

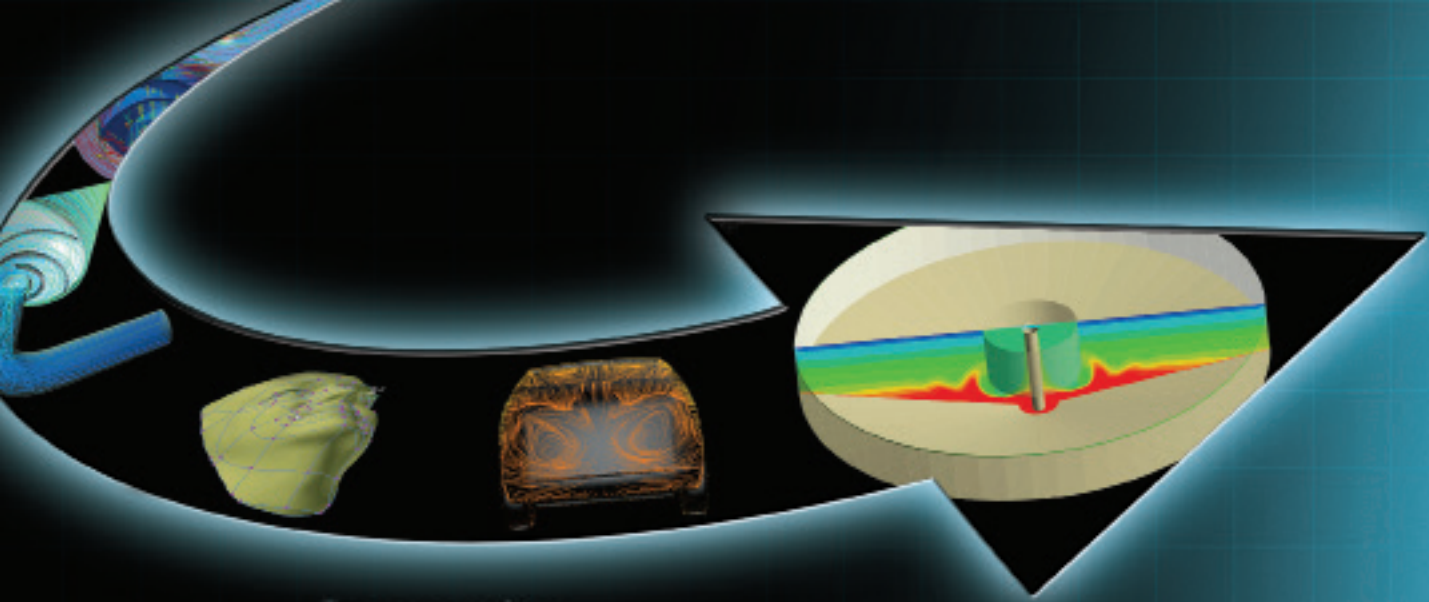
SYS

Innovation Simulation Transformation

ANNUAL REPORT 2007



Innovation
Simulation
Transformation



Innovation Simulation Transformation

About ANSYS, Inc.

ANSYS, Inc., headquartered in Canonsburg, Pennsylvania, U.S.A., is committed to innovation by improving the way its customers design and develop products through Simulation Driven Product Development™. Whether developing innovative performance modeling and simulation technologies, working with customers to understand their needs or delivering a successful solution implementation at a customer site, ANSYS brings its more than three-decade-long experience, talent and drive to every situation.

Founded in 1970, ANSYS has evolved from a small group of engineers to an international corporation that employs approximately 1,400 development, sales, finance, marketing, administrative and management professionals. Dedicated employees and visionary, responsible leadership — together with a large and loyal customer base and a worldwide network of valued partners — have helped ANSYS to create a global and influential engineering simulation community.

Clear vision, sound and consistent strategy, financial stability and an unwavering focus on engineering simulation have led the Company's growth and success. The Company has developed internally in its drive toward offering an integrated, full-spectrum portfolio, reinvesting a significant percentage of its profits back into research and development. In addition, strategic alliances and acquisitions have helped ANSYS to build its capabilities to meet customer needs. Many of its customers are re-evaluating their development processes and using engineering simulations to drive innovative product designs, rather than traditional hardware prototyping and testing.

