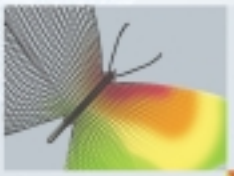
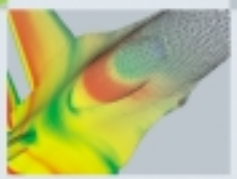
ANSYS®
INCORPORATED

e v o l v e



ANNUAL REPORT 2001

ANSYS®
INCORPORATED

ANSYS Inc. is evolving.

We are taking flight and gaining momentum as a mission critical partner to companies that must quickly and efficiently deliver new products within an ever-changing marketplace. We are evolving to support the changing needs of our customers and deliver to them a competitive advantage. We are evolving with our customers to address the realities of a variable economy that requires new technologies, and to provide a sophisticated level of management leadership to ensure the timely implementation of business solutions. Just as our customers' markets and needs evolve, ANSYS has evolved to meet its market requirements through effective growth management and the delivery of powerful software products and services with global reach.

We are a global market leader in engineering simulation, an emerging industry that enables companies to create new products of the highest quality in the shortest amount of time. Our software products and services allow product developers to virtually build, simulate and optimize designs and make the best design decisions early in the product management lifecycle. This enables our customers to design superior products — highest quality, lowest cost and shortest time-to-market — within a virtual environment.

We now have more than 8,000 customers worldwide using ANSYS solutions. Prepare for ANSYS to continue to evolve from a technology leader to a global business leader.

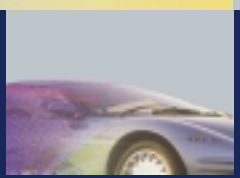
Contents

Financial Highlights

Year Ended December 31, *(in thousands, except per share data)*	**2001**	2000	1999	1998	1997
Revenue	**$ 84,836**	$ 74,467	$ 63,139	$ 56,553	$ 50,547
Operating income	**18,548**	19,579	17,243	15,206	10,731
Net income	**13,692**	16,310	14,751	11,349	7,400
Net income per common share – basic	**.94**	1.03	.90	.71	.47
Weighted average shares – basic	**14,554**	15,804	16,366	16,052	15,742
Net income per common share – diluted	**.89**	1.00	.88	.68	.45
Weighted average shares – diluted	**15,438**	16,269	16,689	16,581	16,518
Net income before acquisition-related amortization[1]	**17,144**	17,723	14,751	11,349	7,400
Adjusted earnings per share – diluted[1]	**1.11**	1.09	.88	.68	.45
Total assets[2]	**$ 117,762**	$ 101,120	$ 89,174	$ 72,146	$ 59,498
Working capital	**40,033**	40,046	52,655	38,049	23,761
Long-term obligations	**-**	-	-	-	-
Stockholders' equity	**74,393**	69,364	65,631	52,367	40,414

(1)Adjusted net income and adjusted earnings per share represent net income and earnings per share determined in accordance with generally accepted accounting principles, excluding amortization expense, net of related income tax benefit, associated with intangible assets and goodwill resulting from business combinations accounted for under the purchase method.

(2)Certain amounts have been reclassified from previously reported amounts for 1997-2000 to conform to 2001 presentation.



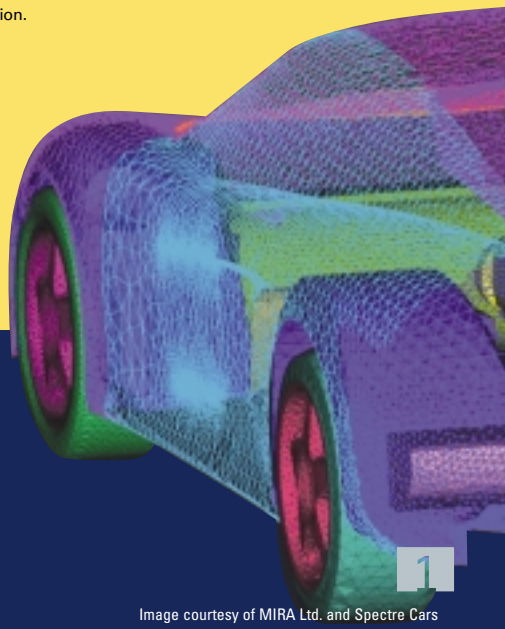
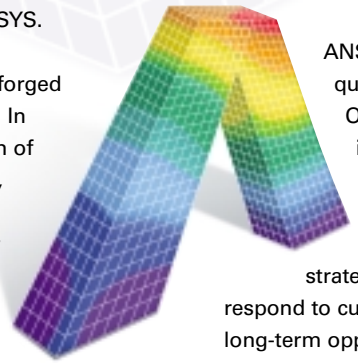


Image courtesy of MIRA Ltd. and Spectre Cars

Letter to Our Shareholders

For ANSYS Inc. and our shareholders, 2001 will be remembered as the year that marked an exciting inflection point in our corporate evolution. We are evolving into a business that provides comprehensive "engineering solutions" to a broad customer base. Although we faced many challenges, none compared to the unspeakable horror of September 11, which rocked the global economy. While we mourned our nation's loss on a personal level, we are thankful for the resilience of both our country and ANSYS.



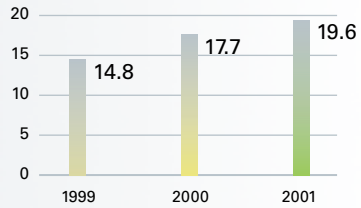
In the midst of this adversity, ANSYS forged ahead, remaining strong and focused. In 2001, we launched the next generation of our flagship product with ANSYS® 6.0, announced our AI*Workbench™ integration platform and added to our impressive customer list of more than 8,000. Also, we capitalized on the ICEM CFD Engineering acquisition with the introduction of a new state-of-the-art product line called AI*Solutions,™ an integration of both ANSYS and ICEM CFD technologies. Through this exciting new line of software, we now have the ability to offer customized implementation to our customers, thus broadening our overall global deployment.

We reinvented our product release cycle in order to shorten our time to market, which in turn speeds our customers' movement into the marketplace. We also completed several acquisitions and forged new alliances. The acquisition of CADOE S.A. infused ANSYS with best-in-class technology, consequently changing the way in which simulation can be performed. At the same time, ANSYS entered into a new market era as we joined forces with pioneers in simulation development and implemented a NASTRAN solution via our partnership with SAS LLC.

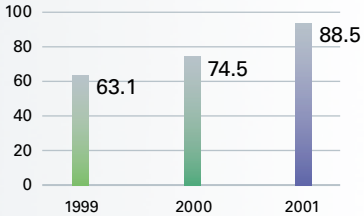
ANSYS ended 2001 with record setting fourth quarter adjusted revenue of $25.2 million. Our overall fiscal year adjusted revenue increased by a strong 19% from $74.5 million in 2000 to $88.5 million. We have experienced growth and ever-increasing opportunity by staying true to our strategic path. Our ongoing challenge is to respond to current market conditions without sacrificing long-term opportunity. We have demonstrated our ability to succeed, even during tempestuous times.

For 2002, we face a new set of challenges. As we continue to evolve, we must further strengthen our commitment and adapt to new market potential and market uncertainty. Also, as our customers' businesses evolve, we will be there to address their ever-changing technological needs. The competitive pressures that our customers face align well with our core competencies and corporate vision.

Adjusted Net Income
(in millions of dollars)



Adjusted Revenue
(in millions of dollars)



"... our ongoing challenge is to respond to current market conditions without sacrificing long-term opportunity."

