**20,089**	19,726	17,950
Research and development	**19,605**	16,893	14,502
Amortization	**2,289**	5,271	2,234
General and administrative	**10,194**	13,045	11,517
Total operating expenses	**52,177**	54,935	46,203
Operating income	**27,074**	18,548	19,579
Other income	**311**	1,434	3,579
Income before income tax provision	**27,385**	19,982	23,158
Income tax provision	**8,426**	6,290	6,848
Net income	**$ 18,959**	$ 13,692	$ 16,310

Management's Discussion and Analysis of Financial Condition and Results of Operations

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

REVENUE: The Company's total revenue increased 7.3% from $84.8 million in 2001 to $91.0 million in 2002. Reported revenue for the prior year was affected by a modification of the Company's revenue recognition policy related to noncancellable annual software leases.

The Company currently recognizes revenue for annual software leases in accordance 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, which requires all revenue from annual software lease licenses be recognized ratably over the lease period. 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, representing maintenance, was recognized ratably over the lease period.

Software license revenue totaled $48.2 million in 2002 as compared to $45.3 million in 2001, an increase of 6.3%. This revenue increase is primarily attributable to an increase in license revenue from annual software leases, which resulted from the adverse impact in 2001 of the revenue recognition policy modification on reported revenue.

Maintenance and service revenue increased 8.4% from $39.5 million in 2001 to $42.8 million in 2002. This increase resulted primarily from maintenance contracts sold in association with paid-up license sales in recent quarters and, to a lesser extent, an increase in consulting revenue.

The Company has recently developed and introduced many new software products. Certain of these products require a higher level of sales and support expertise. The ability of the Company's sales channel, in particular the indirect channel, to obtain this expertise and sell the new product offerings could have an effect on the Company's sales in future periods. Additionally, royalties and consulting engagements associated with the new software products may result in the Company's cost of sales increasing as a percentage of revenue in future periods.

As the Company has grown, it has become increasingly subject to the risks arising from adverse changes in domestic and global economic conditions. As a result of the current economic slowdown, many companies are delaying or reducing technology purchases. This has had an impact on the Company's visibility into the closing of new business, as opposed to its recurring business. This slowdown has also contributed to, and may continue to contribute to, reductions in sales, longer sales cycles and increased price competition. Each of these items could adversely affect the Company's sales in future periods.

Of the Company's total revenue in 2002 and 2001, approximately 56.5% and 43.5% were attributable to international and domestic sales, respectively, as compared to 54.4% and 45.6% in 2001.

COSTS OF SALES AND GROSS PROFIT: The Company's total cost of sales increased 3.6% to $11.8 million, or 12.9% of total revenue, in 2002 from $11.4 million, or 13.4% of total revenue, in 2001. The increase was principally attributable to contracted technical support costs in France, as well as service costs associated with the Company's recently acquired CADOE subsidiary.

As a result of the changes in revenue and cost of sales, the Company's gross profit increased 7.8% to $79.3 million in 2002 from $73.5 million in 2001.

SELLING AND MARKETING: Selling and marketing expenses increased 1.8% in 2002 to $20.1 million, or 22.1% of total revenue, from $19.7 million, or 23.3% of total revenue, in 2001. The increase primarily 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 France and India. Also contributing were costs associated with the Company's biennial worldwide users' conference. These increases were partially offset by a reduction in discretionary advertising and promotion expenditures, as well as reduced commissions related to major account sales.

RESEARCH AND DEVELOPMENT: Research and development expenses increased 16.1% in 2002 to $19.6 million, or 21.5% of total revenue, from $16.9 million, or 19.9% of total revenue, in 2001. The increase primarily resulted from additional headcount and related costs, including those associated with the CADOE acquisition, related to the development and introduction of new and enhanced products. These increases were partially offset by the capitalization of approximately $624,000 of internal labor costs, compared with $457,000 in 2001, a significant portion of which related to the releases of ANSYS 7.0 and DesignSpace 7.0. The Company has traditionally invested significant resources in research and development activities and intends to continue to make significant investments in this area.

Management's Discussion and Analysis of Financial Condition and Results of Operations

AMORTIZATION: Amortization expense decreased to $2.3 million in 2002 from $5.3 million in 2001. 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 at least an annual test for impairment. Amortization expense related to goodwill was $3.4 million in 2001.

GENERAL AND ADMINISTRATIVE: General and administrative expenses decreased 21.9% in 2002 to $10.2 million, or 11.2% of total revenue, as compared to $13.0 million, or 15.4% of total revenue, in 2001. The decrease was primarily related to a $2.0 million non-recurring charge in the prior year related to the settlement of a dispute with a former distributor.

OTHER INCOME: Other income decreased to $311,000 in 2002 as compared to $1.4 million in 2001. The decrease was primarily attributable to a declining interest rate environment as compared to the prior year and, to a lesser extent, foreign currency transaction losses and losses from an investment accounted for under the equity method. In each of 2002 and 2001, other income includes a $500,000 impairment charge related to an investment accounted for under the cost method. As of December 31, 2002, the net book value of this investment is zero.

INCOME TAX PROVISION: The Company's effective tax rate was 30.8% in 2002 as compared to 31.5% in 2001. These rates are lower than the federal and state combined statutory rate as a result of benefits related to export sales, as well as the generation of research and experimentation credits.

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 August 30, 2002, the WTO ruled that the European Union may impose up to $4 billion per year in retaliatory duties against U.S. exports. As a result, there may be further related changes to U.S. export tax law in connection with this ruling. In 2002 and 2001, export benefits reduced the Company's effective tax rate by 4.3% and 6.6%, respectively. 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

NET INCOME: The Company's net income increased 38.5% to $19.0 million, or $1.22 diluted earnings per share, in 2002 as compared to net income of $13.7 million, or $0.89 diluted earnings per share, in 2001. The weighted average common and common equivalent shares used in computing diluted earnings per share were 15.6 million in 2002 and 15.4 million in 2001.

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

REVENUE: The Company's total revenue increased 13.9% from $74.5 million in 2000 to $84.8 million in 2001. As previously discussed, reported revenue in 2001 was affected by a modification of the Company's revenue recognition policy related to noncancellable annual software leases.

Software license revenue totaled $45.3 million in 2001 as compared to $43.5 million in 2000, an increase of 4.1%. This increase was primarily the result of increased license sales of ICEM CFD products, which were partially offset by the adverse impact of the revenue recognition policy modification.

Maintenance and service revenue increased 27.7% from $30.9 million in 2000 to $39.5 million in 2001. This increase primarily resulted from maintenance contracts sold in association with the paid-up license sales of ANSYS and DesignSpace products in both 2001 and 2000, as well as higher engineering consulting and maintenance revenue from ICEM CFD.

Of the Company's total revenue in 2001, approximately 54.4% and 45.6% were attributable to international and domestic sales, respectively, as compared to 53.9% and 46.1% in 2000.

Management's Discussion and Analysis of Financial Condition and Results of Operations

COSTS OF SALES AND GROSS PROFIT: The Company's total cost of sales increased 30.7% to $11.4 million, or 13.4% of total revenue, in 2001 from $8.7 million, or 11.7% of total revenue, in 2000. The increase was principally attributable to costs associated with engineering consulting services provided by ICEM CFD.

As a result of the changes in revenue and cost of sales, the Company's gross profit increased 11.7% to $73.5 million in 2001 from $65.8 million in 2000.

SELLING AND MARKETING: Selling and marketing expenses increased 9.9% in 2001 to $19.7 million, or 23.3% of total revenue, from $18.0 million, or 24.1% of total revenue, in 2000. The increase was primarily the result of additional headcount and facility costs associated with both the acquisition of ICEM CFD, as well as the addition of personnel within the ANSYS direct sales organization. Higher third-party commission costs associated with direct sales to certain of the Company's major account customers also contributed to the increase.