ANSYS looks forward to many more decades of innovations and to developing technologies that will solve tomorrow's complex problems in both mature and emerging industries.

Dear Stockholders

More of the Same ... and More Beyond That

If 2006 was the year of consistent performance, highlighted by the excitement of the Fluent acquisition, then with 2007 came the satisfaction of seeing the fruit of our integration efforts, combined with strong core growth. This year was indelibly laced with the thrill of delivering strong progress on all fronts, along with seeing just how many new horizons are in front of us, with the same consistent vision that has driven us for years. Each step of the way served simultaneously as a validation of our pursuit but also as an encouragement of a much greater potential.

This harmony of short-term execution and long-term potential has been exceedingly important to our progress. At the end of the day, execution rules, and talk is cheap. Throughout 2007, we continued our passionate pursuit of meeting and exceeding expectations for stockholders, customers and employees alike. For stockholders, we met our financial commitments for more than 40 consecutive quarters — that's more than a decade. This gave us the ability to continue our investment in driving technology to new levels, which was rewarded by strong customer adoption. The net of this investment was an increase in our core growth rates and record levels of software licenses, recurring revenue and customer expansion. Underpinning all of this was the shared belief, held by our employees and channel partners, in the ANSYS vision and strategy.

The Vision Takes Root

The vision of Simulation Driven Product Development: In a world of expanding competitive frenzy, increased consumer expectations, increased regulation and litigation, and shorter product life cycles, the value of being right has never been greater ... nor has the cost of being wrong.

Many years ago, we saw simulation as the key to predicting how products would perform, enabling the rapid comparison of many different alternatives prior to making a design decision and before problems were identified by customers. Imagine the ability of engineers to create, "cut and paste," and edit and reformat product designs the way word processing has changed the face of how documents are created. Why shouldn't these tools be in the hands of everyone who creates products?

Twenty years ago, office automation tools were not at the same level of ubiquity as today. Now we take them for granted, but it didn't happen overnight. Why not the same paradigm for engineers making fundamental product decisions? The obstacles in the past were plentiful: too hard to use, take too long, not accurate enough, don't have the computing capacity ... the list was endless.

Years ago, we set out to knock down the barriers. We knew it was going to take time, commitment, focus and investment, but we also knew that the future implications were exciting. It started with a long, historically strong technology base at the heart of our Company. More than a decade ago, we were pioneering multiphysics, followed by democratizing simulation with the introduction of the groundbreaking ANSYS DesignSpace, leading to Web-enabled collaborative engineering, followed by the ANSYS Workbench simulation backbone. Every one of those elements is foundational to our success and uniqueness today.



All of these steps were implemented with the end goal of allowing EVERY engineer or designer across the globe the ability to evaluate the performance of their design at ANY point in the design cycle, from concept to production — what we often refer to as the democratization of simulation.

The Vision Bears Fruit for ANSYS and Its Customers

And while this is a long-term, never-ending pursuit, the benefits are being seen today. The success exemplified by the ANSYS financial performance is an indicator, but only a small piece of the broader mosaic.

Customer adoption rates increased across every industry and in every geographic region. It is hard to identify a company involved in the design and manufacturing of a product that hasn't or wouldn't benefit from simulation technology from ANSYS. Customer usage has grown dramatically over the past decade, sometimes by more than an order of magnitude. When leading sources identify the world's most innovative companies, virtually every product company listed is an ANSYS customer.

And, qualitatively, what customers are doing is impressive: alternative engines for cars, anti-matter drives for spacecraft, new composite materials with amazing properties, energy-efficient buildings that reduce the carbon footprint, ocean-going submersibles that are highly maneuverable and innovative household appliances with features that go beyond mere incremental improvement.

Two specific industries underscore the increasing demand for innovation — healthcare and energy. In healthcare, usage of technology from ANSYS has surged in biomedicine, from implants to diagnostics to surgery to therapy to drug delivery. And with increasing demand for safe, cost-efficient energy, 2007 saw major innovations in solar, wind, hydro, bio-mass, conventional petroleum and a new generation of nuclear energy technologies.

