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

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 2002

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

Commission file number: 0-20853

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

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

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

Securities registered pursuant to Section 12(b) of the Act:

None **(Title of each class)**	**None** **(Name of exchange on which registered)**

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $.01 par value per share
(Title of class)

Indicate by a check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by a check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in PART III of this Form 10-K, or any amendment to this Form 10-K. x

Indicate by a check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes x No o

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based upon the closing sale price of the Common Stock on June 30, 2002 as reported on the NASDAQ National Market, was approximately $291,609,755. Shares of Common Stock held by each officer and director and by each person who owns 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares of the Registrant's Common Stock, par value $.01 per share, outstanding as of March 11, 2003 was 14,681,408 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to Stockholders for the fiscal year ended December 31, 2002 are incorporated by reference into Parts I, II and IV. Portions of the Proxy Statement for the Registrant's 2003 Annual Meeting of Stockholders to be held on May 8, 2003 are incorporated by reference into Part III.

Important Factors Regarding Future Results

Information provided by ANSYS Inc. (the "Company"), including information contained in this Annual Report on Form 10-K, or by its spokespersons may from time to time contain forward-looking statements concerning such matters as projected financial performance, market and industry segment growth, product development and commercialization, acquisitions or other aspects of future operations. Such statements, made pursuant to the safe harbor established by the securities laws, are 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 those discussed herein, may cause the Company's future results to differ materially from those projected in any forward-looking statement. Important information about the basis for those assumptions is contained in "Important Factors Regarding Future Results" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations," incorporated by reference to pages 11 through 20 of the Company's 2002 Annual Report to Stockholders. All information presented is as of December 31, 2002, unless otherwise indicated.

PART I

ITEM 1: BUSINESS

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. 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 Company's major product lines are described as follows:

ANSYS® Simulation Suite

Incorporating design simulation and virtual prototyping into a product development process is critical to minimize costs and improve time-to-market. With the ANSYS Simulation Suite, you can determine real-world structural, thermal, electromagnetic and fluid-flow behavior of 3-D product designs, including the effects of multiple physics when they are coupled together for added accuracy and reliability.

ANSYS® Physics Verticals

ANSYS Physics Verticals may be used independently or in conjunction with other ANSYS products, such as ANSYS Mechanical™, to enable an even more comprehensive simulation of real-world phenomena. These products are focused towards specific industries to solve problems such as electromagnetic interference, antenna design, aerodynamic design, crash dynamics, metal forming and product design reliability.

ANSYS® Workbench Environment

The ANSYS Workbench Environment is a new-generation solution from ANSYS that provides powerful methods for interacting with the ANSYS solver functionality. This environment provides a unique integration with Computer-Aided Design (CAD) systems enabling bi-directional interaction between the CAD model and the analytical solution provided by the ANSYS Workbench Environment. This parametric association enhances the product design process, allowing shorter product development cycles. This capability is now available for all ANSYS products.

ANSYS® ICEM CFD Suite

ICEM CFD software products consist of geometry acquisition, mesh generation, post-processing, and mesh optimization tools. ICEM CFD products are the only universal pre-processor for analysis including Finite Element Analysis (FEA), Computational Fluids Dynamics (CFD) and other Computer-Aided Engineering (CAE) applications. The major products in this suite include ICEM CFD, the leading software for 3-D grid generation for CFD and ICEPAK, an electronics cooling simulation system created in collaboration with Fluent, Inc. The ICEM CFD products interface with all of the main CAD products and have translators to over 100 solvers.

BUSINESS 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.

PRODUCT DEVELOPMENT

The Company makes significant investments in research and development and emphasizes accelerated new product releases. The Company's product development strategy centers on ongoing development and innovation of new technologies to increase productivity and provide solutions that customers can integrate into enterprise-wide engineering systems. The Company's product development efforts focus on extensions of the full product line with new functional modules, further integration with CAD and Product Lifecycle Management (PLM) products, and the development of new products. The Company's products run on the most widely used engineering computing platforms and operating systems, including Windows, Linux and most UNIX workstations.

During 2002, the Company completed the following major product development activities and releases:

- The release of ANSYS Workbench Environment 6.1, an enhanced version of the Company's new generation simulation product. The Workbench Environment evolved from the DesignSpace product, which allows product designers and engineers to quickly move their designs through the product development cycle. This release adds a new module, Analysis Geometry Processor, for geometric modeling to prepare CAD models for simulation analysis and a new module, DesignXplorer, for the parametric optimization of simulations and immediate feedback on design modifications.
- The release of ANSYS 6.1, a new and enhanced version of the Company's flagship multiphysics product, and all component products. This release incorporates a new User Interface for improved ease of use, structural nonlinear capabilities for the simulation of gaskets, modeling of viscoelasticity, modeling of cyclic symmetric structures, which is critical to the rotating machinery and turbine industries, and automatic fluid structure interactions for the analysis of coupled fluid and structural physics.
- The introduction of ICEM CFD CART3D which commercializes the NASA developed code for inviscid analysis of external and internal flow simulations. The CART3D product is integrated within the ICEM CFD product suite.
- The release of ANSYS 7.0 simulation software for both the ANSYS Classic and Workbench Environments.
    - The flagship product is now referred to as the ANSYS Classic Environment. The ANSYS Classic Environment is enhanced to provide new features including more nonlinear materials, additional contact functionality, rigid constraints, and reduced order modeling for micro-electro-mechanical (MEMS) simulations. Additionally, the customer may now choose whether to work in the ANSYS Classic or the ANSYS Workbench Environment.
    - This release brings a tighter integration of the two product lines. The ANSYS Workbench Environment exposes more of the functionality of ANSYS Classic through the 'applet' command processors. This enables access to a variety of features such as modal and harmonic analysis, nonlinear material properties, and the powerful APDL programming language. Additionally, the ANSYS Workbench Environment is now available on Sun and HP Unix workstations in addition to Windows workstations.

- The introduction of a new module featuring Series Xpansion Variational Design Technology for the ANSYS Classic Environment. The FEMXplorer module allows users to perform quick and accurate "what if" scenarios with one solution instead of multiple solutions as with traditional design of experiments methods. FEMXplorer's proprietary Series Xpansion technology offers the capacity to study, quantify, and graph the structural analysis response to alternative design parameters for linear elastic static analyses.
- The introduction of DesignXplorer, which offers dynamic interaction with the design envelope. Utilizing advanced parametric control, DesignXplorer provides instantaneous feedback on all proposed design modifications in the design process, significantly decreasing the number of iterations. This product also includes an easy-to-use graphical user interface.
- The introduction of AI*NASTRAN 1.0 developed through a strategic OEM partnership with Schaeffer Automated Simulation LLC. Built from the original NASA NASTRAN source code, AI*NASTRAN is the ideal tool for extremely large and complex problems. AI*NASTRAN contains many enhancements of the NASA code such as increased problem size limits, upgraded element technology, increased solver speeds, streamlined program architecture, and expanded platform support.

The Company's total research and development expenses were $19.6 million, $16.9 million and $14.5 million in 2002, 2001 and 2000, or 21.5%, 19.9% and 19.5% of total revenue, respectively. As of December 31, 2002, the Company's product development staff consisted of 167 full time employees, most of whom hold advanced degrees and have industry experience in engineering, mathematics, computer science or related disciplines.