On a personal note, I am very proud to have such knowledgeable, hard-working and dedicated individuals on the ANSYS team. Our employees, customers and shareholders are a top priority. Thanks in large part to their efforts, and firm belief in the work we do, we have achieved our goals and have been able to not only follow, but accelerate on, our strategic path.

Much work remains, but as we look ahead, ANSYS is prepared for the challenge. We will continue to provide more innovative solutions that address the engineering process of larger, full-product designs. We will continue to work closely with our customers as they progress, and we will provide them with powerful solutions. These solutions save the customer both time and money and bring growth to ANSYS. We are honored to share our current and future successes with our shareholders, and we look forward to working toward new achievements as we continue to shape our evolution.

James E. Cashman III

President and Chief Executive Officer

Discussion with Senior Management

q What should an investor know about ANSYS Inc.?

a ANSYS Inc. is a steady performer in both our short- and long-term achievements. Throughout our history, ANSYS has, at each point along the way, communicated what we wanted to accomplish financially and technologically, and then executed against that plan. We have articulated a strategic path, including the important role of acquisitions, which has led to expanded business investments and product leadership. We have demonstrated that we can grow a leading-edge software business and maintain a healthy company.

We have worked diligently to develop a solid business foundation that includes a global customer base within diverse industries. Our state-of-the-art technology has evolved over our 30-year history and provided the foundation from which we have built a sustainable and predictable business model. This model allows us to effectively balance solid earnings performance along with continued investments in new products and technologies to accelerate revenue growth. If business and market dynamics change, we have demonstrated an ability to adjust to those changing conditions and effectively manage the results. By working closely with our customers, our product and service offerings have evolved to meet their ever-advancing requirements.

q How are changing customer needs affecting ANSYS Inc. and its operational direction?

a Our customers fall into two major categories. The first group is customers who need simulation technologies to make incremental improvements to their products. These customers require advanced technology to solve difficult design problems and want tools that are faster and easier to use.

The second group is customers who are rethinking and rebuilding their product lifecycle management processes for competitive reasons. These customers are demanding that we solve interoperability and usability issues that create operational inefficiencies, resulting in unnecessary spending. To meet these demands, we must look beyond our own tools and solutions to consider a customer's legacy applications and data, as well as third-party applications. We've addressed these challenges by creating or extending strategic relationships with partners that enable us to deliver best-in-class business solutions and ensure that users have a single, interoperable simulation environment.

q What is ANSYS Inc.'s core growth strategy?

a ANSYS is driving the evolution in the engineering simulation industry. Today, more companies are realizing that computer-aided design (CAD) alone is not enough to sufficiently accelerate the product lifecycle management process. CAD can describe what the product is, but only simulation can tell how well that product will perform. Companies realize that investments made in ANSYS products can mean the difference between creating incremental designs and creating competitive designs. It is our challenge to educate customers and help them evolve their processes beyond CAD to advanced engineering simulation solutions. Our core growth strategy is to provide enterprise-wide engineering solutions that enable our customers to accelerate product innovation.

q How is ANSYS Inc. competitively positioned?

a ANSYS provides standard software products that can be deployed throughout the product development lifecycle. We also offer a simulation backbone for enterprise-wide engineering solutions. Competitively, this means that we are positioned to address specific vertical engineering requirements, as well as enterprise-wide engineering process needs. This is a powerful differentiator for ANSYS, as it enables us to compete at different price points for different business requirements, at all levels within a customer's engineering

organization. It also enables us to enter into customers' mission critical processes. Ultimately, our ability to offer scalable, integrated solutions enables our customers to have fewer suppliers and results in strategic, long-term partnering relationships with ANSYS. In addition, these companies have the ability to integrate their legacy and third-party applications with our products. In short, we've grown from an out-of-the-box software provider into an engineering solutions company focused on using our core technology to create custom applications for our customers.

q What role will acquisitions and partners play in ANSYS Inc.'s business strategy?

a ANSYS has worked hard to develop its leadership position in the engineering simulation industry. As a result, there are increasing demands facing our organization. We recognize that to continue to reinforce our leadership position, we must balance the capabilities of our existing resources with an acquisition and partnering plan to address market needs. For example, key acquisitions in the area of design synthesis technologies will allow us to expand the number of end users that can access our core analysis and simulation solutions.

These solutions were historically available to only a limited number of highly experienced users. We have expanded the user base into areas of our customers' design chains that had never before used these types of decision-making tools. Research and development investments made in 2001 allow us to partner with third-party applications, including our customers' internal applications, to create a single interoperable simulation solution for customers' local and global requirements. Instead of building these applications ourselves, we can more rapidly deploy simulation solutions built from a combination of applications and vendors that meet the needs and time requirements of our customers.

q What were the company's greatest challenges in 2001?

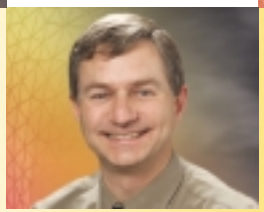
a From an operations standpoint, our greatest challenge was integrating ICEM CFD technology with ANSYS to deliver business results. Overcoming this challenge gave us great optimism for the future. We executed against our plan to ensure that we could deliver the business results that we had established and communicated in connection with the acquisition of ICEM CFD Engineering. Since the announcement of the ICEM CFD investment in late 2000, we have focused our efforts on the integration of the two businesses from both a technology and operational perspective and have delivered business results in line with, and in excess of, the opportunities that we had originally outlined.

In the business arena, we faced the challenge of overcoming the economic turbulence in the latter part of the year. We accomplished this by maintaining broad customer and industry bases in multiple geographies. We also were aided by the visibility of our revenue stream, which includes a recurring revenue base of approximately 60 percent, a resilient business model and our overall operational agility.

James E. Cashman, III, President and Chief Executive Officer

Maria T. Shields, Chief Financial Officer

Wilbur S. Harmon, Vice President, Human Resources



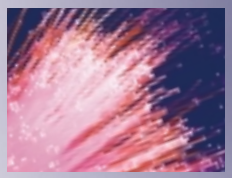
Michael J. Wheeler, Vice President and General Manager, Mechanical Business Unit

Dr. Armin Wulf, Vice President and General Manager, Environment Business Unit

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

Better Designed Products

"Our business is to provide the necessary engineering tools that enable companies around the world to streamline their product development processes."

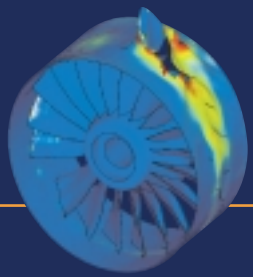


In nature, evolution is dependent upon a species' ability to adapt to a changing environment. It is this adaptability which ensures the long-term survival of any entity. ANSYS Inc.'s engineering solutions exemplify this principle. What began as a company that developed software for the simulation of stress and deformation has grown into a developer of a diverse line of software applications and a business focused on solving companies' engineering problems. Today, simulation solutions from ANSYS are designed to meet the various needs of engineering and manufacturing—in every industry—at every stage of production.

Thanks to an infusion of new technology acquisitions and partnerships that both complement and enhance ANSYS simulation solutions, our software is once again prepared to re-shape the entire engineering landscape. In the days ahead, be prepared for milestone simulation offerings from ANSYS. Its new operational capability will help establish a formidable presence for ANSYS in many untapped markets, as well as within emerging industries.

With newer, more powerful, and easier-to-operate simulation applications—as well as new enterprise "building block" packages—simulation solutions from ANSYS will comprise an even greater portion of a company's overall engineering system.

Aerospace



CHALLENGE:

From the moment a jet begins to taxi toward the runway, the rotating blades and disks of a modern jet engine contain an immense amount of kinetic energy, capable of drawing in any object in its path. Occasionally, these objects, such as birds, can damage blades causing them to break off inside the engine casing.