In short, there was a dramatic drive toward innovation and recognition of its role in establishing the leading companies of tomorrow. With new technologies and design requirements in play, past design experience is necessary but no longer sufficient.

When First Place Is the Only Option

While a large number of our customers are leaders in their field, there is one place where being first is all that matters: the world of sporting achievement. We all remember the winner, but usually not the also-rans. Unsurprisingly, simulation from ANSYS has found its way into this arena as well.

I will put a disclaimer in here that we are NOT claiming to be the reason for our sporting world customers' successes, but we are proud of their accomplishments and are honored to serve them. The nexus between leaders of sports and industry with ANSYS is inescapable.

Over the past few years, ANSYS has found its way into FIFA® World Cup™ soccer, into NASCAR® for safety and performance, into golf, skiing and tennis, and into every recent Olympic venue. In 2006, bobsleds simulated with technology from ANSYS swept the gold medals in the Turin Winter Olympics. Similar successes were experienced in cycling, swimming and other athletic realms.

In 2007, we saw a continued proliferation of sports applications. Formula 1™ racing made extensive use of ANSYS technology in pursuit of more efficient aerodynamics. Team Alinghi, sponsored by ANSYS, repeated as the winner of the America's Cup yachting competition.

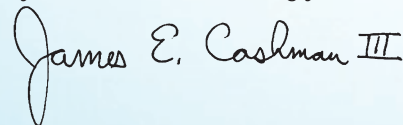
The Opportunity and the Most Frequently Asked Question

When will this journey end? Perhaps the most common question we receive is, "How big is this market?" Or, alternatively, "How saturated is this market?" The answers defy the normal approach, because simulation is in the midst of a quantum transformation. Like the "market" for PCs in 1980 and the "market" for mainframe computing in 1970, attempting to define or quantify the "market" for simulation amounts to nothing less than a guess.

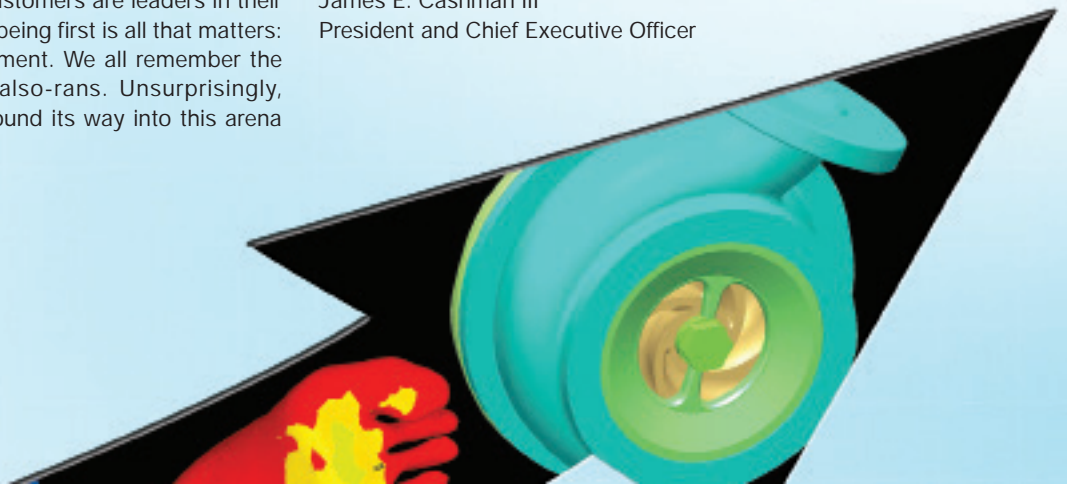
The answer cannot be viewed in terms of what is the current composite of outdated legacy solutions. It can be viewed only in terms of how many creative people will be inventing new products multiplied by the number of simultaneous concepts or variables there are in each of their heads at the time. Under that view, "How big is this market?" Quite a bit larger. "How saturated?" Not very.

When will the journey end? No time soon.