RESEARCH AND DEVELOPMENT: Research and development expenses increased 16.5% in 2001 to $16.9 million, or 19.9% of total revenue, from $14.5 million, or 19.5% of total revenue, in 2000. The increase in 2001 was principally the result of higher salaries and related headcount costs associated with both the acquisition of ICEM CFD, as well as the hiring of additional development personnel within the ANSYS product creation organization. These increases were partially offset by the capitalization of approximately $457,000 of internal labor costs, a significant portion of which related to the releases of ANSYS 6.0 and DesignSpace 6.0.

AMORTIZATION: Amortization expense increased to $5.3 million in 2001 from $2.2 million in 2000. The increase resulted from a full year of amortization of goodwill and intangible assets, associated with the acquisition of ICEM CFD, as compared with four months of amortization in 2000.

GENERAL AND ADMINISTRATIVE: General and administrative expenses increased 13.3% in 2001 to $13.0 million, or 15.4% of total revenue, as compared to $11.5 million, or 15.5% of total revenue, in 2000. The increase was primarily the result of a $2.0 million charge related to the settlement of a dispute with a former distributor, as well as a full year of general and administrative costs incurred by ICEM CFD. These increases were partially offset by reductions in both consulting fees and bad debt expenses.

OTHER INCOME: Other income decreased to $1.4 million in 2001 as compared to $3.6 million in 2000. The decrease was primarily attributable to a declining interest rate environment as compared to the year 2000, as well as a $500,000 impairment charge related to an investment accounted for under the cost method.

INCOME TAX PROVISION: The Company's effective tax rate was 31.5% in 2001 as compared to 29.6% in 2000. The effective rate increased from the prior year as a result of non-deductible amortization expense associated with certain intangible assets related to the acquisition of ICEM CFD. These effective tax rates are less than the federal and state combined statutory rate as a result of benefits related to export sales, as well as the generation of research and experimentation credits. In 2001 and 2000, export benefits reduced the Company's effective tax rate by 6.6% and 5.0%, respectively.

NET INCOME: The Company's net income decreased 16.1% to $13.7 million, or $0.89 diluted earnings per share, in 2001 as compared to net income of $16.3 million, or $1.00 diluted earnings per share, in 2000. The weighted average common and common equivalent shares used in computing diluted earnings per share were 15.4 million in 2001 and 16.3 million in 2000.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

As of December 31, 2002, the Company had cash, cash equivalents and short-term investments totaling $61.1 million and working capital of $56.9 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 $22.1 million in 2002, $23.6 million in 2001 and $22.9 million in 2000. The decrease in cash generated from operations in 2002 compared to 2001 was primarily the result of the payment in 2002 of approximately $2.0 million associated with the settlement of a dispute with a former distributor. This amount was fully accrued in 2001. The increase in 2001 compared to 2000 was mainly the result of improved accounts receivable collections. 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.

Cash provided by investing activities was $2.9 million in 2002 and $9.0 million in 2001. In 2000, investing activities used cash of $7.4 million. In each of 2002 and 2001, net maturities of short-term investments were partially offset by business acquisition payments and capital expenditures. The Company's use of cash in 2000 primarily related to the acquisition of ICEM CFD and capital expenditures, including hardware and software costs associated with the Company's investment in a comprehensive customer relationship management system.

Financing activities used cash of $7.5 million in 2002, $10.4 million in 2001 and $19.6 million in 2000. In each of the three years, cash outlays related to the purchase of treasury stock were partially offset by proceeds from the issuance of common stock under the 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 at least the next fiscal year. 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.

The Company does not have any special purpose entities or off-balance sheet financing arrangements.

The Company's significant contractual obligations as of December 31, 2002 primarily include lease commitments for its corporate office facility, as well as various noncancellable operating leases for equipment and sales offices. The corporate office facility lease agreement includes a commitment through 2006, with an option for five additional years. The committed lease payments through 2006 are $1,354,000 per annum. Future minimum lease payments under noncancellable operating leases for equipment and sales offices in effect at December 31, 2002 are $809,000 in 2003, $515,000 in 2004, $354,000 in 2005, $106,000 in 2006 and $22,000 in 2007.

In addition to the contractual obligations related to facility and equipment leases, the Company had an outstanding irrevocable standby letter of credit for $1,524,000 at December 31, 2002. This letter of credit was issued as a guarantee for damages that could be awarded related to a legal matter in which the Company was involved. The fair value of the letter of credit approximates the contract value based on the nature of the fee arrangements with the issuing bank. No material losses on this commitment have been incurred, nor are any anticipated.

On February 4, 2003, the Company signed a definitive agreement to acquire CFX, a leading supplier of computational fluid dynamics software and services, for a purchase price of approximately $21 million in cash. Upon closing of the transaction, the purchase price will be paid from the Company's existing cash and short-term investment balances.

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 from perpetual licenses is recognized upon delivery of the licensed product and the utility which enables the customer to request authorization keys, provided that acceptance has occurred and a signed contractual obligation has been received, the price is fixed and determinable, and collectibility of the receivable is probable. Revenue for software lease licenses is recorded ratably over the period of the lease contract. Revenue is recorded net of the distributor fee 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. Revenue from maintenance contracts is recognized ratably over the term of the contract. Revenue from training, support and other services is recognized as the services are performed.

ANSYS maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Management specifically analyzes accounts receivable, historical bad debts, credit concentrations and customer payment terms when evaluating the adequacy of the allowance for doubtful accounts.

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 an impairment 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.

The Company tests goodwill for impairment at least annually by comparing the fair value of the goodwill to its carrying value. Fair value is estimated using the discounted cash flow and other valuation methodologies that are based on projections of the amounts and timing of future revenues and cash flows.

Recently Issued and Adopted Accounting Pronouncements

Effective January 1, 2002, the Company adopted SFAS No. 142, *"Goodwill and Other Intangible Assets,"* for existing goodwill and other intangible assets. This standard eliminates the amortization of goodwill and intangible assets with indefinite useful lives and requires at least an annual test 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 December 31, 2002 and 2001, ANSYS had goodwill of $18.6 and $16.4 million, respectively. The Company completed the required transitional goodwill impairment test during 2002 and determined that goodwill had not been impaired as of the transitional test date, January 1, 2002.

In June 2002, the FASB issued SFAS No. 146, *"Accounting for Costs Associated with Exit or Disposal Activities."* SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, *"Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)."* The provisions of SFAS No. 146 are effective for exit or disposal activities that are initiated after December 31, 2002, with early adoption encouraged. The adoption of this Statement will not have an impact on the Company's financial position, results of operations or cash flows.

In November 2002, the FASB issued Interpretation No. 45, *"Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others."* Interpretation No. 45 requires the recognition of liabilities for guarantees that are issued or modified subsequent to December 31, 2002. The Company is currently evaluating the provisions of this Interpretation on its financial position, results of operations and cash flows.

In January 2003, the FASB issued Interpretation No. 46, *"Consolidation of Variable Interest Entities."* Interpretation No. 46 requires unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse the risks and rewards of ownership among their owners and other parties involved. The provisions of Interpretation No. 46 are effective immediately to all variable interest entities created after January 1, 2003 and variable interest entities in which an enterprise obtains an interest after that date. For variable interest entities created before this date, the provisions are effective July 31, 2003. The Company is currently evaluating the provisions of this Interpretation on its financial position, results of operations and cash flows.

On February 7, 2003, the American Institute of Certified Public Accountants issued Technical Practice Aid ("TPA") 5100.75, *"Fair Value of PCS Renewals Based on Users Deployed and Software Revenue Recognition"* and TPA 5100.76, *"Fair Value in Multiple-Element Arrangements that Include Contingent Usage-Based Fees and Software Revenue Recognition."* The Company is currently evaluating the effects of these accounting pronouncements on its financial position, results of operations and cash flows.

In December 2002, the FASB issued SFAS No. 148, *"Accounting for Stock-Based Compensation – Transition and Disclosure."* The Company has adopted the disclosure provisions of this Statement. These disclosures have been included in the notes to the consolidated financial statements.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Important Factors Regarding Future Results

Information provided by the Company or its spokespersons, including information contained in this Annual Report to Shareholders, 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 changes; 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. This shift, therefore, 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 to respond quickly to industry changes, its business, financial condition, results of operations and cash flows 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 material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Management's Discussion and Analysis of Financial Condition and Results of Operations

DEPENDENCE ON DISTRIBUTORS: The Company continues to distribute a majority of its products through its global network of 30 independent, regional ASDs. The ASDs sell the Company's software 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 in their territories 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 material 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 ABAQUS, Inc. (formerly Hibbitt, Karlsson and Sorensen, 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, results of operations and cash flows.