The Company uses multi-functional teams to develop its products and develops them simultaneously on multiple platforms to reduce subsequent porting costs. In addition to developing source code, these teams create and perform highly automated software verification tests; develop on-line documentation and support for the products; implement development enhancement tools, software configuration management and product licensing processes; and conduct regression tests of ANSYS products for all supported platforms.

PRODUCT QUALITY

In accordance with the ISO 9001:2000 certification for its quality system, the Company's employees perform all product development and support tasks according to predefined quality plans, procedures and work instructions for the ANSYS® Simulation Suite, ANSYS® Physics Verticals and ANSYS® Workbench Environment product lines. These plans define for each project the methods to be used, the responsibilities of project participants and the quality objectives to be met. To ensure that the Company meets or surpasses the IS0 9001 standards, the Company establishes quality plans for all products and services, subjects product designs to multiple levels of testing and verification and selects development subcontractors in accordance with processes established under the Company's quality system.

SALES AND MARKETING

The Company distributes and supports its products through its global ANSYS Support Distributor ("ASD") and reseller network, as well as through its own direct sales offices. This network provides the Company with a cost-effective, highly specialized channel of distribution and technical support. Approximately 51% of the Company's total revenue in 2002 was derived through the ASD and reseller network.

At December 31, 2002, the ASD network consisted of 30 independent distributors covering 37 countries, including 13 in North America, 6 in Europe and 11 throughout the Asia-Pacific region and the remainder of the world. The ASDs sell ANSYS and DesignSpace products to new customers, expand installations within the existing customer base, offer training and consulting services and provide the first line of ANSYS technical support. The Company's ASD certification process helps to ensure that each ASD has the ongoing capacity to adequately represent the Company's expanding product lines and to provide an acceptable level of training, consultation and customer support.

The Company also has a direct sales management infrastructure in place to develop an enterprise-wide, focused sales approach and to implement a worldwide major account strategy. The sales management organization also functions as a focal point for requests to ANSYS from the ASD and reseller channel, and provides additional support in strategic locations through the presence of direct sales offices. As of December 31, 2002, a Vice President of Global Sales and Services, with a supporting North American Vice President of Sales, a European Vice President of Sales, and an International Vice President of Sales, headed the Company's sales management organization. These senior members of sales management were supported by Regional Sales Directors, devoted to the overall management of stated sales territories, Strategic Account Managers, devoted to specific major accounts within those territories, and Direct Territory Sales Representatives, devoted to sales in specific geographic regions.

During 2002, the Company continued to invest in its existing domestic and international strategic sales offices and established a new sales office in France. In total, the Company's direct sales offices employ 95 persons, who are responsible for the sales, marketing initiatives and administrative activities in those geographic areas designed to support the Company's overall revenue growth and market share expansion strategies.

During 2002, the Company also continued to expand the reseller channel for both its ANSYS and DesignSpace products. This channel complements the ASD network by establishing a broader user base for the Company's products and services. As of December 31, 2002, the Company had signed agreements with more than 200 resellers. The resellers are required to have appropriately trained marketing and technical personnel.

The Company's products have an installed base of approximately 80,000 seats at commercial sites and approximately 129,000 seats at university sites worldwide. The Company's products are utilized by organizations ranging in size from small consulting firms to the world's largest industrial companies. No single customer accounted for more than 10% of the Company's revenue in 2002.

Information with respect to foreign and domestic revenue may be found in Note 15 to the Consolidated Financial Statements and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Annual Report to Stockholders for the year ended December 31, 2002 ("2002 Annual Report to Stockholders"), which financial statements are included in Exhibit 13.1 to this Annual Report on Form 10-K and incorporated herein by reference.

STRATEGIC ALLIANCES AND MARKETING RELATIONSHIPS

The Company has established and continues to pursue strategic alliances with advanced technology suppliers and marketing relationships with hardware vendors, specialized application developers, CAD and PLM providers. The Company believes these relationships allow accelerated incorporation of advanced technology into the ANSYS, DesignSpace, AI*NASTRAN and ICEM CFD products, provide access to important new markets, expand the Company's sales channels, develop specialized product applications and provide direct integration with leading CAD systems.

The Company has technical and marketing relationships with leading CAD vendors, such as Autodesk, Parametric Technology Corporation, Dassault Systemes and Electronic Data Systems to provide direct links between products. These links facilitate the transfer of electronic data models between the CAD systems and ANSYS products.

The Company has established relationships with leading suppliers of computer hardware, including Hewlett-Packard, SGI, Sun Microsystems, IBM, Dell, Intel and various graphics card vendors. These relationships typically provide the Company with joint marketing opportunities such as advertising, events and Internet links with the hardware partner's home page. In addition, the Company receives reduced equipment costs and software porting support to ensure that the Company's software products are certified to run on various hardware platforms.

The Company's Enhanced Solution Partner Program actively encourages specialized developers of niche software solutions to use ANSYS as a development platform for their applications. In most cases, the sale of the Enhanced Solution Partners' products is accompanied by the sale of an ANSYS product.

The Company has a software license agreement with Livermore Software Technology Corporation ("LSTC") under which LSTC has provided LS-DYNA software for explicit dynamics solutions used in applications such as crash test simulation in the automotive and other industries. Under this arrangement, LSTC assists in the integration of the LS/DYNA software with the Company's pre- and post-processing capabilities and provides updates and problem resolution in return for a share of revenue from sales of ANSYS/LS-DYNA.

The Company has a software license agreement with International Technology Group, Inc. (ITI) under which ITI provides CADfix software and associated tools and utilities aimed at improving the success of transferring geometry from multiple CAD programs to ANSYS software products. Under this agreement, ITI assists in the integration of CADfix software with the Company's products and provides updates and problem resolution in return for a share of revenue from sales of CADfix for ANSYS.

The Company has developed Icepak, a CFD application for thermal management of electronic enclosures, in cooperation with Fluent, Inc. Under this agreement, the product is distributed by Fluent, Inc. and royalties are paid to the Company.

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 and PLM 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 also is 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.

The Company believes that the principal competitive factors affecting its market include ease of use; breadth and depth of functionality; flexibility; quality; ease of integration into CAD systems; file compatibility across computer platforms; range of supported computer platforms; performance; price and cost of ownership; customer service and support; company reputation and financial viability; and effectiveness of sales and marketing efforts. Although the Company believes that it currently competes effectively with respect to such factors, there can be no assurance that the Company will be able to maintain its competitive position against current and potential competitors. There also can be no assurance that CAD software companies will not develop their own analysis software, acquire analysis software from companies other than the Company or otherwise discontinue their relationships with the Company. If any of these events occur, the Company’s business, financial condition, results of operations and cash flows could be materially adversely affected.

PROPRIETARY RIGHTS AND LICENSES

The Company regards its software as proprietary and relies on a combination of trade secret, copyright and trademark laws, license agreements, nondisclosure and other contractual provisions, and technical measures to protect its proprietary rights in its products. The Company distributes its software under software license agreements that grant customers nonexclusive licenses for the use of the Company’s products, which are typically nontransferable. Although the Company distributes its products through the ASDs and the reseller channel, license agreements for the Company’s products are directly between the Company and end users. Use of the licensed software is restricted to designated computers at specified sites, unless the customer obtains a site license for its use of the software. Software security measures are also employed to prevent unauthorized use of the Company’s software and the licensed software is subject to terms and conditions prohibiting unauthorized reproduction of the software. Customers may either purchase a paid-up perpetual license of the technology with the right to annually purchase ongoing maintenance, technical support and updates, or may lease the product on an annual basis for a fee which includes the license, maintenance, technical support and upgrades.