In an effort to prevent aircraft damage and ensure passenger and crew safety, engineers at Florida Turbine Technologies, Inc., located in Juno Beach, Florida, U.S.A., are challenged to design engine casings capable of containing released blades. If fragments can be contained within the casing, then the engine will not catch fire, and will retain its ability to be shut down, thus ensuring a safe flight and an even safer landing.

SOLUTION:

Engineers at Florida Turbine rely on ANSYS® simulation software to accurately predict the complex reactions that take place during such an event as well as verify the structural integrity of the casing.

By simulating the event in ANSYS software, engineers can determine if a case will fail. Once this is known, engineers are able to design alternatives that factor in weight and cost considerations.

Complex analytical simulations are used to determine the optimal thickness where weight is minimized without compromising the factor of safety. Any added weight results in a greater fuel cost for the engine over its life cycle and/or a reduced payload for the aircraft.

"ANSYS is essential," said Joe Metrisin, lead structures engineer at Florida Turbine Technologies. "Bird strike simulations are used to accurately predict the structural integrity of fan blades early in the design process, thus preventing costly redesign and retesting."

Communications

CHALLENGE:

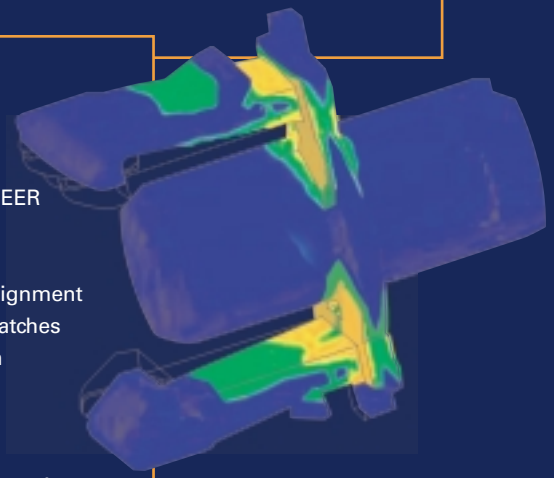
Telecommunications technology has come a long way since 1876 when Alexander Graham Bell uttered the first phrase via electronic sound waves. Today, at the forefront of telecommunications is OFS, an independent company created from the systems and technology unit of AT&T. Now a business unit of Furukawa Electric in Tokyo, Japan, OFS is responsible for a number of innovations, including electronic and packet data switching.

Many divisions throughout OFS have used ANSYS simulation software for more than 20 years. When the Fiber Optical Interconnect Division imposed a 24 hour design turnaround, they needed an easy to use optimization solution. OFS turned to DesignSpace® from ANSYS Inc. The Division specializes in the development of small-scale structures—with physical dimensions in microns and nanometers—mass-produced through the injection molding process.

SOLUTION:

Dr. John Malluck, member of technical staff at OFS, cites the quick results processing and CAD associativity of DesignSpace as the two most influential factors in its selection. "Our designers work in both Unigraphics and Pro/ENGINEER CAD software. DesignSpace simulates the geometry from both systems."

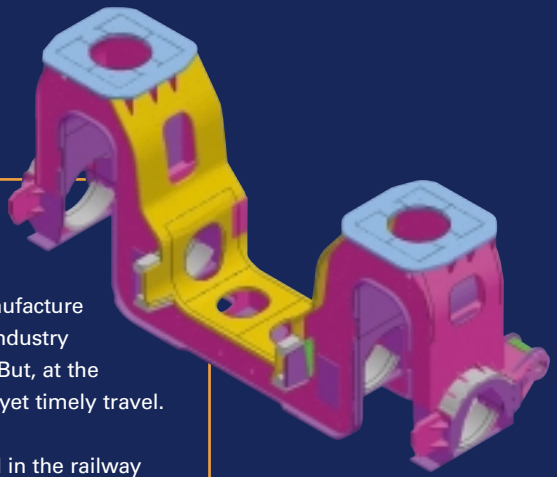
For example, the CAD model representing a proposed design for a fiber optic alignment sleeve holder was subjected to a flexibility stress test to determine whether its latches were sufficiently flexible when subjected to an anticipated bending level. **Within 24 hours, DesignSpace accurately proved that the latch would maintain its structural integrity under the anticipated stress levels.**



"The project engineer was amazed that he actually received stress analysis information on the following day, not weeks later," Malluck said. This quick turnaround allowed the project engineer to consider more design alternatives in less time before committing to mold construction.

Cutting Product Development Time in Half

Transportation



CHALLENGE:

Imagine traveling along the countryside at 217 miles per hour. That's faster than any NASCAR circuit automobile. In order to manufacture such a powerful mode of transportation for mass transit, railway industry experts are challenged with designing the most innovative trains. But, at the same time, they must employ the best technology to ensure safe, yet timely travel.

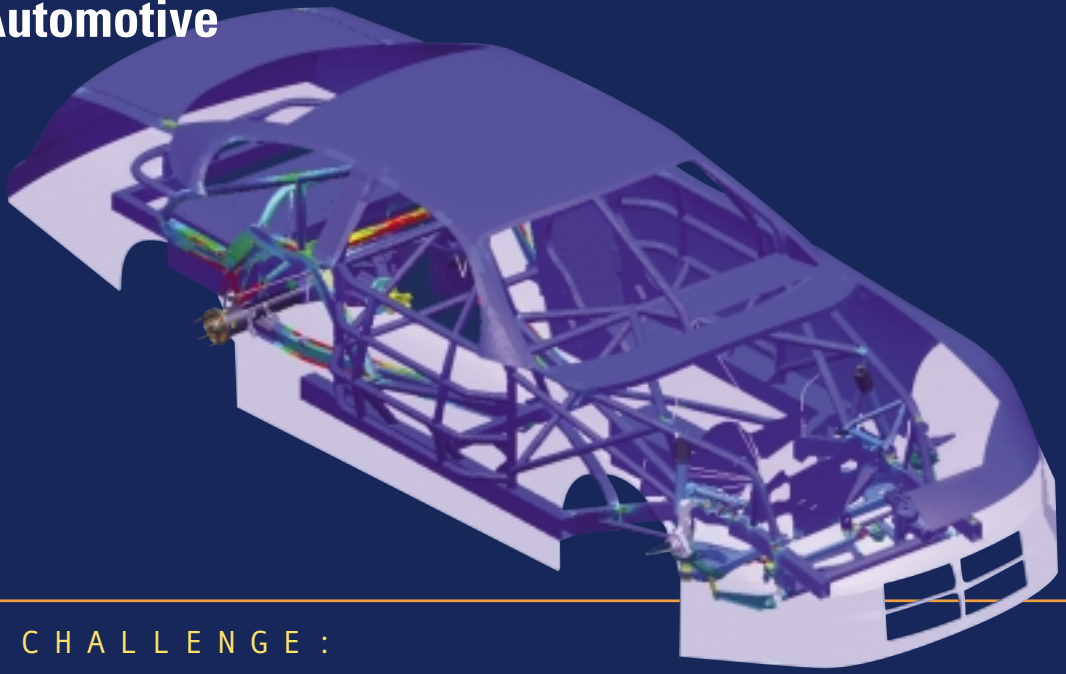
Patentes Talgo S.A., located near Madrid, Spain, is highly regarded in the railway sector as a manufacturer of the world's fastest, safest and most reliable passenger trains. To maintain this standard, Talgo depends upon only the best simulation software to obtain highest-quality results.