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 employment agreements with two executives, the loss of these employees, 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, results of operations and cash flows 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, results of operations and cash flows.

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 August 30, 2002, the WTO ruled that the European Union may impose up to $4 billion per year in retaliatory duties against U.S. exports. As a result, there may be further related changes to U.S. export tax law in connection with this ruling. In 2002, export benefits reduced the Company's effective tax rate by 4.3%. Any such prospective changes regarding tax benefits associated with the Company's export sales, or other tax-planning vehicles, may adversely impact the Company's effective tax rate and decrease its net income in future periods.

Management's Discussion and Analysis of Financial Condition and Results of Operations

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: Although the Company has historically maintained stable recurring revenue from the sale of monthly lease licenses and noncancellable annual leases for its software products, it has relied increasingly on sales of 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 depend increasingly 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 material adverse effect on the Company's business, financial condition, results of operations and cash flows.

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. These proceedings currently include customary audit activities by various taxing authorities. 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.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK: The Company is exposed to certain market risks, primarily foreign currency exchange rates, which arise from transactions entered into in the normal course of business. The Company seeks to minimize these risks through its normal operating and financing activities. The Company does not use derivative financial instruments to hedge these risks.

Independent Auditors' Report

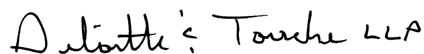
To the Board of Directors and Stockholders of ANSYS Inc.

We have audited the accompanying consolidated balance sheet of ANSYS Inc. and subsidiaries (the "Company") as of December 31, 2002, and the related consolidated statements of income, cash flows and stockholders' equity for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Company as of December 31, 2001 and for the two years in the period ended December 31, 2001 were audited by other auditors whose report, dated January 30, 2002, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 6 to the financial statements, in 2002 the Company changed its method of accounting for goodwill and other intangible assets to conform to Statement of Financial Accounting Standards No. 142, *"Goodwill and Other Intangible Assets."*



Deloitte & Touche LLP
Pittsburgh, Pennsylvania
January 29, 2003 (February 4, 2003 as to the last paragraph of Note 3)

Independent Auditors' Report

To the Board of Directors and Shareholders of ANSYS Inc.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, stockholders' equity and cash flows present fairly, in all material respects, the financial position of ANSYS Inc. and its subsidiaries at December 31, 2001, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Pittsburgh, Pennsylvania
January 30, 2002

Consolidated Balance Sheets

(in thousands, except share data)	**December 31, 2002**	December 31, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 46,198**	$ 28,545
Short-term investments	**14,934**	24,903
Accounts receivable, less allowance for doubtful accounts of $1,560 and $1,610, respectively	**15,875**	15,352
Other receivables and current assets	**13,737**	12,803
Deferred income taxes	**1,747**	1,799
Total current assets	**92,491**	83,402
Long-term investment	**486**	500
Property and equipment, net	**4,302**	4,915
Capitalized software costs, net	**971**	817
Goodwill	**18,615**	16,412
Other intangibles, net	**5,098**	6,499
Deferred income taxes	**5,038**	5,217
Total assets	**$ 127,001**	$ 117,762
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	**$ 627**	$ 624
Accrued bonuses	**2,941**	4,578
Other accrued expenses and liabilities	**5,645**	13,047
Deferred revenue	**26,395**	25,120
Total current liabilities	**35,608**	43,369
Commitments and contingencies	**-**	-
Stockholders' equity:		
Preferred stock, $.01 par value; 2,000,000 shares authorized	**-**	-
Common stock, $.01 par value; 50,000,000 shares authorized; 16,584,758 shares issued	**166**	166
Additional paid-in capital	**41,416**	37,822
Retained earnings	**79,388**	60,429
Treasury stock, at cost: 2,014,999 and 2,071,123 shares, respectively	**(30,337)**	(23,953)
Accumulated other comprehensive income (loss)	**760**	(71)
Total stockholders' equity	**91,393**	74,393
Total liabilities and stockholders' equity	**$ 127,001**	$ 117,762

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

Consolidated Statements of Income

(in thousands, except per share data)	**2002**	2001	2000
Revenue:			
Software licenses	**$ 48,177**	$ 45,318	$ 43,528
Maintenance and service	**42,834**	39,518	30,939
Total revenue	**91,011**	84,836	74,467
Cost of sales:			
Software licenses	**3,897**	4,726	4,278
Maintenance and service	**7,863**	6,627	4,407
Total cost of sales	**11,760**	11,353	8,685
Gross profit	**79,251**	73,483	65,782
Operating expenses:			
Selling and marketing	**20,089**	19,726	17,950
Research and development	**19,605**	16,893	14,502
Amortization	**2,289**	5,271	2,234
General and administrative	**10,194**	13,045	11,517
Total operating expenses	**52,177**	54,935	46,203
Operating income	**27,074**	18,548	19,579
Other income	**311**	1,434	3,579
Income before income tax provision	**27,385**	19,982	23,158
Income tax provision	**8,426**	6,290	6,848
Net income	**$ 18,959**	$ 13,692	$ 16,310
Earnings per share – basic:			
Basic earnings per share	**$ 1.30**	$ .94	$ 1.03
Weighted average shares – basic	**14,598**	14,554	15,804
Earnings per share – diluted:			
Diluted earnings per share	**$ 1.22**	$ .89	$ 1.00
Weighted average shares – diluted	**15,594**	15,438	16,269

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

Consolidated Statements of Cash Flow

(in thousands)	**2002**	2001	2000
Cash flows from operating activities:			
Net income	**$ 18,959**	$ 13,692	$ 16,310
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**4,525**	7,631	4,333
Deferred income tax provision (benefit)	**231**	(800)	(69)
Provision for bad debts	**506**	368	739
Impairment of investment	**500**	500	-
Equity in loss of investment	**114**	-	-
Changes in operating assets and liabilities:			
Accounts receivable	**(1,029)**	(1,602)	(2,574)
Other receivables and current assets	**(934)**	(3,483)	(1,417)
Accounts payable, accrued expenses and liabilities	**(2,031)**	2,009	2,279
Deferred revenue	**1,275**	5,323	3,249
Net cash provided by operating activities	**22,116**	23,638	22,850
Cash flows from investing activities:			
Business and territory acquisition payments, net of cash acquired	**(4,277)**	(4,314)	(7,881)
Acquisition-related loan	**-**	-	(1,366)
Capital expenditures	**(1,612)**	(2,070)	(3,173)
Capitalization of internally developed software costs	**(624)**	(457)	(213)
Purchases of short-term investments	**(98,536)**	(144,194)	(121,058)
Maturities of short-term investments	**108,505**	160,518	126,561
Repayment of stockholder loan	**-**	-	250
Purchase of long-term investments	**(600)**	(500)	(500)
Net cash provided by (used in) investing activities	**2,856**	8,983	(7,380)
Cash flows from financing activities:			
Proceeds from issuance of common stock under Employee Stock Purchase Plan	**333**	205	163
Proceeds from exercise of stock options	**4,131**	5,090	1,814
Purchase of treasury stock	**(11,919)**	(15,715)	(21,588)
Net cash used in financing activities	**(7,455)**	(10,420)	(19,611)
Effect of exchange rate fluctuations	**136**	31	53
Net increase (decrease) in cash and cash equivalents	**17,653**	22,232	(4,088)
Cash and cash equivalents, beginning of year	**28,545**	6,313	10,401
Cash and cash equivalents, end of year	**$ 46,198**	$ 28,545	$ 6,313
Supplemental disclosures of cash flow information:			
Cash paid during the year for income taxes	**$ 4,632**	$ 5,235	$ 4,615