For certain software products, the Company primarily relies on “click-wrapped” licenses. The enforceability of these types of agreements under the laws of certain jurisdictions is uncertain.

The Company also seeks to protect the source code of its software as a trade secret and as unpublished copyrighted work. The Company has obtained federal trademark protection for ANSYS and DesignSpace. The Company has also obtained trademark registrations of ANSYS and DesignSpace in a number of foreign countries and is in the process of seeking such registration in other foreign countries. Additionally, the Company was awarded a patent by the U.S. Patent and Trademark Office for its Web-based reporting technology.

The employees of the Company have signed covenant agreements under which they have agreed not to disclose trade secrets or confidential information, or to engage in or become connected with any business which is competitive with the Company anywhere in the world, while employed by the Company (and, in some cases, for specified periods thereafter), and that any products or technology created by them during their term of employment are the property of the Company. In addition, the Company requires all ASDs and resellers to enter into agreements not to disclose the Company's trade secrets and other proprietary information.

Despite these precautions, there can be no assurance that misappropriation of the Company's technology will not occur. Further, there can be no assurance that copyright and trade secret protection will be available for the Company's products in certain countries, or that restrictions on competition will be enforceable.

The software development industry is characterized by rapid technological change. Therefore, the Company believes that factors such as the technological and creative skills of its personnel, new product developments, frequent product enhancements, name recognition and reliable product maintenance are more important to establishing and maintaining a technology leadership position than the various legal protections of its technology which may be available.

The Company does not believe that any of its products infringe upon the proprietary rights of third parties. There can be no assurance, however, that third parties will not claim in the future such infringement by the Company or its licensors or licensees with respect to current or future products. The Company expects that software product developers will increasingly be subject to such claims as the number of products and competitors in the Company's market segment grow and the functionality of products in different market segments overlaps. Any such claims, with or without merit, could be time-consuming, result in costly litigation, cause product shipment delays or require the Company to enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on terms acceptable to the Company.

BACKLOG

The Company generally ships its products within 30 days after acceptance of an order and execution of a software license agreement. Accordingly, the Company does not believe that its backlog at any particular point in time is indicative of future sales levels.

EMPLOYEES

As of December 31, 2002, the Company had approximately 450 full-time employees. At that date, there were also approximately 20 contract personnel and co-op students providing ongoing development services and technical support. The Company believes that its relationship with its employees is good.

AVAILABLE INFORMATION

The public may inspect and copy any document ANSYS Inc. files with the Securities and Exchange Commission at the public reference facility maintained by the SEC at its Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. The public may also call the SEC at 1-800-732-0330 for further information about the operation of the SEC's Public Reference Room. In addition, the Company's reports are publicly available through the SEC's site on the Internet at www.sec.gov.

The Company is an accelerated filer as defined under the rules promulgated under the Exchange Act. The Company files annual, quarterly and current reports, proxy statements and other information with the SEC. All the Company's filings may be obtained free of charge on the Company's Internet website at www.ansys.com.

ITEM 2: PROPERTIES

The Company's executive offices and those related to product development, marketing, production and administration are located in a 107,000 square feet office facility in Canonsburg, Pennsylvania, which was leased for an annual rent of approximately $1,354,000 in 2002. The Company also leases office space in various locations throughout the world. The Company's subsidiaries lease office space for their operations as well. The Company owns substantially all equipment used in its facilities. Management believes that its facilities allow for sufficient space to support not only its present needs, but also allow for expansion and growth as the business may require in the foreseeable future.

ITEM 3: LEGAL PROCEEDINGS

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 these matters may be resolved unfavorably to the Company. 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.

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of fiscal year 2002.

PART II

ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information concerning the Company's equity compensation plans required by this Item is incorporated by reference to page 6 of the Company's 2003 Proxy Statement and is set forth under "Summary of Equity Compensation Plans" therein.

Other information required by this Item is incorporated by reference to page 41 and the section captioned "Corporate Information" appearing in the Company's 2002 Annual Report to Stockholders.

ITEM 6: SELECTED FINANCIAL DATA

The information required by this Item is incorporated by reference to page 1 of the Company's 2002 Annual Report to Stockholders.

ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this Item is incorporated by reference to pages 11 through 20 of the Company's 2002 Annual Report to Stockholders, including the Important Factors Regarding Future Results.

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has no long-term debt obligations. Approximately 10.50% of the Company's total assets as of December 31, 2002 were denominated in currencies other than the U.S. Dollar. Accordingly, the Company has no material exposure to foreign currency exchange risk. This materiality assessment is based on an assumption that the foreign currency exchange rates would change by 10%. The Company has no foreign currency exchange contracts.

Based on the nature of the Company's business, it has no direct exposure to commodity price risk.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is incorporated by reference to pages 21 through 39 of the Company's 2002 Annual Report to Stockholders.

ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The information required by this Item is incorporated by reference to pages 21 through 22 of the Company's 2003 Proxy Statement.

PART III

ITEM 10: DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information concerning the Company’s directors and executive officers required by this Item is incorporated by reference to the Company’s 2003 Proxy Statement and is set forth under “Information Regarding Directors” and “Executive Officers” therein.

ITEM 11: EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to the Company’s 2003 Proxy Statement and is set forth under “Executive Compensation” therein.

ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated by reference to the Company’s 2003 Proxy Statement and is set forth under “Principal and Management Stockholders” therein.

ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated by reference to the Company’s 2003 Proxy Statement and is set forth under “Certain Transactions” therein.

ITEM 14: CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures. Based on their evaluation as of a date within 90 days of the filing date of the Form 10-K, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that the Company’s disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934 (the “Exchange Act”) are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

(b) Changes in internal control. There were no significant changes in the Company’s internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation described above. There were no significant deficiencies or material weaknesses, and therefore there were no corrective actions taken.

ITEM 16: PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated by reference to page 10 of the Company's 2003 Proxy Statement.

PART IV

ITEM 15: EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Documents Filed as Part of this Annual Report on Form 10-K:

1. *Financial Statements:* The following consolidated financial statements and independent auditors’ reports are incorporated by reference to pages 21 through 39 of the Company’s 2002 Annual Report to Stockholders:

    - Independent Auditors’ Report (2002 financial statements)
    - Independent Auditors’ Report (2001 and 2000 financial statements)
    - Consolidated Balance Sheets as of December 31, 2002 and 2001
    - Consolidated Statements of Income for the years ended December 31, 2002, 2001 and 2000
    - Consolidated Statements of Cash Flow for the years ended December 31, 2002, 2001 and 2000
    - Consolidated Statements of Stockholders’ Equity for the years ended December 31, 2002, 2001

and 2000

- Notes to Consolidated Financial Statements

2. *Financial Statement Schedules:* The following financial statement schedule and independent auditors' reports are filed on pages 16-18 of this Annual Report on Form 10-K and should be read in conjunction with the consolidated financial statements.

   Independent Auditors' Report on Financial Statement Schedule—Deloitte & Touche LLP

   Report of Independent Accountants on Financial Statement Schedule—Pricewaterhouse Coopers LLP

   Schedule II - Valuation and Qualifying Accounts

   Schedules not listed above have been omitted because they are not applicable, or are not required, or the information required to be set forth therein is included in the Consolidated Financial Statements or Notes thereto.

3. *Exhibits:*

   The Exhibits listed on the accompanying Exhibit Index immediately following the financial statement schedule are filed as part of, or incorporated by reference into, this Annual Report on Form 10-K.