SOLUTION:

Using ANSYS, Patentes Talgo conducted design optimization on their latest train designs—the TALGO XXI, with a top speed of 137 mph (220 km/h), and TALGO 350, a new high-speed model capable of traveling 217 mph (350 km/h)—**ultimately reducing development time by 60 percent.**

"With ANSYS, we now design products in half the time," said Luis de Pablos, structural calculations supervisor of product development at Talgo. "Since the results obtained are more precise and detailed, we can optimize the designs and laboratory tests, resulting in greater reliability in our products."

Automotive

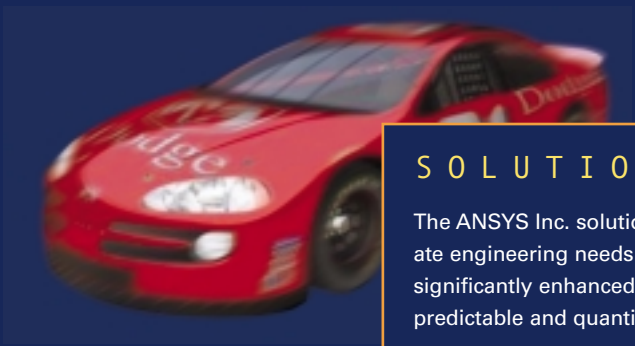


CHALLENGE:

In the world of competitive motorsports, milliseconds mean the difference between the thrill of victory and the agony of defeat. A vehicle's performance—working in concert with the driver's skills—ultimately determines who strategically maneuvers the carousels and hairpin turns the fastest.

The never-ending quest for optimal racing performance prompted a team of 12 design engineers, analysts and technicians at RAETECH Corporation, to accept the challenge of improving the competitiveness of NASCAR/Winston Cup racecars. RAETECH of Ann Arbor, Michigan, U.S.A., is an innovative leader of advanced automotive engineering solutions.

While the RAETECH team possessed the necessary expertise to conduct the complex full vehicle simulations, their technological components lie scattered among various unrelated software packages. The project's scope and magnitude could not tolerate continual data transfer issues between packages. The team needed to quickly revamp their product development process. RAETECH searched for a solution offering integrated optimization tools with superior pre- and post-processing capabilities, as well as fast and accurate data translation.



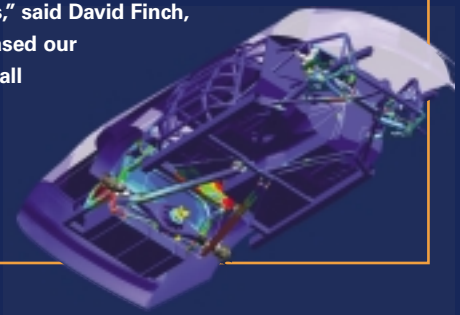
SOLUTION:

The ANSYS Inc. solution was the team's unanimous choice, having satisfied RAETECH's specific immediate engineering needs and affording them seamless growth. Implementing ANSYS Inc. technology significantly enhanced RAETECH's customer satisfaction by expediently producing racecar designs with predictable and quantifiable structural characteristics.

Furthermore, ANSYS/ICEM CFD Engineering technology enabled the team to evaluate proposed design changes through higher-level simulations earlier in the development process. This approach reduced the number of design iterations normally built as prototypes and subjected to extensive, costly and time-consuming tests.

"By applying modeling and simulation in our design process, we were able to better and more quickly visualize, quantify and understand how our designs will function. **This approach reduced the number of prototypes subjected to extensive, costly and time-consuming tests," said David Finch, president of RAETECH. "By using ANSYS Inc. technology, we decreased our development costs and greatly reduced our time to market — or shall I say to the Winner's Circle."**

The Winston Cup test cars are currently under construction, and RAETECH will support their development and tuning in spring 2002.



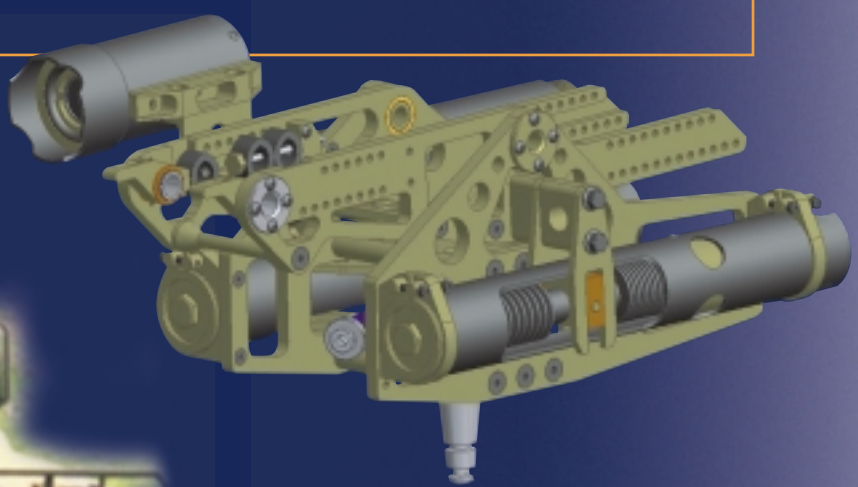
RAETECH Corporation contributes ANSYS-based engineering to all the Dodge Racing Teams, including the 2002 Daytona 500 champion Bill Davis Racing Team with driver Ward Burton.

Defense

CHALLENGE:

Local, state and federal law enforcement agencies are investigating innovative and unconventional methods for diffusing potentially volatile situations to ensure the safety of both officers and civilians. The United States Department of Defense approached Precision Remotes Inc. (PRI) of San Francisco, California, U.S.A., to create a version of its Telepresent Rapid Aiming Platform (TRAP) for use in full-scale military operations. This remotely controlled, tripod-mounted platform is designed to allow a person to operate a combination of weaponry, sensors and/or surveillance lenses from a safe position. Its lightweight hand control box permits a person to view potential targets, adjust the platform's position, and fire a weapon using a simple series of buttons and a joystick.

The greatest challenge PRI engineers faced in constructing the new platform was to design a stronger rifle carriage, capable of supporting a heavier firearm. Anticipating the use of a Barrett M82A-1—a large .50 caliber semi-automatic rifle—PRI turned to DesignSpace from ANSYS Inc. to confirm the design for what would become the T-250 platform.

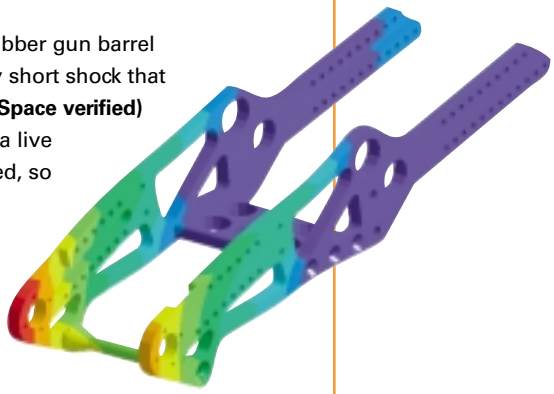


SOLUTION:

"We used DesignSpace to verify our geometry of the T-250 frame," said Eric Hobson, design engineer at PRI. "The analysis focused on the loading of the rifle carriage—the framework with which the rifle interfaces."

DesignSpace confirmed that the hard anodized 6061-T6 aluminum used to construct the platform required a thickness of 1/2 inch to cradle the weight of the rifle and minimize the vibrations generated by its recoil, while ensuring a manageable overall weight of 33 lbs.

DesignSpace also was instrumental in determining the position of a series of rubber gun barrel dampeners for optimum recoil control. "The (M82's) recoil has a very high, very short shock that could damage cameras and other delicate equipment," notes Hobson. **"(DesignSpace verified) the proposed design so we could build the prototype with confidence.** We had a live demonstration for our customers two days after getting the prototype assembled, so absolutely no surprises could be tolerated."