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

Consolidated Statements of Stockholders' Equity

(in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital
Balance, January 1, 2000	16,585	$ 166	$ 37,543
Treasury stock acquired	-	-	-
Acquisition of ICEM CFD Engineering	-	-	(106)
Exercise of stock options, net of tax benefit of $313	-	-	124
Issuance of common stock under Employee Stock Purchase Plan	-	-	27
Repayment of note receivable from stockholder	-	-	-
Net income for the year	-	-	-
Other comprehensive income (loss)	-	-	-
Balance, December 31, 2000	16,585	166	37,588
Treasury stock acquired	-	-	-
Acquisition of ICEM CFD Engineering	-	-	29
Exercise of stock options, net of tax benefit of $1,637	-	-	256
Issuance of common stock under Employee Stock Purchase Plan	-	-	(51)
Net income for the year	-	-	-
Other comprehensive income (loss)	-	-	-
Balance, December 31, 2001	**16,585**	**166**	**37,822**
Treasury stock acquired	**-**	**-**	**-**
Acquisition of ICEM CFD Engineering	**-**	**-**	**1,380**
Exercise of stock options, net of tax benefit of $2,134	**-**	**-**	**2,075**
Issuance of common stock under Employee Stock Purchase Plan	**-**	**-**	**139**
Net income for the year	**-**	**-**	**-**
Other comprehensive income	**-**	**-**	**-**
Balance, December 31, 2002	**16,585**	**$ 166**	**$ 41,416**

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

Consolidated Statements of Stockholders' Equity

Treasury Stock						
Shares	Amount	Retained Earnings	Accumulated Other Comprehensive Income	Note Receivable from Stockholder	Total Stockholders' Equity	Total Comprehensive Income
339	$ (2,375)	$ 30,427	$ 120	$ (250)	$ 65,631	
2,010	(21,588)	-	-	-	(21,588)	
(619)	6,644	-	-	-	6,538	
(259)	2,056	-	-	-	2,180	
(19)	136	-	-	-	163	
-	-	-	-	250	250	
-	-	16,310	-	-	16,310	$ 16,310
-	-	-	(120)	-	(120)	(120)
1,452	(15,127)	46,737	-	-	69,364	16,190
1,241	(15,715)	-	-	-	(15,715)	
(15)	161	-	-	-	190	
(584)	6,472	-	-	-	6,728	
(23)	256	-	-	-	205	
-	-	13,692	-	-	13,692	13,692
-	-	-	(71)	-	(71)	(71)
2,071	**(23,953)**	**60,429**	**(71)**	**-**	**74,393**	**13,621**
505	**(11,919)**	**-**	**-**	**-**	**(11,919)**	
(99)	**950**	**-**	**-**	**-**	**2,330**	
(443)	**4,391**	**-**	**-**	**-**	**6,466**	
(19)	**194**	**-**	**-**	**-**	**333**	
-	**-**	**18,959**	**-**	**-**	**18,959**	**18,959**
-	**-**	**-**	**831**	**-**	**831**	**831**
2,015	**$ (30,337)**	**$ 79,388**	**$ 760**	**-**	**$ 91,393**	**$ 19,790**

Notes to Consolidated Financial Statements

1. Organization

ANSYS Inc. (the "Company" or "ANSYS") 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. The Company operates as one segment, as defined by Statement of Financial Accounting Standards No. 131, *"Disclosures about Segments of an Enterprise and Related Information."*

2. Summary of Significant Accounting Policies

PRINCIPLES OF CONSOLIDATION: The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

USE OF ESTIMATES: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the amounts of revenue and expenses during the reported periods. Actual results could differ from these estimates.

REVENUE RECOGNITION: Revenue is derived principally from the licensing of computer software products and from related maintenance contracts. ANSYS recognizes revenue in accordance with SOP 97-2, *"Software Revenue Recognition,"* and related interpretations. Revenue from perpetual licenses is recognized upon delivery of the licensed product and the utility which enables the customer to request authorization keys, provided that acceptance has occurred and a signed contractual obligation has been received, the price is fixed and determinable, and collectibility of the receivable is probable. Revenue is recorded net of the distributor fee 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. Revenue from monthly leases is recognized monthly as earned. Revenue from maintenance contracts is recognized ratably over the term of the contract. Costs related to maintenance obligations are expensed as incurred. Revenue from training, support and other services is recognized as the services are performed.

The Company recognizes revenue for annual software leases in accordance 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, which requires all revenue from annual software lease licenses to be recognized ratably over the lease period. Prior to the revenue recognition modification to comply with the TPA, the Company recognized a portion of the license fee from annual leases upon inception or renewal of the lease, while the remaining portion, representing maintenance, was recognized ratably over the lease period.

CASH EQUIVALENTS: For purposes of the consolidated statements of cash flows, the Company considers highly liquid deposits in money market funds to be cash equivalents. Cash equivalents are recorded at cost, which approximates fair value.

SHORT-TERM INVESTMENTS: The Company considers investments backed by government agencies or U.S. financial institutions and which have a maturity or renewal option between 30 days and up to one year from the date of purchase to be short-term investments. Short-term investments are recorded at fair value, which approximates amortized cost. The Company uses the specific identification method to determine the realized gain or loss upon the sale of such securities. As of the balance sheet date, there were no significant unrealized gains or losses on the investments, all of which had maturities of less than one year.

PROPERTY AND EQUIPMENT: Property and equipment is stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the various classes of assets, which range from one to seven years. Repairs and maintenance are charged to expense as incurred. Gains or losses from the sale or retirement of property and equipment are included in the results of operations.

Notes to Consolidated Financial Statements

RESEARCH AND DEVELOPMENT COSTS: Research and development costs, other than certain software development costs discussed below, are expensed as incurred.

CAPITALIZED SOFTWARE: Internally developed computer software costs and costs of product enhancements are capitalized subsequent to the determination of technological feasibility; such capitalization continues until the product becomes available for general release. 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. Amortization is the greater of the amount computed using: (i) the ratio of the current year's gross revenue to the total current and anticipated future gross revenue for that product or (ii) the straight-line method over the estimated life of the product. Amortization expense related to capitalized software was $383,000, $368,000 and $333,000 for the years ended December 31, 2002, 2001 and 2000, respectively.

The Company periodically reviews the carrying value of capitalized software and impairments are recognized in the results of operations when the expected future undiscounted operating cash flow derived from the capitalized software is less than its carrying value. No charges for impairment have been required to date.

GOODWILL AND OTHER INTANGIBLE ASSETS: Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Intangible assets consist of the ANSYS trademark, non-compete agreements, customer lists and acquired software and technology.

Effective January 1, 2002, the Company adopted SFAS No. 142, *"Goodwill and Other Intangible Assets,"* for existing goodwill and other intangible assets. 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.

The Company evaluates at least annually the realizability of the carrying value of goodwill by comparing the carrying value to its estimated fair value. The Company completed the required transitional goodwill impairment test during 2002 and determined that goodwill had not been impaired as of the transitional test date, January 1, 2002.

The Company periodically reviews the carrying value of other intangible assets and will recognize impairments when the expected future discounted operating cash flow derived from such intangible assets is less than their carrying value.

CONCENTRATIONS OF CREDIT RISK: The Company invests its excess cash primarily in deposits, money market funds and commercial paper with commercial banks. The Company has not experienced any losses to date on its invested cash.

The Company has a concentration of credit risk with respect to trade receivables because of the limited number of distributors through which the Company sells its products. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral.

During 2002, sales by distributors comprised approximately 51% of the Company's total revenue, with two distributors accounting for approximately 11% and 7% of total revenue. During 2001, sales by distributors comprised approximately 57% of the Company's total revenue, with two distributors accounting for approximately 13% and 9% of total revenue. During 2000, sales by distributors comprised approximately 62% of the Company's total revenue, with two distributors accounting for approximately 11% and 10% of total revenue.

INCOME TAXES: Deferred tax assets and liabilities are determined based on temporary differences between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect in the years in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Notes to Consolidated Financial Statements

FOREIGN CURRENCIES: Certain of the Company's sales transactions are denominated in foreign currencies. These transactions are translated to U.S. Dollars at the exchange rate on the transaction date. Accounts receivable in foreign currencies at year-end are translated at the effective exchange rate on the balance sheet date. Gains and losses resulting from foreign exchange transactions are included in the results of operations.