(b) Reports on Form 8-K:

The Company did not file any reports on Form 8-K during the fourth quarter of fiscal year 2002.

The Company filed a Current Report on Form 8-K with the Securities and Exchange Commission on March 12, 2003 to report its acquisition from AEA Technology plc ("AEA") of the of the capital stock of certain AEA subsidiaries and of related assets constituting the CFX business of AEA.

(c) Exhibits

The Company hereby files as part of this Annual Report on Form 10-K the Exhibits listed in the attached Exhibit Index on page 14 of this Annual Report.

(d) Financial Statement Schedules

The Company hereby files as part of this Annual Report on Form 10-K the financial statement schedule listed in Item 15(a)(2) as set forth above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ANSYS Inc.

Date: March 21, 2003

By: /s/ JAMES E. CASHMAN III

James E. Cashman III
President and Chief Executive Officer

Date: March 21, 2003

By: /s/ MARIA T. SHIELDS

Maria T. Shields
Chief Financial Officer,
Vice President, Finance and Administration

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints James E. Cashman III, his or her attorney-in-fact, with the power of substitution, for such person in any and all capacities, to sign any amendments to this Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact, or substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated below.

Signature	Title	Date
/s/ JAMES E. CASHMAN III **James E. Cashman III**	President and Chief Executive Officer (Principal Executive Officer)	March 21, 2003
/s/ MARIA T. SHIELDS **Maria T. Shields**	Chief Financial Officer, Vice President, Finance and Administration; (Principal Financial Officer and Accounting Officer)	March 21, 2003
/s/ PETER J. SMITH **Peter J. Smith**	Chairman of the Board of Directors	March 21, 2003
/s/ JACQUELINE C. MORBY **Jacqueline C. Morby**	Director	March 21, 2003
/s/ ROGER J. HEINEN, JR. **Roger J. Heinen, Jr.**	Director	March 21, 2003
/s/ JOHN F. SMITH **John F. Smith**	Director	March 21, 2003
/s/ PATRICK ZILVITIS **Patrick Zilvitis**	Director	March 21, 2003
/s/ BRADFORD C. MORLEY **Bradford C. Morley**	Director	March 21, 2003

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, James E. Cashman, III, certify that:

1. I have reviewed this annual report on Form 10-K of ANSYS Inc. (“ANSYS”);
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of ANSYS as of, and for, the periods presented in this annual report;
4. ANSYS’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for ANSYS and we have:
   a) designed such disclosure controls and procedures to ensure that material information relating to ANSYS, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
   b) evaluated the effectiveness of ANSYS’s disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the “Evaluation Date”); and
   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. ANSYS’s other certifying officer and I have disclosed, based on our most recent evaluation, to ANSYS’s auditors and the audit committee of ANSYS’s Board of Directors:
   a) all significant deficiencies in the design or operation of internal controls which could adversely affect ANSYS’s ability to record, process, summarize and report financial data and have identified for ANSYS’s auditors any material weaknesses in internal controls; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in ANSYS’s internal controls; and
6. ANSYS’s other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 21, 2003

/s/ JAMES E. CASHMAN, III

James E. Cashman, III
President and Chief
Executive Officer

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Maria T. Shields, certify that:

1. I have reviewed this annual report on Form 10-K of ANSYS Inc. (“ANSYS”);

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of ANSYS as of, and for, the periods presented in this annual report;

4. ANSYS’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for ANSYS and we have:

    a) designed such disclosure controls and procedures to ensure that material information relating to ANSYS, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

    b) evaluated the effectiveness of ANSYS’s disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the “Evaluation Date”); and

    c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. ANSYS’s other certifying officer and I have disclosed, based on our most recent evaluation, to ANSYS’s auditors and the audit committee of ANSYS’s Board of Directors:

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect ANSYS’s ability to record, process, summarize and report financial data and have identified for ANSYS’s auditors any material weaknesses in internal controls; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in ANSYS’s internal controls; and

6. ANSYS’s other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 21, 2003

/s/ MARIA T. SHIELDS

Maria T. Shields
Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Exhibit
3.1	Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1996 and incorporated herein by reference).
3.2	By-laws of the Company (filed as Exhibit 3.3 to the Company's Registration Statement on Form S-1 (File No. 333-4278) and incorporated herein by reference).
10.1	1994 Stock Option and Grant Plan, as amended (filed as Exhibit 10.1 to the Company's Registration Statement on Form S-1 (File No. 333-4278) and incorporated herein by reference). *
10.2	1996 Stock Option and Grant Plan, as amended (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1996 and incorporated herein by reference). *
10.3	ANSYS Inc. Employee Stock Purchase Plan, as amended (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1996 and incorporated herein by reference). *
10.4	Employment Agreement between a subsidiary of the Registrant and Peter J. Smith dated as of March 28, 1994 (filed as Exhibit 10.10 to the Company's Registration Statement on Form S-1 (File No. 333-4278) and incorporated herein by reference). *
10.5	Lease between National Build to Suit Washington County, L.L.C. and the Registrant for the Southpointe property (filed as Exhibit 10.19 to the Company's Registration Statement on Form S-1 (File No. 333-4278) and incorporated herein by reference).
10.6	Registrant's Pension Plan and Trust, as amended (filed as Exhibit 10.20 to the Company's Registration Statement on Form S-1 (File No. 333-4278) and incorporated herein by reference). *
10.7	Form of Director Indemnification Agreement (filed as Exhibit 10.21 to the Company's Registration Statement on Form S-1 (File No. 333-4278) and incorporated herein by reference). *
10.8	Agreement and Plan of Merger among ANSYS Inc., GenesisOne Acquisition Corporation, Pacific Marketing and Consulting, Inc. (PMAC) and the PMAC stockholders (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K, dated September 13, 2000 and incorporated herein by reference).
10.9	Agreement between ANSYS Inc. and AEA Technology PLC ("AEA") relating to the Registrant's acquisition from AEA of the capital stock of certain AEA subsidiaries and of related assets constituting the CFX business of AEA (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K, dated March 12, 2003 and incorporated herein by reference).
10.10	Employment Agreement between the Registrant and J. Christopher Reid dated as of February 20, 2003; filed herewith. *
10.11	Employment Agreement between the Registrant and James E. Cashman III dated as of March 29, 2001 (filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 and incorporated herein by reference). *

13.1	Annual Report to Stockholders for the fiscal year ended December 31, 2002 (which is not deemed to be “filed” except to the extent that portions thereof are expressly incorporated by reference in this Annual Report on Form 10-K); filed herewith.
21	Subsidiaries of the Registrant; filed herewith.
23.1	Consent of PricewaterhouseCoopers LLP relating to the report of independent accountants on the consolidated financial statements of ANSYS Inc.; filed herewith.
23.2	Consent of Deloitte & Touche LLP relating to the independent auditors’ report on the consolidated financial statements of ANSYS Inc. and the financial statements of the ANSYS Inc. Employee Stock Purchase Plan; filed herewith.
23.3	Consent of PricewaterhouseCoopers LLP relating to the report of independent accountants on the financial statements of the ANSYS Inc. Employee Stock Purchase Plan; filed herewith.
24.1	Powers of Attorney. Contained on page 14 of this Annual Report on Form 10-K and incorporated herein by reference.
99	ANSYS Inc. Employee Stock Purchase Plan Annual Report on Form 11-K.