More importantly, the platform adheres to strict standards for both safety and reliability under military code HDBK-217. The TRAP's probability of an inadvertent discharge is less than .00001 percent. Military personnel can gain basic usage competency after only one hour of training.

Globalization — Challenges of a New Century

ANSYS Inc. now has more than 8,000 commercial customers, many of whom have global operations. To meet their needs, ANSYS has evolved its direct and partnering operations to a worldwide presence, with sales and support offices in 37 countries. This network is designed to penetrate local markets and to support the global needs of our largest customers and their extended enterprises. The company now provides product development solutions to 84 of *Fortune's* top 100 industrial companies.

With approximately 450 employees throughout the world, ANSYS is not only dedicated to providing the most innovative software solutions, but also solutions of the highest quality. ANSYS is the first developer of simulation software to obtain ISO 9001:2000 certification, the internationally accepted quality standard for the software industry.

We are committed to helping our customers develop a complete engineering process that conforms to their unique product design specifications. Whether we are implementing a new system for a local engineering business in Tokyo or solving the global engineering requirements of a multi-national transportation company, ANSYS is ready to meet the local and global operational requirements and budgetary demands of our customers.

Our dedicated experts meticulously review every aspect of a company's product development process and work to improve it by implementing the necessary tools that will quickly and cost-effectively move a product to market.

Global

Europe

Milano, Italy
Trento, Italy
Aadorf, Switzerland
Grafing/Munchen, Germany
Venissieux, Cedex, France
Lyons, Cedex, France
Meudon-la-Foret, France
Tarnowskie Gory, Poland
Montfoort, Netherlands
Bavel, Netherlands
Madrid, Spain
Maia, Portugal
Athens, Greece
Reading, United Kingdom
Oslo, Norway
Sandvika, Norway
Vasteras, Sweden
Vilnius, Lithuania
Stockport, United Kingdom
Dublin, Ireland
Moscow, Russia
Ekaterinburg, Russia
Petah Tikva, Israel
Bursa, Turkey
Dammam, Saudi Arabia

Asia

Karachi, Pakistan
Bangalore, India
New Delhi, India
Pune, India
Secuderabad, India
Beijing, China
Chengdu, China
Shanghai, China
Bunkyo-ku, Japan
Osaka, Japan
Shinjuku-ku, Japan
Selangor, Malaysia
Singapore
Seoul, South Korea
Taipei Hsien, Taiwan

Africa

Constantine, Algeria
Sfax, Tunisia
Sutherland, Cape Town, South Africa
Centurion, South Africa
Dokki-Giza, Egypt

Australia

Melbourne, Australia
Perth, Australia
Sydney, Australia

Partnering to Create Global Solutions for Customers

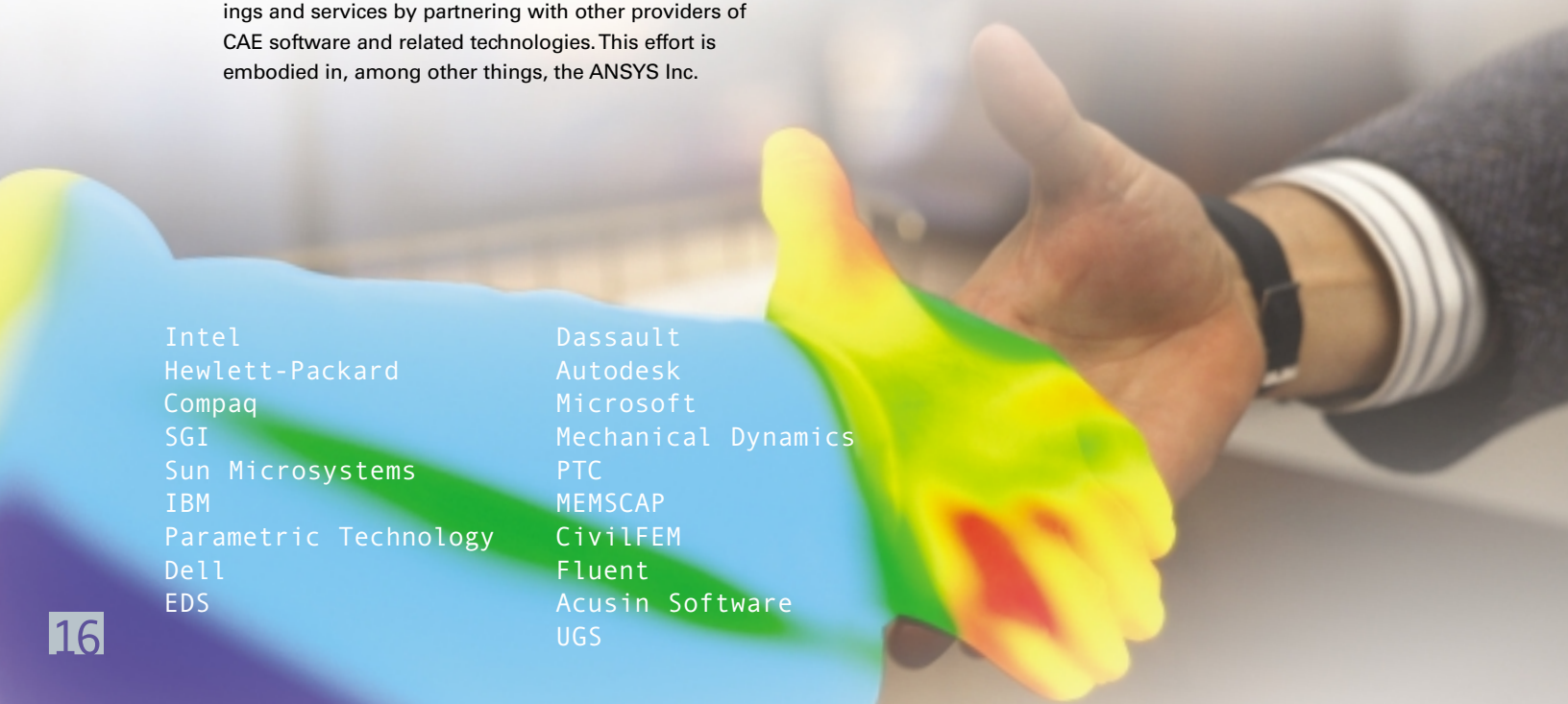
ANSYS Inc. Partnership Program

To build global engineering solutions, ANSYS Inc. partners with technology and distribution companies throughout the world. This collaboration gives our customers the power to invent.

ANSYS Inc. has established strategic alliances with leading software and hardware vendors including Intel, Hewlett-Packard, Compaq, SGI, Sun Microsystems, IBM and Dell. These partners are critical to ensuring compatibility between ANSYS Inc. software and the various hardware systems used by our customers.

At the same time, ANSYS Inc. aggressively seeks to maximize the quality and breadth of its product offerings and services by partnering with other providers of CAE software and related technologies. This effort is embodied in, among other things, the ANSYS Inc. Enhanced Solution Partner (ESP) program, which encourages specialized developers of niche software solutions to use ANSYS Inc. products as a development platform for their applications.

By integrating their products with ANSYS technology, companies like nCode International, EasyCAE, LMS International, DatapointLabs and PADT are part of a compatible, enterprise-wide system that facilitates the implementation of a continuous and collaborative design cycle. Integration with ANSYS Inc. products ensures a consistent graphical user interface (GUI), along with file and data compatibility across a comprehensive product line and multiple computer platforms.