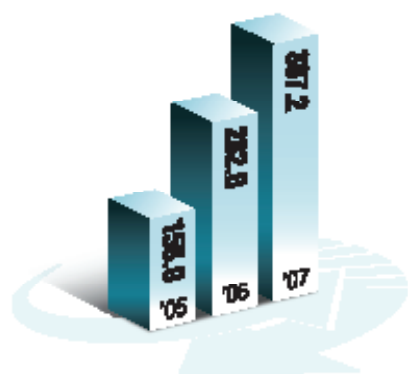
Stay tuned for another exciting year.



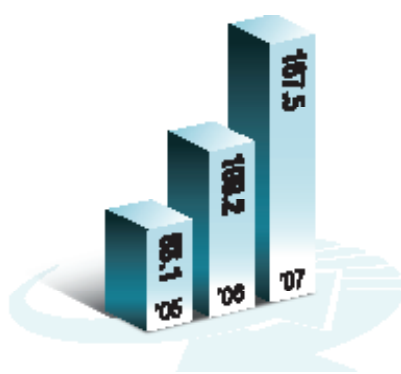
James E. Cashman III
President and Chief Executive Officer



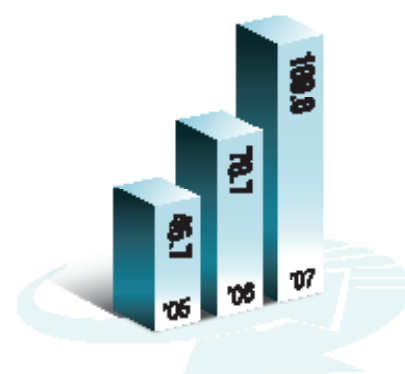
Non-GAAP Revenue
(unaudited)
(in millions of dollars)



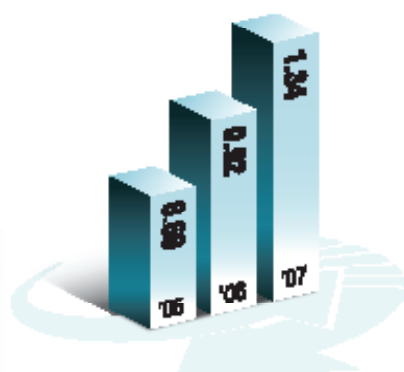
Non-GAAP Operating
Income (unaudited)
(in millions of dollars)



Non-GAAP Net Income
(unaudited)
(in millions of dollars)



Non-GAAP Diluted EPS
(unaudited)
(in dollars)

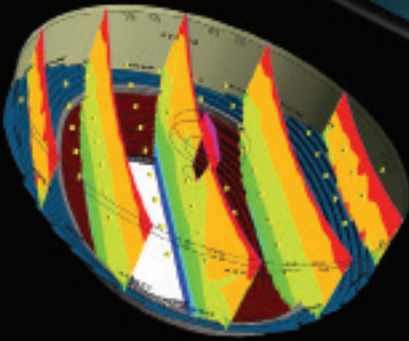


Cash Flow from Operations
(in millions of dollars)