The financial statements of the Company's foreign subsidiaries are translated from the functional currency, generally the local currency, to U.S. Dollars. Assets and liabilities are translated at the exchange rates on the balance sheet date. Results of operations are translated at average exchange rates. The resulting exchange difference is recorded as a component of accumulated other comprehensive income in the accompanying consolidated statements of stockholders' equity.

STOCK-BASED COMPENSATION: The Company applies Accounting Principles Board Opinion ("APB") No. 25, *"Accounting for Stock Issued to Employees"* and related interpretations in accounting for its stock options and employee stock purchase plans. APB No. 25 requires the use of the intrinsic value method, which measures compensation cost as the excess, if any, of the quoted market price of the stock at the measurement date over the amount the employee must pay to acquire the stock. The Company makes disclosures of pro forma net earnings per share as if the fair-value-based method of accounting had been applied as required by SFAS No. 123, *"Accounting for Stock-Based Compensation"* and as amended by SFAS No. 148, *"Accounting for Stock-Based Compensation — Transition and Disclosure."* The Company has applied the transitional disclosure required by SFAS No. 148. See Note 10.

EARNINGS PER SHARE: Basic earnings per share is computed using the weighted average number of common shares outstanding during each period. Diluted earnings per share is computed using the weighted average number of common and common equivalent shares outstanding during each period. Common equivalent shares are not included in the per share calculations where their inclusion would be anti-dilutive.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS: In June 2002, the FASB issued SFAS No. 146, *"Accounting for Costs Associated with Exit or Disposal Activities."* SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, *"Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)."* The provisions of SFAS No. 146 are effective for exit or disposal activities that are initiated after December 31, 2002, with early adoption encouraged. The adoption of this Statement will not have an impact on the Company's financial position, results of operations or cash flows.

In November 2002, the FASB issued Interpretation No. 45, *"Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others."* Interpretation No. 45 requires the recognition of liabilities for guarantees that are issued or modified subsequent to December 31, 2002. The Company is currently evaluating the provisions of this Interpretation on its financial position, results of operations and cash flows.

In January 2003, the FASB issued Interpretation No. 46, *"Consolidation of Variable Interest Entities."* Interpretation No. 46 requires unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse the risk and rewards of ownership among their owners and other parties involved. The provisions of Interpretation No. 46 are effective immediately to all variable interest entities created after January 1, 2003 and variable interest entities in which an enterprise obtains an interest after that date. For variable interest entities created before this date, the provisions are effective July 31, 2003. The Company is currently evaluating the provisions of this Interpretation on its financial position, results of operations and cash flows.

On February 7, 2003, the American Institute of Certified Public Accountants issued Technical Practice Aid ("TPA") 5100.75, *"Fair Value of PCS Renewals Based on Users Deployed and Software Revenue Recognition"* and TPA 5100.76, *"Fair Value in Multiple-Element Arrangements that Include Contingent Usage-Based Fees and Software Revenue Recognition."* The Company is currently evaluating the effects of these accounting pronouncements on its financial position, results of operations and cash flows.

In December 2002, the FASB issued SFAS No. 148, *"Accounting for Stock-Based Compensation — Transition and Disclosure."* The Company has adopted the disclosure provisions of this Statement. These disclosures have been included in the notes to the consolidated financial statements. See Note 10.

RECLASSIFICATIONS: Certain reclassifications have been made to the 2001 and 2000 financial statements to conform to the 2002 presentation.

Notes to Consolidated Financial Statements

3. Acquisitions

In November 2001, ANSYS acquired CADOE, S.A. ("CADOE"), a company based in Lyon, France. The acquisition of CADOE's stock included an up-front payment of approximately $3.9 million in cash, $900,000 of which was placed in escrow. The escrowed funds will be released upon the completion of certain product development milestones and the resolution of any outstanding indemnification claims. The total up-front purchase price was allocated to the assets and liabilities of CADOE based upon their estimated fair market values. The allocation of the purchase price was based on an independent valuation and included an allocation of $2,480,000 to identifiable intangibles (including $1,990,000 to the core technology and $490,000 to non-compete agreements) and $1,289,000 to goodwill, which is not tax-deductible. The identified intangibles are being amortized over four to ten years. In accordance with the provisions of Statement of Financial Accounting Standards No. 142, *"Goodwill and Intangible Assets"* (see Note 6), the goodwill is not being amortized. The acquisition agreement provides for additional future cash payments if the acquired business achieves certain performance criteria in 2002, 2003 and 2004. If the performance criteria are achieved, the future cash payments could equal or exceed the up-front purchase price. The amount paid in 2003 related to 2002 performance is approximately $570,000 and has resulted in an increase in goodwill as of December 31, 2002 associated with this acquisition.

In August 2000, ANSYS acquired Pacific Marketing and Consulting, Inc., a California corporation (hereafter "ICEM CFD"). The total up-front purchase price was allocated to the assets and liabilities of ICEM CFD based upon their estimated fair market values. The allocation of the purchase price was based on an independent valuation and included an allocation of $5,542,000 to identifiable intangibles (including $2,345,000 to existing software, $1,790,000 to non-compete agreements and $1,407,000 to customer list) and $12,201,000 to goodwill, which is not tax-deductible. The identified intangibles are being amortized over three to five years. The acquisition agreement also provided for additional future payments if the acquired business achieved certain performance criteria. Such payments in 2002 included $2,591,000 in cash and 98,847 shares of ANSYS Inc. common stock, and in 2001 included $183,000 in cash and 15,465 shares of ANSYS Inc. common stock. The additional payments resulted in an increase in goodwill associated with this acquisition. There are no future payments required.

The acquisitions of CADOE and ICEM CFD were accounted for as purchases and, accordingly, their operating results have been included in ANSYS Inc.'s consolidated financial statements since the dates of acquisition. On a pro forma basis, the results of operations as if the acquisition of CADOE had occurred on January 1, 2001 and 2000, are not materially different from the reported amounts.

The following unaudited pro forma information presents the results of operations of the Company as if the ICEM CFD acquisition had occurred on January 1, 2000. The unaudited pro forma consolidated results are not necessarily indicative of results that would have occurred had the acquisition been in effect for the year presented.

(in thousands)	**Year Ended December 31, 2000**
Total revenue	**$ 80,405**
Net income	**13,837**
Earnings per share:	
Basic	**.85**
Diluted	**.83**

On February 4, 2003, the Company signed a definitive agreement to acquire CFX, a leading supplier of computational fluid dynamics software and services, for a purchase price of approximately $21 million in cash. The acquisition was completed in February 2003. The Company has not yet completed its identification and valuation of the intangible assets acquired. After allocation to the identifiable assets and liabilities, the remaining excess of the purchase price over the value of net assets acquired will be attributed to goodwill.

Notes to Consolidated Financial Statements

4. 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 $11.5 million and $10.3 million as of December 31, 2002 and 2001, respectively.

5. Property and Equipment

Property and equipment consists of the following:

(in thousands)	Estimated Useful Lives	**December 31, 2002**	December 31, 2001
Equipment	2-5 years	**$ 10,369**	$ 9,048
Computer software	1-5 years	**4,296**	4,275
Furniture	5-7 years	**1,072**	1,057
Leasehold improvements	5-7 years	**885**	873
		16,622	15,253
Less: accumulated depreciation and amortization		**(12,320)**	(10,338)
		$ 4,302	$ 4,915

Depreciation and amortization expense related to property and equipment was approximately $2,262,000, $2,360,000 and $1,994,000 for the years ended December 31, 2002, 2001, and 2000, respectively.

6. Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost over the net tangible and identifiable intangible assets of acquired businesses. Identifiable intangible assets acquired in business combinations are recorded based upon fair market value at the date of acquisition.

Effective January 1, 2002, the Company adopted the provisions of SFAS No. 142, *"Goodwill and Other Intangible Assets."* This standard changes the accounting for goodwill and certain other intangible assets from the amortization method to an impairment only approach. The standard also requires a reassessment of the useful lives of identifiable intangible assets other than goodwill and at least an annual test for impairment of goodwill and intangibles with indefinite lives.