Intel
Hewlett-Packard
Compaq
SGI
Sun Microsystems
IBM
Parametric Technology
Dell
EDS

Dassault
Autodesk
Microsoft
Mechanical Dynamics
PTC
MEMSCAP
CivilFEM
Fluent
Acusin Software
UGS

ANSYS Inc. Education Program

Today, a student's academic success can be measured by the strength of his or her educational support system. This system is comprised of individuals and organizations who hold an emotional and financial stake in the student's future, including their families, professors, administrators and, in the case of most engineering students, ANSYS Inc.

ANSYS Inc. believes students are best supported in their quest for a practical, quality education when they are offered a curriculum that combines traditional theory with the latest innovations in modern engineering techniques, including CAD/CAM and computer-aided engineering. To help colleges, universities and other institutions of higher learning facilitate these types of courses, we offer the ANSYS Inc. Engineering Education Program.

This program grants undergraduate, graduate and doctoral engineering students the opportunity to gain hands-on experience using the industry's most powerful, advanced and widely used CAE tools within the classroom environment. By combining traditional instruction with practical demonstrations and exercises using software from ANSYS Inc., students gain incomparable levels of aptitude and confidence that makes them valuable assets to employers.

The ANSYS Inc. Engineering Education Program opens the door to various opportunities for engineering students, instructors and schools. By offering a combination of software packages and student services via the Engineering Education Program Web site, ANSYS Inc. is committed to helping the next generation of engineers find their place in the workforce.

College Design Engineering Award

Established in cooperation with *Design News* magazine, as part of the *Excellence in Design* competition, the College Design Engineering Award competition invites engineering students in the United States and Canada to submit CAD/CAM/CAE project designs completed in the classroom. The 2001 award recipients from Texas Christian University (TCU) of Fort Worth, Texas, U.S.A., developed an Automated In-Line Vacuum Inspection System for Alcon Laboratories, a healthcare company that produces consumer eye care and pharmaceutical products for ophthalmic medical practices.

Alcon Laboratories enlisted the TCU senior design team, comprised of 14 students from the mechanical engineering department, to develop this system to ensure the vacuum pressure level in bottles containing saline solution. A consistent vacuum pressure level is essential for keeping the solution sterile and protecting it from contamination. Using a combination of computer-aided design and finite element analysis methods, the team developed a system that Alcon could safely implement to achieve the level of quality assurance they require for their products.

The project earned TCU a $20,000 grand prize ($10,000 cash to the team and a $10,000 scholarship grant for their school's engineering department).

Corporate Timeline

1970 Swanson Analysis Systems Inc. founded by Dr. John A. Swanson to develop, support and market the ANSYS® program

1981 First FEA vendor to use workstations as alternative to mainframes

1985 First commercial FEA to offer on-line help with the release of ANSYS 4.0

1987 First commercial FEA to support color graphics with the release of ANSYS 4.2

First commercial FEA to run on the PC with the release of ANSYS 4.2

First commercial FEA to simulate electromagnetic phenomena with the release of ANSYS 4.3

1995 First FEA vendor to achieve ISO 9001 certification

1996 First year as public company

DesignSpace® launched

First ANSYS/LS-DYNA software released for crash and drop-test simulations

1999 Named one of the "Top 100 Hot Growth Companies" by *BusinessWeek* magazine

ANSYS Inc. acquires Centric Engineering Systems Inc.

2000 Acquires ICEM CFD Engineering

Named one of the "Top 100 Hot Growth Companies" by *BusinessWeek* magazine for second consecutive year

2001 Named one of the "Top 100 Hot Growth Companies" by *BusinessWeek* magazine for third consecutive year

Recognized as one of the "200 Best Small Companies" by *Forbes* magazine

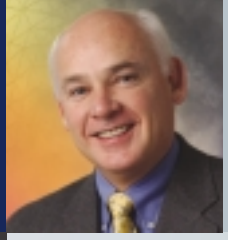
Launches AI*Solutions product line

Acquires CADOE S.A.

Partners with SAS LLC, to deliver NASTRAN® product

Added to the Russell 2000 Index

Board of Directors

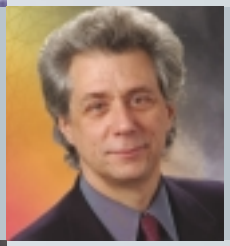


Peter J. Smith Director since 1994.

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

James E. Cashman, III Director since 2000.

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



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

Venture Partner, Flagship Ventures • Former Senior Vice President, Microsoft Corporation and Apple Computer, Inc.

Other directorships: Progress Software Corporation Technology, Inc.

Jacqueline C. Morby[2] Director since 1994.

Managing Director, TA Associates, Inc.

Other directorships: Pacific Life Corporation and other private companies.

Bradford C. Morley[1] Director since 2001.

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

Other directorships: CoCreate, Inc.

John F. Smith[2] Director since 1995.

Partner, NewcoGen Group • Former Chief Operating Officer and Senior Vice President, Digital Equipment Corporation.

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

Patrick J. Zilvitis[1] Director since 2000.

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

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

1 Audit and Ethics Committee
2 Compensation and Option Committee

2001 Financial Content

Overview

ANSYS Inc. (the "Company" or "ANSYS"), founded in 1970 as Swanson Analysis Systems, Inc., develops and globally markets engineering simulation software and technologies widely used by engineers and designers across a broad spectrum of industries, including aerospace, automotive, manufacturing, electronics and biomedical. Headquartered at Southpointe in Canonsburg, Pennsylvania, the Company employs approximately 450 people and focuses on the development of open and flexible solutions that enable users to analyze designs directly on the desktop, providing a common platform for fast, efficient and cost-conscious product development, from design concept to final-stage testing and validation. The Company distributes its ANSYS,® DesignSpace,® AI*Solutions and ICEM CFD Engineering products through a network of channel partners in 37 countries, in addition to its own direct sales offices in 18 strategic locations throughout the world. The following discussion should be read in conjunction with the 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 Inc.'s 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, 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 24.

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. 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 Recently Issued Accounting Pronouncements), 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.

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. The identified intangibles are being amortized over three to five years. The acquisition agreement also provides for additional future payments if the acquired business achieves certain performance criteria. Such payments in 2001 included $183,000 in cash and 15,465 shares of ANSYS Inc. common stock. The acquisition agreement also provides for a final payment based upon performance of the acquired business in 2001. In the first quarter of 2002, ANSYS made final payments of $2,591,000 in cash and 98,847 shares of ANSYS Inc. common stock. The additional payments resulted in an increase in goodwill associated with this acquisition.

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.

Results of Operations

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

For purposes of the following discussion and analysis, the following table sets forth certain consolidated financial data for the years 2001, 2000 and 1999.

	Year Ended December 31,		
(in thousands)	**2001**	2000	1999
Revenue:			
Software licenses	**$ 45,318**	$ 43,528	$ 37,675
Maintenance and service	**39,518**	30,939	25,464
Total revenue	**84,836**	74,467	63,139
Cost of sales:			
Software licenses	**4,726**	4,278	3,530
Maintenance and service	**6,627**	4,407	3,088
Total cost of sales	**11,353**	8,685	6,618
Gross profit	**73,483**	65,782	56,521
Operating expenses:			
Selling and marketing	**19,726**	17,950	15,326
Research and development	**16,893**	14,502	13,475
Amortization	**5,271**	2,234	855
General and administrative	**13,045**	11,517	9,622
Total operating expenses	**54,935**	46,203	39,278
Operating income	**18,548**	19,579	17,243
Other income	**1,434**	3,579	2,626
Income before income tax provision	**19,982**	23,158	19,869
Income tax provision	**6,290**	6,848	5,118
Net income	**$ 13,692**	$ 16,310	$ 14,751

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. Reported revenue in 2001 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 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 was recognized ratably over the lease period. The Company estimates that revenue would have been approximately $88.5 million, or an 18.8% increase over the prior year, had this modification not been made.