Reconciliation of GAAP and Non-GAAP Measure: GAAP revenue was \$158.0 million, \$263.6 million and \$385.3 million in 2005, 2006 and 2007, respectively. GAAP operating income was \$58.8 million, \$36.2 million and \$126.8 million in 2005, 2006 and 2007, respectively. GAAP net income was \$43.9 million, \$14.2 million and \$82.4 million in 2005, 2006 and 2007, respectively. GAAP diluted earnings per share was \$0.65, \$0.19 and \$1.02 for 2005, 2006 and 2007, respectively. References to non-GAAP revenue refer to revenue excluding the impact associated with the purchase accounting treatment of deferred revenue of \$0, \$18.4 million and \$1.8 million in 2005, 2006 and 2007, respectively. References to non-GAAP operating income and non-GAAP net income refer to operating income and net income excluding the impact on revenue as a result of the purchase accounting treatment of deferred revenue (\$0, \$18.4 million and \$1.8 million in 2005, 2006 and 2007, respectively), stock-based compensation expenses (\$0, \$5.6 million and \$8.9 million in 2005, 2006 and 2007, respectively), amortization expense associated with acquired intangible assets (\$4.2 million, \$20.9 million and \$29.9 million in 2005, 2006 and 2007, respectively) and acquired in-process research and development expenses (\$0, \$28.1 million and \$0 in 2005, 2006 and 2007, respectively) and, with respect to non-GAAP net income, related tax effects, including one-time tax items (\$1.5 million, \$16.5 million and \$14.1 million in 2005, 2006 and 2007, respectively). References to non-GAAP diluted earnings per share refer to diluted earnings per share excluding the items excluded from net income, calculated on a per share basis. GAAP requires that the above reductions in revenue and expenses be included in determining revenue, operating income, net income and diluted earnings per share. ANSYS management and its Board of Directors use non-GAAP results (a) to evaluate the Company's historical and prospective financial performance as well as its performance relative to its competitors, (b) to set internal sales targets and spending budgets, (c) to allocate resources, (d) to measure operational profitability and the accuracy of forecasting, (e) to assess financial discipline over operational expenditures and (f) as an important factor in determining variable compensation for management and its employees. While management believes that these non-GAAP financial measures provide useful information to investors, there are limitations associated with the use of these non-GAAP measures. Additionally, non-GAAP financial measures are not in accordance with, or an alternative for, generally accepted accounting principles in the United States. The Company's non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP financial measures, and should be read only in conjunction with the Company's consolidated financial statements prepared in accordance with GAAP.

Transforming Our World



SPORTS/LEISURE

Olof Granlund Oy, Finland

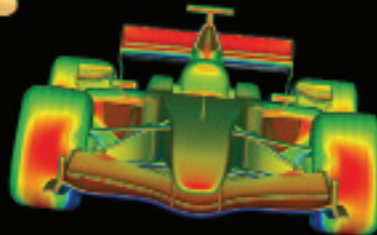
Olof Granlund Oy is Finland's leading building services consulting firm. With 350 experts, its core businesses include building services design and facility management consulting. Granlund uses engineering simulation software to study indoor air conditions in spaces in which design requirements are high and detailed flow field information is important. For ice hockey arena simulation, software from ANSYS was used to build the model, and then tools were used to simulate and visualize the flow.



AEROSPACE

Tusas Engine Industries, Turkey

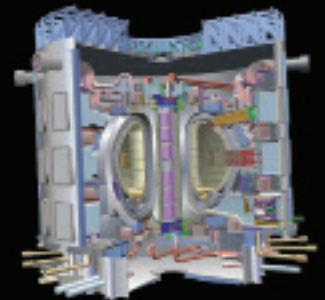
In developing an impeller for a small turboprop gas turbine engine for unmanned drone aircraft, engineers from Tusas Engine Industries used software from ANSYS to reduce stresses by 20 percent, prevent fatigue in high-speed rotating parts and study resonances in the assembly.