In accordance with the requirements of SFAS No. 142, the Company tested the goodwill attributable to each of its reporting units for impairment as of January 1, 2002 and concluded that its goodwill was not impaired. Fair value was estimated using discounted cash flow methodologies and market comparable information. The Company will test goodwill for impairment annually in connection with its strategic planning process.

In addition, the Company reassessed the useful lives of its identifiable intangible assets and determined that the lives were appropriate other than for the Company's acquired trademark, which was concluded to have an indefinite useful life. As a result, the Company ceased amortization of the cost of this trademark as of January 1, 2002. Also, in accordance with the requirements of SFAS No. 142, the Company tested the trademark for impairment by comparing the fair value of the trademark to its carrying value as of January 1, 2002.

Prior to the adoption of the provisions of SFAS No. 142, substantially all of the Company's goodwill and acquired trademarks were amortized on a straight-line basis, over a period of five to ten years.

Prior to the adoption of SFAS No. 142, the Company had separately identified and valued the assembled workforce associated with the acquisition of ICEM CFD as an intangible asset. In accordance with the guidance in SFAS No. 142, the net unamortized balance of $1,500,000 was reclassified to goodwill.

Notes to Consolidated Financial Statements

The following table sets forth the condensed consolidated pro forma results of operations for the years ended December 31, 2002, 2001 and 2000 as if SFAS No. 142 had been in effect for all periods:

	Year Ended December 31,		
(in thousands)	**2002**	2001	2000
Net income:			
Reported net income	**$ 18,959**	$ 13,692	$ 16,310
Add back: Goodwill and trademark amortization, net	**-**	2,626	964
Adjusted net income	**18,959**	16,318	17,274
Earnings per share – basic:			
Reported earnings per share – basic	**1.30**	.94	1.03
Add back: Goodwill and trademark amortization, net	**-**	.18	.06
Adjusted earnings per share – basic	**1.30**	1.12	1.09
Earnings per share – diluted:			
Reported earnings per share – diluted	**1.22**	.89	1.00
Add back: Goodwill and trademark amortization, net	**-**	.17	.06
Adjusted earnings per share – diluted	**$ 1.22**	$ 1.06	$ 1.06

The changes in goodwill during the years ended 2002 and 2001 are as follows:

	Year Ended December 31,	
(in thousands)	**2002**	2001
Beginning balance	**$ 16,412**	$ 12,529
ICEM CFD acquisition payment	**-**	4,660
CADOE acquisition payment	**570**	1,289
Sales territory acquisitions	**1,527**	1,191
Foreign exchange translation	**266**	4
Other	**(160)**	90
Amortization expense	**-**	(3,351)
Ending balance	**$ 18,615**	$ 16,412

Notes to Consolidated Financial Statements

Identifiable intangible assets with finite lives continue to be amortized on a straight-line basis over their estimated useful lives (2 to 10 years) and are reviewed for impairment whenever events or circumstances indicate that the carrying amounts may not be recoverable.

Other intangible assets consists of the following:

(in thousands)	Estimated Useful Lives	**December 31, 2002**	December 31, 2001
Amortized intangible assets:			
Non-compete agreements	2-5 years	**$ 2,367**	$ 2,280
Less: accumulated amortization		**(880)**	(400)
Customer list	5 years	**1,407**	1,407
Less: accumulated amortization		**(657)**	(376)
Acquired software/core technology	3-10 years	**4,675**	4,335
Less: accumulated amortization		**(2,171)**	(1,104)
		$ 4,741	$ 6,142
Unamortized intangible assets:			
Trademarks		**357**	357
		$ 5,098	$ 6,499

Amortization expense for amortized intangible assets was $1,743,000, $1,649,000 and $1,090,000 for the years ended December 31, 2002, 2001 and 2000, respectively, and is expected to be approximately $1,482,000, $961,000, $738,000 and $199,000 for the years ending December 31, 2003, 2004, 2005 and 2006, respectively.

7. Income Taxes

Income before income tax provision includes the following:

(in thousands)	**December 31, 2002**	December 31, 2001	December 31, 2000
Domestic	**$ 26,058**	$ 18,497	$ 21,763
Foreign	**1,327**	1,485	1,395
Total	**$ 27,385**	$ 19,982	$ 23,158

The provision for income taxes is comprised of the following:

(in thousands)	**December 31, 2002**	December 31, 2001	December 31, 2000
Current:			
Federal	**$ 6,912**	$ 5,562	$ 5,701
State	**582**	318	246
Foreign	**701**	1,210	942
Deferred:			
Federal	**212**	(696)	(34)
State	**19**	(104)	(7)
Total	**$ 8,426**	$ 6,290	$ 6,848

Notes to Consolidated Financial Statements

The reconciliation of the U.S. federal statutory tax rate to the consolidated effective tax rate is as follows:

	December 31, 2002	December 31, 2001	December 31, 2000
Federal statutory tax rate	**35.0%**	35.0%	35.0%
State income taxes, net of federal benefit	**2.1**	1.0	0.7
Research and experimentation credit	**(1.5)**	(1.5)	(1.7)
Non-deductible goodwill	**-**	3.5	1.0
Export benefits	**(4.3)**	(6.6)	(5.0)
Other	**(0.5)**	0.1	(0.4)
	30.8%	31.5%	29.6%

The components of deferred tax assets and liabilities are as follows:

(in thousands)	**December 31, 2002**	December 31, 2001
Deferred tax assets:		
Goodwill	**$ 2,789**	$ 3,259
Other intangible assets	**835**	459
Acquired software	**2,610**	3,170
Allowance for doubtful accounts	**420**	515
Deferred revenue	**1,523**	1,213
Other	**748**	529
	8,925	9,145
Deferred tax liabilities:		
Property and equipment	**(125)**	(91)
Other	**(2,015)**	(2,038)
	(2,140)	(2,129)
Net deferred tax assets	**$ 6,785**	$ 7,016

Based upon the Company's current and historical taxable income and the anticipated level of future taxable income, management believes it is more likely than not that all of the deferred tax assets will be realized. Accordingly, no valuation allowance has been established against the deferred tax assets.

The Company currently intends that taxable undistributed earnings of its foreign subsidiaries will be permanently reinvested outside of the United States. As such, a deferred tax liability has not been provided on the unremitted earnings of the Company's foreign subsidiaries.

8. Pension and Profit-Sharing Plans

The Company maintains both a money purchase pension plan (the "Pension Plan") and a 401(k) / profit-sharing plan (the "Profit-Sharing Plan") for all qualifying full-time employees. The Pension Plan is a noncontributory plan and requires the Company to contribute 5% of each participant's eligible compensation. The 401(k) feature of the Profit-Sharing Plan permits employee contributions up to 10% of eligible compensation. The Company makes matching contributions on behalf of each participant in an amount equal to 100% of the employee contribution up to a maximum of 5% of employee compensation. There is a five year graduated vesting schedule for employer contributions. Under the profit-sharing provisions of the plan, the Company contribution is determined annually by the Board of Directors, subject to a maximum limitation of 5% of eligible compensation.

Total expense related to the Pension and Profit-Sharing plans was $1,889,000 in 2002, $2,121,000 in 2001 and $1,712,000 in 2000.

Notes to Consolidated Financial Statements

9. Non-Compete and Employment Agreements

In accordance with the acquisition of ICEM CFD (see Note 3), the existing stockholders of ICEM CFD agreed to non-competition clauses restricting certain competitive business activities for periods of two or five years, depending on the involvement of each stockholder in the daily operations of the business. Additionally, the existing CADOE stockholders agreed to similar non-competition clauses for a period of four years in connection with the acquisition of CADOE by ANSYS.

The Company has entered into an employment agreement with the Chairman of its Board of Directors. In the event the Chairman is terminated without cause, his employment agreement provides for severance at the annual rate of $300,000 for the later of a period of one year after termination or when he accepts other employment. The Chairman is subject to a one-year restriction on competition following termination of employment under the circumstances described in the contract.