Software license revenue totaled $45.3 million in 2001 as compared to $43.5 million in 2000, an increase of 4.1%. Excluding the impact of the revenue recognition policy modification discussed above, software license revenue would have increased approximately 9.3% to $47.6 million. This increase was primarily the result of increased license sales of ICEM CFD products.

Maintenance and service revenue increased 27.7% from $30.9 million in 2000 to $39.5 million in 2001. Reported maintenance and service revenue would have been approximately $40.9 million, or 32.3% higher than the prior year, had the revenue recognition modification not occurred. This increase primarily resulted from maintenance contracts sold in association with the paid-up license sales of ANSYS and DesignSpace products in both the current and prior year, as well as higher engineering consulting and maintenance revenue from ICEM CFD.

Of the Company's total revenue in 2001, approximately 52.4% and 47.6% were attributable to international and domestic sales, respectively, as compared to 51.6% and 48.4% 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 foregoing, 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. The Company anticipates that it will continue to make significant investments in its global sales and marketing organization to strengthen its competitive position, to enhance major account sales activities and to support its worldwide sales channels and marketing strategies.

RESEARCH AND DEVELOPMENT: Research and development expenses increased 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. The Company has traditionally invested significant resources in research and development activities and intends to continue to make significant investments in the future.

AMORTIZATION: Amortization expense increased to $5.3 million in 2001 compared to $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. As a result of the adoption of new accounting standards related to goodwill and intangible assets, goodwill will not be amortized in 2002, but will be subject to an annual review for impairment. Goodwill amortization amounted to $3.3 million and $1.1 million in 2001 and 2000, respectively. This change does not affect amortization of other intangible assets.

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 prior year, 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 of the 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 the utilization of a foreign sales corporation, as well as the generation of research and experimentation credits.

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 compared with 16.3 million in 2000. Excluding the effects of acquisition-related amortization and the impact of the revenue recognition modification discussed above, net income increased 10.9% in 2001 to $19.6 million, or $1.27 diluted earnings per share. Excluding only the effects of acquisition-related amoritization, net income decreased 3.3% in 2001 to $17.1 million, or $1.11 diluted earnings per share.

Year Ended December 31, 2000 Compared to Year Ended December 31, 1999

REVENUE: The Company's total revenue increased 17.9% from $63.1 million in 1999 to $74.5 million in the year 2000. The increase in total revenue was primarily the result of increased sales of both paid-up licenses and related maintenance contracts associated with the paid-up licenses, as well as contributions from the acquisition of ICEM CFD.

Software license revenue totaled $43.5 million in 2000 as compared to $37.7 million in 1999, an increase of 15.5%. The increase was primarily the result of increased sales of paid-up licenses related to the Company's ANSYS and DesignSpace products, as well as approximately $2.7 million related to the acquisition of ICEM CFD.

Maintenance and service revenue increased 21.5% from $25.5 million in 1999 to $30.9 million in 2000. The increase primarily resulted from maintenance contracts sold in association with the increased paid-up license sales discussed above. Approximately $1.7 million in maintenance and service revenue from the acquisition of ICEM CFD also contributed to the increase.

Of the Company's total revenue in 2000, approximately 51.6% and 48.4% were attributable to international and domestic sales, respectively, as compared to 54.4% and 45.6% in 1999.

COSTS OF SALES AND GROSS PROFIT: The Company's total cost of sales increased 31.2% to $8.7 million, or 11.7% of total revenue, in 2000 from $6.6 million, or 10.5% of total revenue, in 1999. The increase was principally attributable to higher salaries and related expenses associated with increased headcount to support the growth in license and service sales, costs related to consulting services provided by ICEM CFD, as well as increased royalty costs.

As a result of the foregoing, the Company's gross profit increased 16.4% to $65.8 million in 2000 from $56.5 million in 1999.

SELLING AND MARKETING: Selling and marketing expenses increased 17.1% in 2000 to $18.0 million, or 24.1% of total revenue, from $15.3 million, or 24.3% of total revenue, in 1999. 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. Increased consulting costs related to sales training initiatives for both the direct and indirect sales channels and costs associated with the Company's biennial international users' conference also contributed to the increase.

RESEARCH AND DEVELOPMENT: Research and development expenses increased 7.6% in 2000 to $14.5 million, or 19.5% of total revenue, from $13.5 million, or 21.3% of total revenue, in 1999. The increase in 2000 was principally the result of development costs associated with the acquisition of ICEM CFD, as well as higher consulting costs. These increases were partially offset by the capitalization of approximately $213,000 of internal labor costs related to the commercial release of ANSYS 5.7.

AMORTIZATION: Amortization expense increased to $2.2 million in 2000 compared to $855,000 in 1999. The increase resulted from amortization associated with the acquisition of ICEM CFD.

GENERAL AND ADMINISTRATIVE: General and administrative expenses increased 19.7% in 2000 to $11.5 million, or 15.5% of total revenue, as compared to $9.6 million, or 15.2% of total revenue, in 1999. The increase resulted primarily from additional headcount and facility costs, as well as increased professional fees associated with the acquisition of ICEM CFD. Higher legal fees and bad debt expense in connection with a dispute with a former distributor also contributed to the increase.

OTHER INCOME: Other income increased to $3.6 million in 2000 as compared to $2.6 million in 1999. The increase was primarily attributable to a higher interest rate environment as compared to the prior year and a $151,000 one-time gain related to the sale of investment securities.

INCOME TAX PROVISION: The Company's effective tax rate was 29.6% in 2000 as compared to 25.8% in 1999. The 1999 rate was favorably impacted by a one-time tax benefit related to an amended prior year tax return. These effective tax rates are less than the federal and state combined statutory rate as a result of the utilization of a foreign sales corporation, as well as the generation of research and experimentation credits.

NET INCOME: The Company's net income increased 10.6% to $16.3 million, or $1.00 diluted earnings per share, in 2000 as compared to net income of $14.8 million, or $.88 diluted earnings per share, in 1999. The weighted average common and common equivalent shares used in computing diluted earnings per share were 16.3 million in 2000 compared with 16.7 million in 1999. Excluding the effects of amortization associated with the acquisition of ICEM CFD, net income increased 20.1% in 2000 to $17.7 million, or $1.09 diluted earnings per share.

Liquidity and Capital Resources

As of December 31, 2001, the Company had cash, cash equivalents and short-term investments totaling $53.4 million and working capital of $40.0 million, as compared to cash, cash equivalents and short-term investments of $47.5 million and working capital of $40.0 million at December 31, 2000. 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 $23.6 million in 2001, $22.9 million in 2000 and $18.3 million in 1999. The increase in cash generated from operations in 2001 compared to 2000 was primarily the result of improved accounts receivable collections. The increase in 2000 compared to 1999 was mainly the result of increased earnings after the effect of non-cash expenses such as depreciation, amortization and deferred income taxes. 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 $9.0 million in 2001. In 2000 and 1999 investing activities used cash of $7.4 million and $13.0 million, respectively. In 2001, cash provided by net maturities of investments was partially offset by cash outflows related to the acquisition of CADOE, S.A., as well as 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. In 1999, the Company's use of cash was primarily related to the purchase of short-term investments and, to a lesser extent, the purchase of equipment and computer hardware and software. The Company expects to spend approximately $2.5 million for capital expenditures in the year 2002, principally for the acquisition of computer hardware and software to support the continued growth of the Company's development activities, as well as for investments in the Company's global sales and customer support infrastructure.