* *Indicates management contract or compensatory plan, contract or arrangement.*

INDEPENDENT AUDITORS' REPORT

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

We have audited the 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, and have issued our report thereon dated January 29, 2003 (February 4, 2003 as to the last paragraph of Note 3) which report expresses an unqualified opinion and includes an explanatory paragraph relating to the Company's change in method of accounting for goodwill and other intangible assets to adopt Statement of Financial Accounting Standards No. 142, *"Goodwill and Other Intangible Assets"*; such financial statements and report are included in your 2002 Annual Report to Shareholders and are incorporated herein by reference. Our audit also included the financial statement schedule of the Company, listed in Item 15. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audit. In our opinion, such financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche LLP

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

Report of Independent Accountants on
Financial Statement Schedule

To the Board of Directors and Shareholders of
ANSYS Inc.

Our audits of the consolidated financial statements referred to in our report dated January 30, 2002 appearing in the 2001 Annual Report to Shareholders of ANSYS Inc. (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Pittsburgh, Pennsylvania
January 30, 2002

SCHEDULE II

ANSYS INC.

Valuation and Qualifying Accounts

Description	Balance at Beginning of Year	Additions – Charges to Costs and Expenses	Deductions – Returns and Write-Offs	Balance at End of Year
Year ended December 31, 2002				
Allowance for doubtful accounts	$ 1,610,000	$ 506,000	$ 556,000	$ 1,560,000
Year ended December 31, 2001				
Allowance for doubtful accounts	$ 2,350,000	$ 368,000	$ 1,108,000	$ 1,610,000
Year ended December 31, 2000				
Allowance for doubtful accounts	$ 1,700,000	$ 739,000	$ 89,000	$ 2,350,000

EXHIBIT 10.10

EMPLOYMENT AGREEMENT

MEMORANDUM OF AGREEMENT made in Waterloo, Ontario, as of February 20, 2003, BETWEEN:

ANSYS - Canada Ltd, formerly known as AEA Technology Engineering Software Ltd. ("AEA Canada") (the "Company")

- and -

J. Christopher Reid of the city of Aurora in the Province of Ontario (the "Employee").

WHEREAS immediately prior to the date hereof, Employee was employed by AEA Canada pursuant to an employment agreement dated May 11, 2002, as amended (the "Former Agreement");

AND WHEREAS the Employee and Company desire to terminate the Former Agreement and enter into this Agreement which will set forth the terms and conditions for the provision of the continuing services of the Employee as an employee of the Company and its affiliate or related companies;

AND WHEREAS the Employee has received additional consideration from the Company in return for entering into this Agreement;

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements hereinafter set forth, the parties hereto agree as follows:

ARTICLE 1
TERM

This Agreement is not, and shall not be construed as, an agreement to employ the Employee for any specific term or period of time.

ARTICLE 2
EFFECTIVE DATE

The effective date of this Agreement is to be commensurate with the closing date of the acquisition by ANSYS Inc. of AEA Canada. The time period of service with AEA Canada prior to the effective date will be recognized by the Company for purposes of service awards, vacation, termination and retirement entitlements, where applicable.

ARTICLE 3
SERVICES

The Employee shall be employed in the position of Vice President, General Manager, Fluids Business Unit and shall fulfill and shall be given the duties and responsibilities outlined in Exhibit A (Job Description) which Exhibit A may be amended from time to time to reflect the Reasonable Changes (as provided for in Article 9 hereof).

ARTICLE 4
EXCLUSIVITY AND STANDARDS

For so long as the Employee is employed pursuant to the terms of this Agreement, the Employee shall devote his best professional efforts, skill and ability and devote his business time to promote the interests of the Company and shall perform his duties and responsibilities as described hereunder with a degree of care and skill as could reasonably be expected of an employee in a comparable position, and will not, without the prior consent of the Board of Directors of the Company (which consent shall not be unreasonably withheld), engage in any other business ventures, enterprises or activities which might conflict with his obligations hereunder.

ARTICLE 5
LOCATION

The Employee shall provide his services to the Company at the offices of the Company in Waterloo, Ontario, subject to the travel that may reasonably be required to perform his duties hereunder. The parties acknowledge that the Company may from time to time request that the Employee relocate to another location. The costs associated with relocation will be at the Company's expense as determined by the corporate relocation policy or as by mutual consent.

ARTICLE 6
COMPENSATION

Section 6.1 Salary.

The Employee shall receive an annual salary of $267,000 CAD. The Employee's salary shall be payable twice monthly and shall be less all statutory source deductions. The Employee's salary will be reviewed annually beginning January 2004.

Section 6.2 Stock Option Grant.

The Employee will be granted options for 30,000 shares of common stock in ANSYS Inc., subject to approval by the ANSYS Inc. Board of Directors. These stock option shares will have a four-year vesting schedule and all rights in respect thereof will be governed by the applicable stock option plan. Option price for the shares will be market value at the time of formal Board of Directors approval.

Section 6.3 Benefits.

The Employee shall be eligible to participate in the group insurance and benefits plans set forth in Exhibit B attached hereto (the "Current Plans") in accordance with the terms of the Current Plans. In the event that the Company establishes group insurance or benefit plans (the "New Plans") which are different from the Current Plans, the Employee shall at the time the Company institutes such New Plans, participate in the New Plans, subject to the terms thereof. In the unforeseen event the benefits provided under the New Plans, in the aggregate are materially worse than the benefits provided under the Current Plans, in the aggregate, the Company will provide a mutually agreeable benefit supplement to Employee.

In the event of termination of the Employee's employment by the Company pursuant to Section 10.4(a) or 10.5 hereof, the benefit coverage provided to the Employee pursuant to the Current Plans or the New Plans, as applicable, shall, to the extent that the Current Plans or New Plans so permit, excluding LTD and STD coverage (except as specifically required by statute), continue for the period of notice and the twelve (12) month period of severance pay required to be provided by the Company pursuant to Section 10.4(a) or Section 10.5 hereof or such greater period as may be required by applicable employment standards legislation.

Section 6.4 Bonus.

In addition to the salary specified in Section 6.1 hereof, the Employee has the opportunity to participate in the ANSYS Inc. Executive Variable Compensation Plan in accordance with the terms of such plan, which plan will be issued for each fiscal year. The parties acknowledge and agree that the nature, type or quantum of bonus shall be set out in the plan for each fiscal year and shall be selected at the sole discretion of the Board of Directors of ANSYS Inc. and may vary from year to year.

Bonuses are paid on an earned quarterly basis. Employee participation will commence in Q2 2003 (April 1, 2003). If the Company terminates the Employee for any reason during the fiscal year no prorated bonus shall be deemed earned except in respect of a completed quarter prior to the termination. The 30 day period of notice of termination that is given in accordance with Section 10.4(a) shall be utilized in determining any right to the bonus under the plan but no other period of notice or severance which is given under this Agreement shall be utilized in determining any right to the bonus.

In addition to the above bonus plan eligibility, the Company will issue, April 1, 2003, a one time $US5,000 bonus, less all statutory source deductions, as a means to offset current internal equity issues relative to the Employee's current base salary.

Recognizing bonus eligibility and timing issues relative to the Employee's current annual bonus program with AEA Canada, the Employee remains eligible for the annual bonus payout under that program for fiscal period beginning April 1, 2002 through March 31, 2003, and such amount will be determined by the Chief Executive Officer and the Board of Directors of the Company, in accordance with the agreed objectives, measurement, and payouts defined in Exhibit D.

Benefit Entitlement Not Limited.