The Company also has an agreement with the Chief Executive Officer. This agreement provides for, among other things, severance payments totaling $300,000, in equal semi-monthly installments, through the first anniversary of the termination date if the Chief Executive Officer is terminated without cause. The Company is currently negotiating a more comprehensive employment contract with its Chief Executive Officer.

10. Stock Option and Grant Plans

The Company has two stock option and grant plans — the 1994 Stock Option and Grant Plan ("1994 Stock Plan") and the 1996 Stock Option and Grant Plan ("1996 Stock Plan"). The 1994 and 1996 Stock Plans, as amended, authorize the grant of up to 868,110 and 4,250,000 shares, respectively, of the Company's common stock in the form of: (i) incentive stock options ("ISOs"), (ii) nonqualified stock options or (iii) the issuance or sale of common stock with or without vesting or other restrictions. Additionally, the 1996 Stock Plan permits the grant of common stock upon the attainment of specified performance goals and the grant of the right to receive cash dividends with the holders of the common stock as if the recipient held a specified number of shares of the common stock. No further grants may be made under the 1994 Stock Plan.

The 1994 and 1996 Stock Plans provide that: (i) the exercise price of an ISO must be no less than the fair value of the stock at the date of grant and (ii) the exercise price of an ISO held by an optionee who possesses more than 10% of the total combined voting power of all classes of stock must be no less than 110% of the fair market value of the stock at the time of grant. The Board of Directors has the authority to set expiration dates no later than ten years from the date of grant (or five years for an optionee who meets the 10% criteria), payment terms and other provisions for each grant. Shares associated with unexercised options or reacquired shares of common stock become available for options or issuances under the 1996 Stock Plan. The Compensation Committee of the Board of Directors may, at its sole discretion, accelerate or extend the date or dates on which all or any particular award or awards granted under the 1994 and 1996 Stock Plans may vest or be exercised. In the event of a merger, liquidation or sale of substantially all of the assets of the Company, the Board of Directors has the discretion to accelerate the vesting of the options granted under the 1994 and 1996 Stock Plans, except that options granted to Independent Directors vest automatically. Under certain scenarios, other optionees may also automatically vest upon the occurrence of such an event. In addition, the 1994 and 1996 Stock Plans and the grants issued thereunder terminate upon the effectiveness of any such transaction or event, unless a provision is made in connection with such transaction for the assumption of grants theretofore made. Under the 1996 Stock Plan, at the discretion of the Compensation Committee, any option may include a "reload" feature. Such feature allows an optionee exercising an option to receive, in addition to the number of shares of common stock due on the exercise, an additional option with an exercise price equal to the fair market value of the common stock on the date such additional option is granted.

In addition, the 1996 Stock Plan provides for the automatic grant of non-qualified options to Independent Directors. Under such provisions, options to purchase that number of shares of common stock determined by dividing $200,000 by the option exercise price will be granted to each individual when he or she first becomes a member of the Board of Directors, provided that he or she is not an employee of the Company. In addition, in 1998 the Board of Directors amended the 1996 Stock Plan to provide that on the date five business days following each annual meeting of stockholders of the Company, each Independent Director who is then serving will be granted an option to purchase 12,000 shares of common stock at the option exercise price. Options granted to Independent Directors under the foregoing provisions will vest in annual installments over four years, commencing with the date of grant, and will expire ten years after the grant, subject to earlier termination if the optionee ceases to serve as a director. The exercisability of these options will be accelerated upon the occurrence of a merger, liquidation or sale of substantially all of the assets of the Company.

Notes to Consolidated Financial Statements

Information regarding stock option transactions is summarized below:

	Year Ended December 31,					
	2002		2001		2000	
(options in thousands)	**Options**	**Weighted Average Exercise Price**	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding, Beginning of Year	**2,852**	**$ 11.60**	2,763	$ 9.18	2,467	$ 8.30
Granted	**443**	**$ 21.16**	774	$ 17.53	805	$ 10.53
Exercised	**(442)**	**$ 9.33**	(582)	$ 8.87	(259)	$ 7.12
Cancelled	**(83)**	**$ 14.33**	(103)	$ 7.56	(250)	$ 9.21
Outstanding, end of year	**2,770**	**$ 13.10**	2,852	$ 11.60	2,763	$ 9.18
Exercisable, end of year	**1,304**	**$ 9.71**	1,117	$ 8.83	1,131	$ 8.84

Information regarding stock options outstanding as of December 31, 2002 is summarized below:

	Options Outstanding			Options Exercisable	
(options in thousands) Range of Exercise Prices	Options	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
$ .40 - $ 2.40	75	2.75 years	$ 1.90	75	$ 1.90
$ 6.00 - $10.00	889	5.62 years	$ 8.24	757	$ 8.27
$10.00 - $14.08	816	7.21 years	$ 10.98	335	$ 10.87
$18.70 - $26.56	990	9.09 years	$ 20.00	137	$ 19.06

The Company has elected to account for stock-based compensation arrangements under the provisions of Accounting Principles Board Opinion No. 25, *"Accounting for Stock-Based Compensation."* The Company has adopted the disclosure-only provisions of SFAS No. 123, *"Accounting for Stock-Based Compensation."* Accordingly, no compensation expense has been recognized for options which have been issued under the 1994 and 1996 Stock Plans. Had compensation cost for the Company's two stock option and grant plans been determined based upon the fair value at the grant date for the option awards in 2002, 2001 and 2000, consistent with the provisions of SFAS No. 123, the Company's net income and basic and diluted earnings per share would have been reduced to the pro forma amounts indicated below:

(in thousands, except per share data)	**2002**	2001	2000
Net income – as reported	**$ 18,959**	$ 13,692	$ 16,310
Net income – pro forma	**15,898**	11,295	14,132
Basic earnings per share – as reported	**$ 1.30**	$ .94	$ 1.03
Basic earnings per share – pro forma	**1.09**	.78	.89
Diluted earnings per share – as reported	**1.22**	.89	1.00
Diluted earnings per share – pro forma	**1.02**	.73	.87

The weighted-average fair value of options granted was $11.85 per share in 2002, $10.13 per share in 2001 and $6.22 per share in 2000.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the risk-free interest rates ranging from 3.23%-4.50% for 2002, 3.80%-5.01% for 2001 and 5.22%-6.79% for 2000. The interest rates used were determined by using the five-year Treasury Note rate at the date of grant. The following assumptions were also used to determine the fair value of each option grant: dividend yields of 0%; expected volatility of 62%, 64% and 63% for 2002, 2001 and 2000, respectively, and expected term of five years.

Notes to Consolidated Financial Statements

11. Stock Repurchase Program

On October 25, 2001, the Company announced that its Board of Directors had amended its common stock repurchase program to acquire up to an additional one million shares, or four million shares in total under the program that was initially announced in February 2000. Under this program, ANSYS repurchased 504,900 and 374,700 shares in 2002 and 2001, respectively. In addition to the repurchases under this program, the Company also purchased 866,300 shares in a privately negotiated transaction during 2001. As of December 31, 2002, 1.1 million shares remained authorized for repurchase under the program.

12. Employee Stock Purchase Plan

The Company's 1996 Employee Stock Purchase Plan (the "Purchase Plan") was adopted by the Board of Directors on April 19, 1996 and was subsequently approved by the Company's stockholders. Up to 210,000 shares of common stock may be sold under the Purchase Plan. The Purchase Plan is administered by the Compensation Committee. Offerings under the Purchase Plan commence on each February 1 and August 1, and have a duration of six months. An employee who owns or is deemed to own shares of stock representing in excess of 5% of the combined voting power of all classes of stock of the Company may not participate in the Purchase Plan.

During each offering, an eligible employee may purchase shares under the Purchase Plan by authorizing payroll deductions of up to 10% of his cash compensation during the offering period. The maximum number of shares which may be purchased by any participating employee during any offering period is limited to 960 shares (as adjusted by the Compensation Committee from time to time). Unless the employee has previously withdrawn from the offering, his accumulated payroll deductions will be used to purchase common stock on the last business day of the period at a price equal to 85% of the fair market value of the common stock on the first or last day of the offering period, whichever is lower. Under applicable tax rules, an employee may purchase no more than $25,000 worth of common stock in any calendar year. At December 31, 2002, 145,125 shares of common stock had been issued under the Purchase Plan of which 125,658 were issued as of December 31, 2001.