AUTOMOTIVE

BMW Sauber F1 Team,
Germany/Switzerland

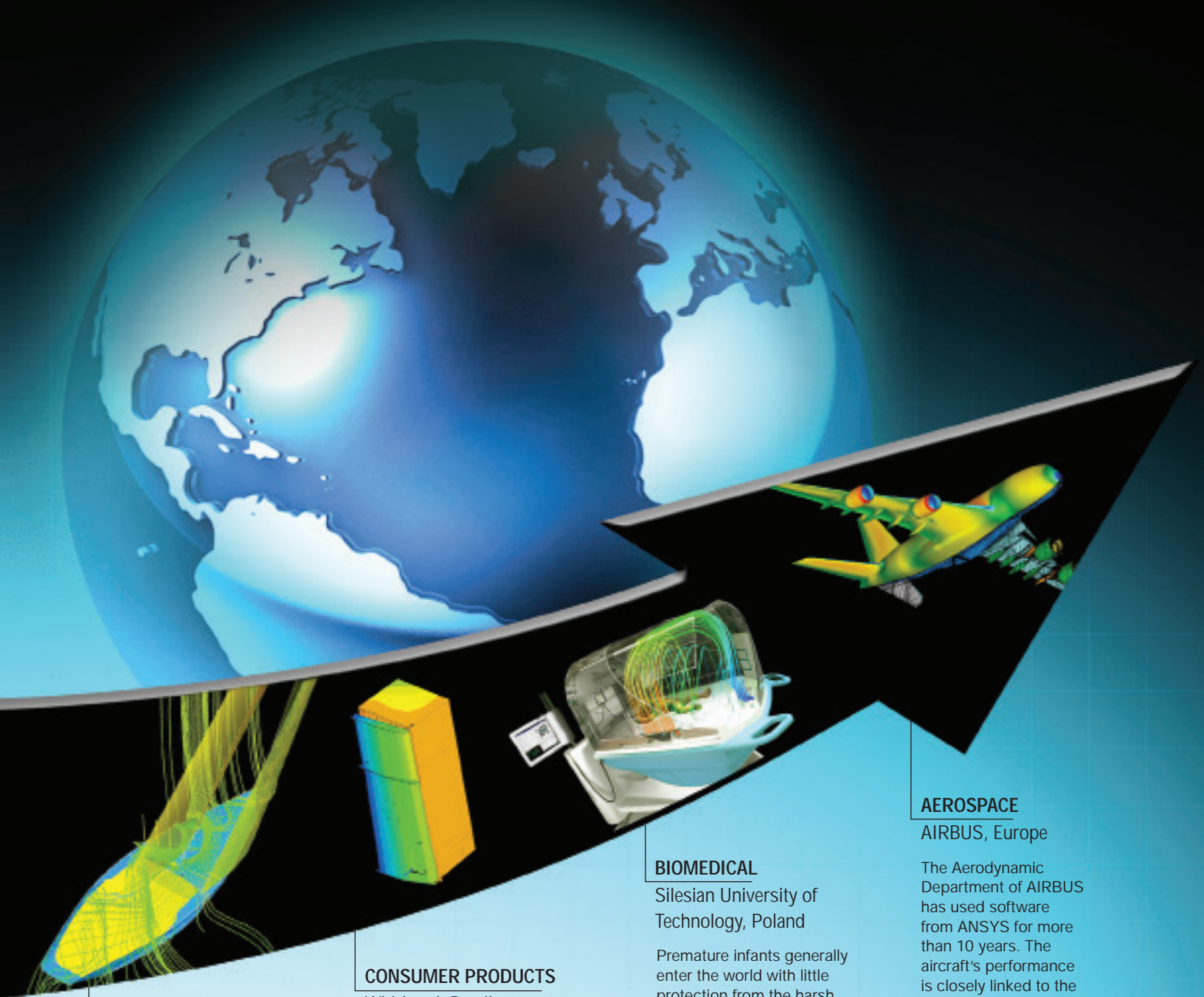
The BMW Sauber F1 Team uses software from ANSYS to run powerful engineering simulations on its new supercomputer — one of the largest in Europe. This investment in engineering simulation software has allowed the team to run increasingly complex simulations of race car aerodynamics, far quicker than was previously possible. This has enabled the BMW Sauber F1 Team to analyze and implement design changes more quickly, which, combined with other advances the team has made, has delivered the team's best performance in the Constructors' Championship to date. ANSYS is the Official Supplier of the BMW Sauber F1 Team.



ENERGY

ITER, France

ITER has adopted software from ANSYS to validate the design of its groundbreaking international fusion power plant development project. ITER aims to demonstrate the scientific and technical feasibility of fusion power for peaceful purposes. ITER will test most of the key technologies that will be needed to use fusion as a practical energy source and validate industrial production techniques of the large and high-quality components needed for future fusion power plants.



SPORTS/LEISURE

Alinghi, South Africa

Winner of the 2007 America's Cup, Alinghi performed a series of complex, leading-edge computer-aided engineering (CAE) simulations designed to understand yacht performance down to the smallest details. The racing team utilized software from ANSYS to evaluate nearly every portion of the boat, including hydrodynamic flow (for the underwater portion of the hull), aerodynamic flow (for the sails) and the stiffness of parts of the vessel (for deck details such as winch placement and pillar shapes).