Subject to applicable law, the Employee shall be eligible to participate in other bonus, stock option, stock purchase and other incentive programs or plans or benefits for the Canadian employees established from time to time in accordance with the terms of such plans and at the discretion of the Board of Directors of the Company.

ARTICLE 7
VACATION

The Employee shall be entitled to an annual vacation of up to 20 days vacation at times to be mutually agreed upon with the President, Chief Executive Officer (CEO) of the Company. Vacation will be accrued on a monthly basis at the rate of 1.67 days per month. The Employee shall be eligible to participate in the vacation plan (the "Current Plan") in accordance with the terms of the Current Plan. In the event that the Company establishes a new vacation plan (the "New Plan") which is different from the Current Plan, the Employee shall at the time the Company institutes such New Plan, participate in the New Plan, subject to the terms thereof. The Employee will continue, under the New Plan, to be entitled to a minimum of 20 days vacation.

ARTICLE 8
REIMBURSEMENT OF EXPENSES

The Employee shall be reimbursed for all reasonable traveling and out-of-pocket expenses incurred in the discharge of his duties under this Agreement, to the extent authorized pursuant to the applicable Company travel policy (as such may be amended from time to time, provided that the Employee accounts for those costs and expenses in the manner prescribed from time to time by the Company).

ARTICLE 9
REASSIGNMENT OF DUTIES

The Employee acknowledges that, from time to time, it may become necessary to reorganize the Company, its affiliates and related companies, or to reassign Employee's duties and positions. Accordingly, the Company may, upon written notice to the Employee, assign this Agreement to any affiliate or related company in connection with a transfer of all or substantially all of the assets of the Company to such affiliate or related company. In addition, the Company may from time to time reassign the Employee to another position or change the Employee's position or duties, provided that such reassignments or changes are reasonable, having regard to the experience and position of the Employee (such reassignment and changes being referred to as "Reasonable Changes"). The Employee shall accept any such assignment of this Agreement and any Reasonable Changes, and no such assignment of this Agreement or Reasonable Changes shall constitute a termination, a constructive dismissal or a deemed termination of the Employee's employment with the Company.

ARTICLE 10
TERMINATION OF EMPLOYMENT BY THE COMPANY

Section 10.1 Death or Disability.

Subject to an earlier termination under this Section 10, the employment of the Employee under this Agreement shall automatically terminate on the first to occur of the following dates:

(a) the date of death of the Employee; and
(b) the date on which the Company gives the Employee notice of termination on account of his Disability (as defined below).

Section 10.2 Termination for Disability.

(a) The Company shall be entitled at any time, upon notice to the Employee, to terminate the employment of the Employee on account of Disability. Such termination shall take effect upon delivery of such notice and the Employee shall not be entitled to any additional notice or any payment in lieu of notice.

(b) For the purposes of this Agreement, the term "Disability" means a physical or mental condition, which prevents the Employee from substantially performing his customary duties at his customary standard for a period of six months whether or not consecutive in any 12-month period or as otherwise mutually agreed by Company and Employee. The Employee agrees to submit to medical examinations by an independent medical practitioner mutually acceptable to the parties to determine whether a Disability exists pursuant to reasonable requests made by the Company from time to time. If the employment of the Employee is terminated on account of Disability, the Employee shall continue to be eligible for long-term disability benefits in accordance with the provisions of any long-term disability policy purchased by the Company on behalf of the Employee.

Section 10.3 Termination for Cause.

Notwithstanding anything herein contained, the Company shall be entitled at any time, upon written notice to the Employee, to terminate the employment of the Employee for Cause. Such termination shall take effect upon delivery of such notice, and the Employee shall not be entitled to any additional notice or any payment in lieu of notice. For purposes of this Agreement, the term "Cause" means fraud or dishonesty, breach of fiduciary duty, criminal convictions that might reasonably be expected to impair his ability to perform his duties effectively, gross misconduct, willful failure to perform the duties and responsibilities set forth in this Agreement, or any material and continuing breach of this Agreement that has not been cured by the Employee to the satisfaction of the Company after the giving of reasonable notice (a "Cure Notice") of 30 days which Cure Notice shall set out the breach, provided, however, that the Company shall not be required to give a Cure Notice in respect of the Employee's fraud, dishonesty, breach of fiduciary duty, gross misconduct or criminal convictions.

Section 10.4 Termination for other than Cause, and other than as a result of Material Change of Ownership - (Section 10.5).

(a) In the absence of Cause, the Company may terminate the employment of the Employee at any time by providing to the Employee 30 days written notice or such greater period of notice as required by employment standards legislation (the "Notice Period"). In lieu of notice, the Company may pay the salary and any other amounts required by statute that are otherwise payable during the Notice Period, less applicable taxes and withholdings. The Employee shall also be entitled to vacation pay, if any, accrued to the date of termination together with expense reimbursement to the date of termination. The Company shall also pay to the Employee severance pay equal to 12 month's base salary at the time of termination which payment shall include any severance pay required by the Employment Standards Act (Ontario) as amended, or any similar legislation which may be in force from time to time. Benefits will be governed by Section 6.3.

(b) If the Employee wishes to terminate his employment, the Employee is to provide one month's written notice to the Company. All salary and benefits will be paid as per standard employment conditions during the notice period. Bonuses will be paid in accordance with Section 6.4, there will be no prorating of bonuses. Any unused accrued vacation would be paid out up to the actual date of termination of employment together with expense reimbursement to the date of termination.

Section 10.5 Termination as a Result of Material Change in Ownership.

If Employee is terminated (other than for Cause) by the Company as a result of a material change in ownership of the Company, the Company will, provide notice, severance pay and benefits in accordance with the provisions of Section 10.4 above, together with expense reimbursement to the date of termination. The payment provided for in Section 10.5 hereof includes any notice and severance pay required by Employment Standards Act (Ontario), as amended, or any similar legislation which may be in force from time to time.

Section 10.6 Upon Termination of Employment.

Except as specifically outlined in the specific sections of Section 10 or as otherwise required by statute, the Employee shall not be entitled to any further amounts upon termination of employment.

Section 10.7 Limitation.

(a) Upon compliance by the Company with the provisions of Sections 10.2, 10.3, 10.4(a) or 10.5, as applicable, the Employee (or his estate, in the case of termination on death) shall have no claim against the Company for damages for failure to give reasonable notice, pay in lieu of notice or severance pay whether under statute, at common law or otherwise.

(b) The Employee agrees that the said notice periods or pay in lieu specified in Section 10.4 (a) and 10.5 are deemed conclusively to be reasonable notice or payment in lieu of reasonable notice in circumstances contemplated by such Sections and are made in recognition of the Employee's service. The Employee acknowledges that the Company has drawn his attention to the provisions contained herein and that the Employee has been given the opportunity to seek independent legal advice prior to executing this Agreement.

ARTICLE 11
OWNERSHIP OF INTELLECTUAL PROPERTY, NON-DISCLOSURE AND CONFIDENTIALITY; NON-COMPETITION AND NON-SOLICITATION

It is a condition of Employment that you sign the Proprietary Information and Employee Inventions Agreement attached as Exhibit C.

ARTICLE 12
RESTRICTIONS REASONABLE

The parties acknowledge and agree that the restrictions imposed in the provision of Exhibit C (Proprietary Information and Employee Inventions Agreement) hereof are fair and reasonable and are reasonably required for the protection of the Company, and the goodwill and business of the Company. If any of the covenants contained herein, or any part thereof, is hereafter construed to be invalid or unenforceable, it is the intention of the parties that the same shall not affect the remainder of the covenant or covenants, which shall be given full effect, without regard to the invalid portions.