13. Leases

In January 1996, the Company entered into a lease agreement with an unrelated third party for a new corporate office facility, which the Company occupied in February 1997. The lease agreement is for ten years, with an option for five additional years, and includes scheduled rent increases at the end of the fifth year and tenth year, if the option is exercised. The Company incurred lease rental expense related to this facility of $1,354,000 in 2002 and $1,227,000 in 2001 and 2000. Future minimum lease payments for the next four years under the facility lease are $1,354,000 per annum in 2003 through 2006.

The Company has also entered into various noncancellable operating leases for equipment and sales offices. Lease rental expense related to these leases totaled $1,394,000, $1,232,000 and $908,000 for the years ended December 31, 2002, 2001 and 2000, respectively. Future minimum lease payments under noncancellable operating leases for equipment and sales offices in effect at December 31, 2002 are $809,000 in 2003, $515,000 in 2004, $354,000 in 2005, $106,000 in 2006 and $22,000 in 2007.

14. Royalty Agreements

The Company has entered into various renewable, nonexclusive license agreements under which the Company has been granted access to the licensor's patent technology and the right to sell the patent technology in the Company's product line. Royalties are payable to developers of the software at various rates and amounts generally based upon unit sales or revenue. Royalty fees, which are included in cost of sales, were approximately $1,041,000, $939,000 and $884,000 for the years ended December 31, 2002, 2001 and 2000, respectively.

15. Geographic Information

Revenue by geographic area is as follows:

(in thousands)	United States	Canada	Germany	Other Europe	Japan	Other International	Total
Year ended December 31, 2002	**$ 39,577**	**1,863**	**$ 8,743**	**$ 21,179**	**$ 10,380**	**$ 9,269**	**$ 91,011**
Year ended December 31, 2001	38,693	1,659	10,434	15,094	11,000	7,956	84,836
Year ended December 31, 2000	34,304	1,757	8,595	14,752	8,843	6,216	74,467

Long-lived assets (excluding deferred tax assets) by geographic area is as follows:

(in thousands)	United States	Europe	Other International	Total
Year ended December 31, 2002	**$ 24,238**	**$ 5,002**	**$ 232**	**$ 29,472**
Year ended December 31, 2001	24,773	4,080	290	29,143

16. Contingencies

The Company had an outstanding irrevocable standby letter of credit for $1,524,000 at December 31, 2002. This letter of credit was issued as a guarantee for damages that could be awarded related to a legal matter in which the Company was involved. The fair value of the letter of credit approximates the contract value based on the nature of the fee arrangements with the issuing bank. No material losses on this commitment have been incurred, nor are any anticipated.

From time to time the Company is involved in various legal proceedings, lawsuits and claims, including employment and contract matters considered normal to its business. Management believes, after consulting with legal counsel, that the ultimate liabilities, if any, resulting from such lawsuits and claims will not materially affect the Company's financial position, liquidity or results of operations.

17. Earnings Per Share

Basic earnings per share ("EPS") amounts are computed by dividing earnings by the average number of common shares outstanding during the period. Diluted EPS amounts assume the issuance of common stock for all potentially dilutive equivalents outstanding.

The details of basic and diluted earnings per share are as follows:

(in thousands, except per share data)	**2002**	2001	2000
Net income	**$ 18,959**	$ 13,692	$ 16,310
Weighted average shares outstanding – basic	**14,598**	14,554	15,804
Basic earnings per share	**$ 1.30**	$ .94	$ 1.03
Effect of dilutive securities:			
Shares issuable upon exercise of dilutive outstanding restricted stock and stock options	**996**	884	465
Weighted average shares outstanding – diluted	**15,594**	15,438	16,269
Diluted earnings per share	**$ 1.22**	$ .89	$ 1.00
Anti-dilutive shares/options	**177**	541	201

Quarterly Financial Information (Unaudited)

	Fiscal Quarter Ended			
(in thousands, except per share data)	December 31, 2002	September 30, 2002	June 30, 2002	March 31, 2002
Revenue	$ 25,267	$ 21,745	$ 22,734	$ 21,265
Gross profit	22,188	18,724	19,925	18,414
Operating income	9,301	5,800	6,468	5,505
Net income	6,269	4,082	4,720	3,888
Earnings per share – basic	.43	.28	.32	.27
Earnings per share – diluted	.41	.26	.30	.25
Common stock price per share(1):				
High	21.50	23.99	29.12	27.28
Low	14.01	16.90	18.36	21.90

	Fiscal Quarter Ended			
(in thousands, except per share data)	December 31, 2001	September 30, 2001	June 30, 2001	March 31, 2001
Revenue	$ 25,073	$ 20,610	$ 20,931	$ 18,222
Gross profit	22,040	17,899	17,985	15,559
Operating income	7,662	3,367	4,705	2,814
Net income	5,098	2,654	3,569	2,371
Earnings per share – basic	.35	.18	.25	.16
Earnings per share – diluted	.33	.17	.24	.15
Common stock price per share(1):				
High	27.73	19.15	18.72	13.63
Low	16.80	14.65	11.70	10.13

(1) The Company's common stock trades on the Nasdaq National Market tier of The Nasdaq Stock Market under the symbol: ANSS. The common stock prices shown are based on the Nasdaq daily closing stock price.

The Company has not paid cash dividends on its common stock as it has retained earnings for use in its business. The Company intends to review its policy with respect to the payment of dividends from time to time; however, there can be no assurance that any dividends will be paid in the future.

On February 8, 2003, there were 247 shareholders of record and approximately 4,500 beneficial shareholders of the Company's common stock.

Corporate Information

Shareholder Information
Requests for information about the Company should be directed to:

Mark A. Dozzo, Treasurer, ANSYS Inc., Southpointe
275 Technology Drive, Canonsburg, PA 15317, U.S.A.
Telephone: 724.514.1782

Report on Form 10-K
Stockholders may obtain additional financial information about ANSYS Inc. from the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission. Copies are available from the Company without charge upon written request.

Stock Listing

Counsel
Goodwin Procter LLP, Boston, MA

Annual Meeting
The Annual Meeting of Stockholders will be held on May 8, 2003 at 2:00 p.m. at the Southpointe Club, 360 Southpointe Blvd., Canonsburg, PA 15317, U.S.A.

Transfer Agent
Mellon Investor Services, Ridgefield Park, NJ

Independent Accountants
Deloitte & Touche LLP, Pittsburgh, PA

Headquarters
ANSYS Inc.
Southpointe
275 Technology Drive
Canonsburg, PA 15317
U.S.A.
1.866.ANSYS.AI

http://www.ansys.com

ANSYS Inc. is an Equal Opportunity Employer. As such, it is the Company's policy to promote equal employment opportunity and to prohibit discrimination on the basis of race, color, religion, sex, age, national origin, disability or status as a veteran in all aspects of employment including recruiting, hiring, training or promoting personnel. In fulfilling this commitment, the Company shall comply with the letter and spirit of the laws, regulations and Executive Orders governing equal opportunity in employment; including the Civil Rights Act of 1964, Executive Order 11246, Revised Order Number 4 and amendments thereto.

ANSYS, AI*NASTRAN, AI*Environment and DesignSpace are Trademarks or registered Trademarks of ANSYS Inc. and its subsidiaries located in the United States or other countries. NASTRAN is a registered trademark of the National Aeronautics Space Administration. All other trademarks and registered trademarks are the property of their respective owners.

This entire report is printed on recycled paper.

Design: Miller Creative Group, Pittsburgh, Pa.

ANSYS®

ANSYS Inc.
Southpointe
275 Technology Drive
Canonsburg, PA 15317
U.S.A.

Toll-Free: 1.866.ANSYS.AI

www.ansys.com

ANSYS is registered in the U.S. Patent and Trademark Office.
© 2003 SAS IP, Inc., a wholly owned subsidiary of ANSYS Inc.
All Rights Reserved.

MAR0007MAR03 Printed in U.S.A.