CONSUMER PRODUCTS

Whirlpool, Brazil

When Whirlpool Latin American Region looked to cut costs associated with producing a three-year-old, 450-liter double-door refrigerator, it needed to continue to meet the specific cabinet deflection and door drop limits of its current design; it also needed to maintain adequate cabinet stiffness. Using software from ANSYS to evaluate factors including mass thickness of various components, manufacturing process variation and sequential analysis to achieve cabinet structure optimization, Whirlpool achieved optimization, maintained quality standards and reduced yearly costs by \$1.2 million.

BIOMEDICAL

Silesian University of Technology, Poland

Premature infants generally enter the world with little protection from the harsh environment. Thermal comfort thus plays a crucial role in their survival and health. To provide the optimal environmental conditions for these infants, incubators are widely used. At the Silesian University of Technology in Gliwice, Poland, an ANSYS model of conjugate fluid flow and heat transfer in an infant incubator has been developed to support infant healthcare and improvement of medical design equipment.

AEROSPACE

AIRBUS, Europe

The Aerodynamic Department of AIRBUS has used software from ANSYS for more than 10 years. The aircraft's performance is closely linked to the aerodynamic shape design. Therefore, the choice of the software that is used in the design process plays a significant role in continuously improving aircraft design.

Senior Management Team



James E. Cashman III
President and Chief Executive Officer



Maria T. Shields
Vice President and Chief Financial Officer



Hasan Ferit Boysan
Vice President and General Manager, Fluids Business Unit



Sheila S. DiNardo
Vice President, General Counsel and Secretary



Brian C. Drew
Vice President and General Manager, Central Development Unit



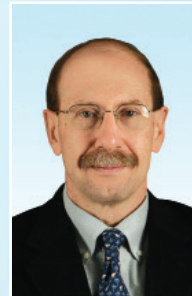
Joseph C. Fairbanks, Jr.
Vice President, Worldwide Sales and Support



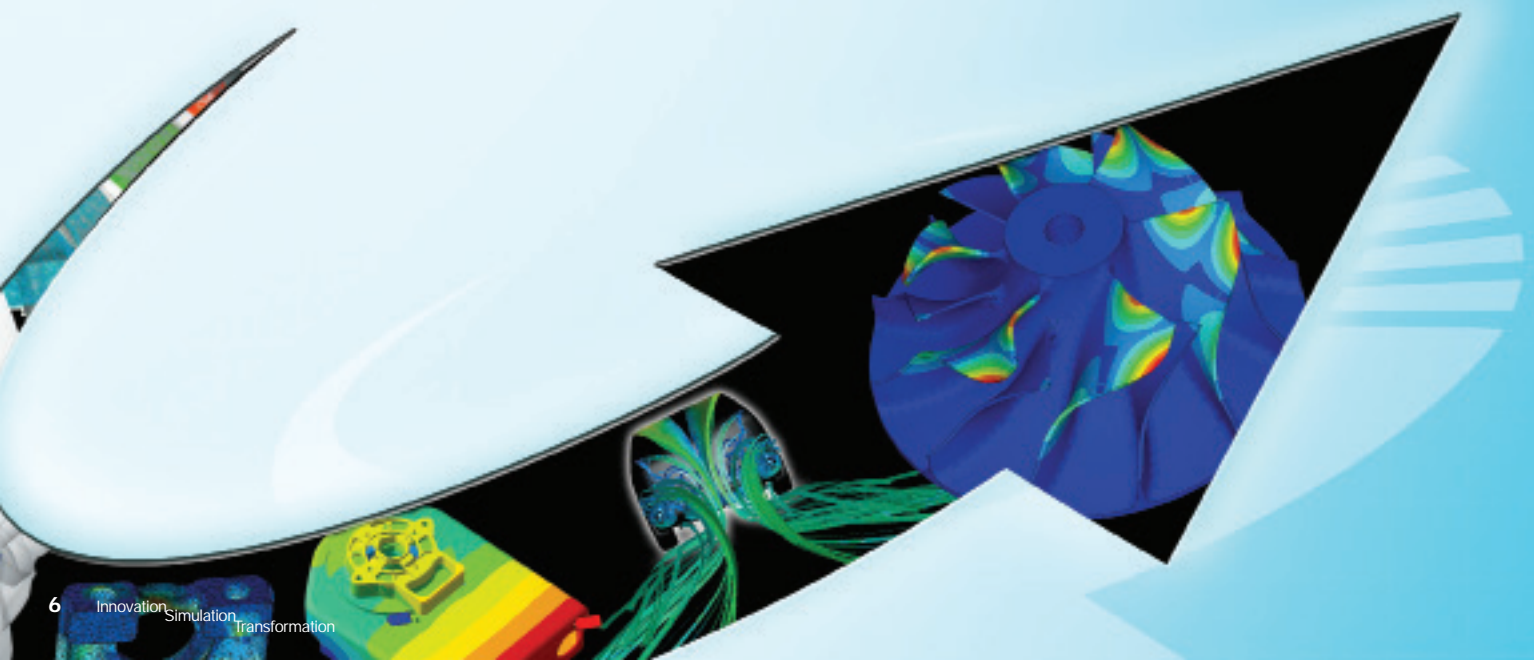
Elaine V. Keim
Vice President, Human Resources