ARTICLE 13
ENFORCEMENT AND INJUNCTIVE RELIEF

In the event of a breach or anticipated beach by the Employee of the provisions of Exhibit C (Proprietary Information and Employee Inventions Agreement) hereof, the Company shall be entitled to immediate injunctive relief and shall have the right to have provisions of this Agreement specifically enforced by any court of competent jurisdiction without having to prove the inadequacy of any other available remedies, it being acknowledged and agreed that any such breach will cause irreparable harm to the Company and that damages will not provide an adequate remedy to the Company. In addition, the Company may take all such other actions and remedies available to it in law or in equity and shall be entitled to such damages as it can show it has sustained by reason of such breach.

ARTICLE 14
NO WAIVER

The failure of any party to require performance by another party of any provisions hereunder shall in no way affect the right of that party thereafter to enforce the same, nor shall it affect any other party's right to enforce the same, or to enforce any of the provisions in the Agreement; nor shall the waiver by either party of the breach of any provision here be taken or held to be a waiver of any subsequent breach of such provision or as a waiver of the provision itself. No provision of this Agreement may be waived by either party without the prior written consent of the other party.

ARTICLE 15
MODIFICATION

This Agreement may not be cancelled, changed, modified or amended, and no cancellation, change, modification or amendment shall be effective or binding, unless in writing and signed by all parties to this Agreement.

ARTICLE 16
GOVERNING LAW AND ATTORNMENT

This Agreement shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and shall be treated in all aspects as an Ontario contract. The parties hereby attorn to the laws of Ontario and the jurisdiction of Ontario courts and agree not to dispute the competence or jurisdiction of such courts.

ARTICLE 17
ENTIRE AGREEMENT

This Agreement represents the entire Agreement between the parties with respect to the subject matter hereof and all prior agreements including the Former Agreement, relating to the employment of the Employee, written, or oral, are nullified and superseded by this Agreement.

ARTICLE 18
ASSIGNMENT

Subject to Section 9 hereof, this Agreement is not assignable and shall not be assigned by the parties hereto without the prior written consent of all the parties hereto, which consent shall not be unreasonably withheld.

ARTICLE 19
SUCCESSORS AND ASSIGNS

This Agreement shall be binding upon the heirs, successors and permitted assigns of the parties hereto.

ARTICLE 20
HEADINGS

The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

IN WITNESS WHEREOF the parties have executed this Agreement on and as of the effective date specified in Article 2:

/s/ Wilbur S. Harmon	/s/ J. Christopher Reid
Wilbur S. Harmon Vice President Human Resources ANSYS Inc.	J. Christopher Reid
Date: February 26, 2003	Date: February 26, 2003

EXHIBIT 13.1

2002 ANNUAL REPORT TO STOCKHOLDERS

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%

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(R), DesignSpace(R), AI*NASTRAN(TM) 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.

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

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.

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.

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.

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 out-lays 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.

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.

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.

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
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	Treasury Stock Shares	Treasury Stock Amount
Balance, January 1, 2000	16,585	$166	$37,543	339	$ (2,375)
Treasury stock acquired	--	--	--	2,010	(21,588)
Acquisition of ICEM CFD Engineering	--	--	(106)	(619)	6,644
Exercise of stock options, net of tax benefit of $313	--	--	124	(259)	2,056
Issuance of common stock under Employee Stock Purchase Plan	--	--	27	(19)	136
Repayment of note receivable from stockholder	--	--	--	--	--
Net income for the year	--	--	--	--	--
Other comprehensive income (loss)	--	--	--	--	--
Balance, December 31, 2000	16,585	166	37,588	1,452	(15,127)
Treasury stock acquired	--	--	--	1,241	(15,715)
Acquisition of ICEM CFD Engineering	--	--	29	(15)	161
Exercise of stock options, net of tax benefit of $1,637	--	--	256	(584)	6,472
Issuance of common stock under Employee Stock Purchase Plan	--	--	(51)	(23)	256
Net income for the year	--	--	--	--	--
Other comprehensive income (loss)	--	--	--	--	--
Balance, December 31, 2001	16,585	166	37,822	2,071	(23,953)
Treasury stock acquired	--	--	--	505	(11,919)
Acquisition of ICEM CFD Engineering	--	--	1,380	(99)	950
Exercise of stock options, net of tax benefit of $2,134	--	--	2,075	(443)	4,391
Issuance of common stock under Employee Stock Purchase Plan	--	--	139	(19)	194
Net income for the year	--	--	--	--	--
Other comprehensive income	--	--	--	--	--
Balance, December 31, 2002	16,585	$166	$41,416	2,015	$(30,337)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands)	Retained Earnings	Accumulated Other Comprehensive income	Notes Receivable from Stockholders	Total Stockholders' Equity	Total Comprehensive Income
Balance, January 1, 2000	$30,427	$ 120	$(250)	$ 65,631	
Treasury stock acquired	--	--	--	(21,588)	
Acquisition of ICEM CFD Engineering	--	--	--	6,538	
Exercise of stock options, net of tax benefit of $313	--	--	--	2,180	
Issuance of common stock under Employee Stock Purchase Plan	--	--	--	163	
Repayment of note receivable from stockholder	--	--	250	250	
Net income for the year	16,310	--	--	16,310	16,310
Other comprehensive income (loss)	--	(120)	--	(120)	(120)
Balance, December 31, 2000	46,737	--	--	69,364	16,190
Treasury stock acquired	--	--	--	(15,715)	
Acquisition of ICEM CFD Engineering	--	--	--	190	
Exercise of stock options, net of tax benefit of $1,637	--	--	--	6,728	
Issuance of common stock under Employee Stock Purchase Plan	--	--	--	205	
Net income for the year	13,692	--	--	13,692	13,692
Other comprehensive income (loss)	--	(71)	--	(71)	(71)
Balance, December 31, 2001	60,429	(71)	--	74,393	13,621
Treasury stock acquired	--	--	--	(11,919)	--
Acquisition of ICEM CFD Engineering	--	--	--	2,330	--
Exercise of stock options, net of tax benefit of $2,134	--	--	--	6,466	--
Issuance of common stock under Employee Stock Purchase Plan	--	--	--	333	--
Net income for the year	18,959	--	--	18,959	18,959
Other comprehensive income	--	831	--	831	831
Balance, December 31, 2002	$79,388	$ 760	$ --	$ 91,393	$19,790

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

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.

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.

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.

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.

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.

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:

(in thousands)	Year Ended December 31, 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 - basic	$ 1.22	$ 1.06	$ 1.06

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

(in thousands)	Year Ended December 31, 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

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

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.

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.

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 in thousands)	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Options	Weighted Average Remaining Contractual Life	Weight 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.

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
As of December 31, 2002	$24,238	$5,002	$232	$29,472
As of 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

ANSS

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.