J. Christopher Reid
Vice President, Marketing



Joseph S. Solecki
Vice President, Mechanical Business Unit



Board of Directors



Peter J. Smith since 1994
Chairman of the Board and former Chief Executive Officer – ANSYS, Inc.
Chairman of the Board – Bluesocket, Inc.
Other Directorships: Accellos Inc.



James E. Cashman III since 2000
President and Chief Executive Officer – ANSYS, Inc.
Director – Pittsburgh Technology Council and Board Member – Carnegie Museum of Natural History
Former Senior Vice President of Operations – ANSYS, Inc.
Former Vice President of Marketing and International Operations – PAR Technology Corporation
Former Vice President of Product Development and Marketing – Metaphase Technology, Inc.



William R. (Bill) McDermott² since 2007
President and Chief Executive Officer – SAP Americas & Asia Pacific Japan
Corporate Officer – SAP AG
Former Executive Vice President – Siebel Systems
Former President – Gartner, Inc.
Other Directorships: Under Armour, PAETEC Communications



Jacqueline C. Morby² since 1994
Senior Director and former Managing Director – TA Associates, Inc.
Other Directorships: Pacific Life Corporation, J&B Software, Inc. and Axioma, Inc.



Bradford C. Morley^{1,3} since 2001
Former President – Applicon, Inc.
Former Senior Vice President and General Manager – Structural Dynamics Research Corporation



John F. Smith^{2,3} since 1995
Venture Partner – Flagship Ventures
Former Chief Operating Officer and Senior Vice President – Digital Equipment Corporation
Former President – PerSeptive Biosystems
Other Directorships: DataCore Software Corporation



Michael C. Thurk¹ since 2007
Chief Operating Officer – Avaya
Former Executive Vice President – Ericsson, Data Backbone and Optical Networks Division
Former Senior Vice President – General DataComm
Former Vice President – Digital Equipment Corporation



Patrick J. Zilvitis^{1,3} since 2000
Former Consultant and Chief Information Officer – Segway LLC
Former Chief Information Officer and Corporate Vice President – The Gillette Company
Other Directorships: StockerYale, Inc.

¹ Audit Committee

² Compensation Committee

³ Nominating and Corporate Governance Committee





Corporate Information

Stockholder Information

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Canonsburg, PA 15317
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Telephone: 724.514.1782

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ANSYS dedicated toll-free number: 1.866.373.9376
Telephone: 1.800.756.3353 or 201.680.6578
www.melloninvestor.com/isd

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Independent Registered Public Accounting Firm

Deloitte & Touche LLP, Pittsburgh, PA

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www.ansys.com

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Forward Looking Information

The Company cautions investors that its performance is subject to risks and uncertainties. Some matters discussed in this document may constitute forward-looking statements that involve risks and uncertainties which could cause actual results to differ materially from those projected. These risks and uncertainties are discussed at length, and may be amended from time to time, in the Company's Annual Report to Stockholders and its filings with the SEC, including our most recent filings on Forms 10-K and 10-Q. We undertake no obligation to publicly revise any forward-looking statements, whether changes occur as a result of a new information update or for future events, after the date they were made.

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Innovation
Simulation
Transformation

GSA Contract Holder



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