EXHIBIT 21

Subsidiaries of the Registrant

SAS IP, Inc., a Wyoming corporation

ASN Systems Limited, a United Kingdom company

ANSYS Software Engineering Technology (Beijing) Co., Ltd., a China wholly-owned foreign enterprise

ANSYS Software Private Limited, an India corporation

CADOE S.A., a France corporation

ANSYS France SARL, a France corporation

CFD & Structural Engineering GmbH, a German corporation

ICEM CFD Japan PVT. Ltd., a Japan corporation

ICEM CFD Engineering Schweiz GmbH, a Switzerland corporation

Matrix CFD Solutions Pvt. Ltd., an India corporation

EXHIBIT 23.1

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-4278) of ANSYS Inc. of our report dated January 30, 2002 relating to the consolidated financial statements, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated January 30, 2002 relating to the financial statement schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
- ------------------------------
PricewaterhouseCoopers LLP
Pittsburgh, Pennsylvania
March 21, 2003

EXHIBIT 23.2

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 333-4278 of ANSYS Inc. on Form S-8 of our reports dated January 29, 2003 (February 4, 2003 as to the last paragraph of Note 3) which report expresses an unqualified opinion and includes an explanatory paragraph relating to the Company's change in method of accounting for goodwill and other intangible assets to adopt Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets", and March 19, 2003, appearing in the Annual Report on Form 10-K of ANSYS Inc. for the year ended December 31, 2002 and in the Annual Report on Form 11-K of the ANSYS Inc. Employee Stock Purchase Plan for the year ended January 31, 2003, respectively.

/s/ Deloitte & Touche LLP

- -------------------------

Deloitte & Touche LLP
Pittsburgh, Pennsylvania
March 21, 2003

EXHIBIT 23.3

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-4278) of ANSYS Inc. of our report dated March 15, 2002 relating to the financial statements of the ANSYS Inc. Employee Stock Purchase Plan, which appears in this Form 11-K.

/s/ PricewaterhouseCoopers LLP
- ------------------------------
PricewaterhouseCoopers LLP
Pittsburgh, Pennsylvania
March 21, 2003

EXHIBIT 99

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

FORM 11-K

(Mark One)

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

As of January 31, 2003 and 2002
and for each of the Three Years in the Period Ended January 31, 2003

OR

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

Commission file number: 0-20853

1996 EMPLOYEE STOCK PURCHASE PLAN
(Full title of Plan)

ANSYS Inc.
Southpointe
275 Technology Drive
Canonsburg, PA 15317
(Name of issuer of securities held pursuant to the plan and the address of its principal executive office)

ANSYS INC. AND SUBSIDIARIES
1996 Employee Stock Purchase Plan
Index of Financial Statements

INDEPENDENT AUDITORS' REPORT

To the Participants and Administrator of the
ANSYS Inc. Employee Stock Purchase Plan:

We have audited the accompanying statement of financial condition of the ANSYS Inc. Employee Stock Purchase Plan (the "Plan") as of January 31, 2003, and the related statement of changes in plan equity for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Plan as of January 31, 2002 and for the two years in the period ended January 31, 2002 were audited by other auditors whose report, dated March 15, 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 condition of the Plan as of January 31, 2003, and changes in plan equity for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP
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Deloitte & Touche LLP
Pittsburgh, Pennsylvania
March 19, 2003

Report of Independent Accountants

To the Participants and Administrator of the
ANSYS Inc. Employee Stock Purchase Plan:

In our opinion, the accompanying statements of financial condition and related statements of changes in plan equity present fairly, in all material respects, the financial position of the ANSYS Inc. Employee Stock Purchase Plan at January 31, 2002, and changes in plan equity for each of the two years in the period ended January 31, 2002 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan'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.

/s/ PricewaterhouseCoopers LLP
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PricewaterhouseCoopers LLP
Pittsburgh, Pennsylvania
March 15, 2002

ANSYS INC. AND SUBSIDIARIES
1996 EMPLOYEE STOCK PURCHASE PLAN
STATEMENTS OF FINANCIAL CONDITION
January 31, 2003 and 2002

	2003	2002
Assets:		
Cash	$220,719	$161,201
Total assets	$220,719	$161,201
Liabilities and Plan equity:		
ANSYS Inc. stock due to participants	$220,131	$160,687
Total liabilities	220,131	160,687
Plan equity	588	514
Total liabilities and Plan equity	$220,719	$161,201

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

ANSYS INC. AND SUBSIDIARIES
1996 EMPLOYEE STOCK PURCHASE PLAN
STATEMENTS OF CHANGES IN PLAN EQUITY
for the Years Ended

	January 31, 2003	January 31, 2002	January 31, 2001
ADDITIONS:			
Contributions:			
Employee	$383,291	$263,168	$187,929
Employer	67,627	45,157	30,977
Total additions	450,918	308,325	218,906
DEDUCTIONS:			
Stock distributions	450,844	301,044	206,511
Participant withdrawals	--	7,610	13,002
Total deductions	450,844	308,654	219,513
Net increase (decrease) in Plan equity	74	(329)	(607)
Plan equity, beginning of year	514	843	1,450
Plan equity, end of year	$ 588	$ 514	$ 843

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

ANSYS INC. AND SUBSIDIARIES
1996 EMPLOYEE STOCK PURCHASE PLAN
NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF PLAN:

The purpose of the 1996 Employee Stock Purchase Plan of ANSYS Inc. and Subsidiaries (the "Plan"), which became effective August 1, 1996, is to provide eligible employees of ANSYS Inc. and certain of its subsidiaries (the "Company") with opportunities to purchase shares of common stock upon favorable terms. The aggregate maximum number of shares that may be issued under the Plan is 210,000 shares of common stock, subject to adjustments for changes in the Company's capitalization. The Plan is administered by the Compensation Committee of the Board of Directors (the "Compensation Committee").

Participation in the Plan is voluntary. Offerings under the Plan commence on each February 1 and August 1 and have a duration of six months. The Compensation Committee may establish a different period of six months or less for any offering. Generally, all employees who are employed for more than 20 hours per week as of the first day of the applicable offering period are eligible to participate in the Plan. 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 Plan.

During each offering, an eligible employee may purchase shares under the Plan by authorizing payroll deductions of up to 10% per pay period to be deducted from such employee's total cash compensation. 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, such employee's accumulated payroll deductions will be used to purchase common stock 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. The Company will contribute the remaining 15% of the fair market value of the common stock. Under applicable tax rules, an employee may purchase no more than $25,000 worth of common stock in any calendar year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Administrative Expenses:

The Company pays all expenses incident to the operation of the Plan, including the costs of record keeping, accounting fees, legal fees, the costs of delivery of stock certificates to participants and the costs of shareholder communications. The Company does not pay any expenses, brokers' or other commissions or taxes incurred in connection with the purchases of common stock, or the sale of shares of common stock.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates may also affect the changes in Plan equity during the reporting period. Actual results may differ from those estimates.

Securities Transactions:

Securities transactions are accounted for on the date the securities are issued, which is generally the last day of each six-month offering period. Securities are issued directly by the Company from shares held in treasury or unissued shares designated for the Plan, and a corresponding liability from the Plan to the Company is recorded. This liability is typically settled in the month following the close of each six-month offering period. The Plan does not hold any securities or other deposits as temporary investments. Shares issued during the plan years ended January 31, 2003, 2002 and 2001 were 22,854, 23,374 and 19,630, respectively.

Participant contributions which result from the inability to purchase a fractional share, under the terms of the Plan, are carried forward to the next offering period.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Board of Directors of ANSYS Inc. has duly caused this Annual Report to be signed on behalf of the Plan by the undersigned hereunto duly authorized, on March 21, 2003.

ANSYS INC. AND SUBSIDIARIES

1996 EMPLOYEE STOCK PURCHASE PLAN

Date: March 21, 2003 By: /S/ James E. Cashman, III

James E. Cashman, III
President and Chief Executive Officer

Date: March 21, 2003 By: /S/ Maria T. Shields

Maria T. Shields
Chief Financial Officer,
Vice President, Finance and Administration