Financing activities used cash of $10.4 million in 2001, $19.6 million in 2000 and $1.5 million in 1999. In each of the three years, cash outlays related to the purchase of treasury stock were partially offset by proceeds from the issuance of common stock under the employee stock purchase and option plans.

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

Critical Accounting Policies

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

Recently Issued Accounting Pronouncements

ANSYS adopted Statement of Financial Accounting Standards (SFAS) No. 141, *"Business Combinations,"* for all business combinations initiated after June 30, 2001. This standard requires that all business combinations be accounted for using the purchase method and it further clarifies the criteria for recognition of intangible assets separately from goodwill.

Effective January 1, 2002, the Company adopted SFAS No. 142, *"Goodwill and Other Intangible Assets,"* for existing goodwill and other intangible assets, including the non-amortization provisions of this standard arising from business combinations after June 30, 2001. This standard eliminates the amortization of goodwill and intangible assets with indefinite useful lives and requires annual testing for impairment. This standard also requires the assignment of assets acquired and liabilities assumed, including goodwill, to reporting units for purposes of the annual impairment test. As of December 31, 2001, ANSYS had net unamortized goodwill of $16.9 million and amortization expense associated with goodwill of $3.3 million, $1.1 million and $0.1 million for the years ended December 31, 2001, 2000 and 1999, respectively. The Company has evaluated the impact of the adoption of this standard on the consolidated financial statements and does not expect the adoption to have a material impact on the Company's financial position.

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

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

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

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

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

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

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

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

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

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

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

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

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

GENERAL CONTINGENCIES: The Company is subject to various investigations, claims and legal proceedings from time to time that arise in the ordinary course of its business activities. 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.

Report of Independent Accountants

To the Board of Directors and Shareholders of ANSYS Inc.:

In our opinion, the accompanying consolidated balance sheets 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 2000, and the results of their operations and their cash flows for each of the three 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, 2001**	December 31, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 28,545**	$ 6,313
Short-term investments	**24,903**	41,227
Accounts receivable, less allowance for doubtful accounts of $1,610 in 2001 and $2,350 in 2000	**15,352**	14,403
Other receivables and current assets	**12,803**	9,164
Deferred income taxes	**1,799**	695
Total current assets	**83,402**	71,802
Long-term investment	**500**	500
Property and equipment, net	**4,915**	5,152
Capitalized software costs, net	**817**	574
Goodwill, net	**16,937**	12,529
Other intangibles, net	**6,499**	5,668
Deferred income taxes	**4,692**	4,895
Total assets	**$ 117,762**	$ 101,120
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	**$ 624**	$ 459
Accrued bonuses	**4,578**	4,869
Other accrued expenses and liabilities	**13,047**	6,631
Deferred revenue	**25,120**	19,797
Total current liabilities	**43,369**	31,756
Stockholders' equity:		
Preferred stock, $.01 par value; 2,000,000 shares authorized	**-**	-
Common stock, $.01 par value; 50,000,000 shares authorized; 16,584,758 shares issued	**166**	166
Additional paid-in capital	**37,822**	37,588
Less treasury stock, at cost: 2,071,123 shares held in 2001 and 1,451,692 shares held in 2000	**(23,953)**	(15,127)
Retained earnings	**60,429**	46,737
Accumulated other comprehensive income (loss)	**(71)**	-
Total stockholders' equity	**74,393**	69,364
Total liabilities and stockholders' equity	**$ 117,762**	$ 101,120

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

Consolidated Statements of Income

(in thousands, except per share data)	**2001**	2000	1999
Revenue:			
Software licenses	**$ 45,318**	$ 43,528	$ 37,675
Maintenance and service	**39,518**	30,939	25,464
Total revenue	**84,836**	74,467	63,139
Cost of sales:			
Software licenses	**4,726**	4,278	3,530
Maintenance and service	**6,627**	4,407	3,088
Total cost of sales	**11,353**	8,685	6,618
Gross profit	**73,483**	65,782	56,521
Operating expenses:			
Selling and marketing	**19,726**	17,950	15,326
Research and development	**16,893**	14,502	13,475
Amortization	**5,271**	2,234	855
General and administrative	**13,045**	11,517	9,622
Total operating expenses	**54,935**	46,203	39,278
Operating income	**18,548**	19,579	17,243
Other income	**1,434**	3,579	2,626
Income before income tax provision	**19,982**	23,158	19,869
Income tax provision	**6,290**	6,848	5,118
Net income	**$ 13,692**	$ 16,310	$ 14,751
Net income per basic common share:			
Basic earnings per share	**$ .94**	$ 1.03	$ .90
Weighted average shares – basic	**14,554**	15,804	16,366
Net income per diluted common share:			
Diluted earnings per share	**$ .89**	$ 1.00	$ .88
Weighted average shares – diluted	**15,438**	16,269	16,689

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

Consolidated Statements of Cash Flows

(in thousands)	**2001**	2000	1999
Cash flows from operating activities:			
Net income	**$ 13,692**	$ 16,310	$ 14,751
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**7,631**	4,333	2,762
Deferred income tax provision (benefit)	**(800)**	(69)	855
Provision for bad debts	**368**	739	464
Impairment of investment	**500**	-	-
Changes in operating assets and liabilities:			
Accounts receivable	**(1,602)**	(2,574)	(2,039)
Other receivables and current assets	**(3,483)**	(1,417)	(2,216)
Accounts payable, accrued expenses and liabilities	**2,009**	2,279	735
Deferred revenue	**5,323**	3,249	3,029
Net cash provided by operating activities	**23,638**	22,850	18,341
Cash flows from investing activities:			
Cash paid for business acquisition, net of cash acquired	**(3,981)**	(7,481)	-
Other acquisition payments	**(333)**	(400)	(100)
Acquisition-related loan	**-**	(1,366)	-
Capital expenditures	**(2,070)**	(3,173)	(1,758)
Capitalization of internally developed software costs	**(457)**	(213)	(591)
Purchases of short-term investments	**(34,969)**	(32,688)	(38,331)
Maturities of short-term investments	**51,293**	38,191	27,738
Repayment of stockholder loan	**-**	250	-
Purchase of long-term investment	**(500)**	(500)	-
Net cash provided by (used in) investing activities	**8,983**	(7,380)	(13,042)
Cash flows from financing activities:			
Proceeds from issuance of common stock under Employee Stock Purchase Plan	**205**	163	159
Proceeds from exercise of stock options	**5,090**	1,814	872
Purchase of treasury stock	**(15,715)**	(21,588)	(2,550)
Net cash used in financing activities	**(10,420)**	(19,611)	(1,519)
Effect of exchange rate fluctuations	**31**	53	32
Net increase (decrease) in cash and cash equivalents	**22,232**	(4,088)	3,812
Cash and cash equivalents, beginning of year	**6,313**	10,401	6,589
Cash and cash equivalents, end of year	**$ 28,545**	$ 6,313	$ 10,401
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Income taxes	**$ 5,235**	$ 4,615	$ 3,894

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

Consolidated Statements of Stockholders' Equity

(in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital
Balance, December 31, 1998	16,396	$ 164	$ 36,657
Treasury stock acquired	-	-	-
Exercise of stock options	168	2	727
Issuance of common stock under Employee Stock Purchase Plan	21	-	159
Net income for the year	-	-	-
Other comprehensive income	-	-	-
Balance, December 31, 1999	16,585	166	37,543
Treasury stock acquired	-	-	-
Acquisition of ICEM CFD Engineering	-	-	(106)
Exercise of stock options	-	-	124
Issuance of common stock under Employee Stock Purchase Plan	-	-	27
Repayment of note receivable from stockholder	-	-	-
Net income for the year	-	-	-
Other comprehensive income (loss)	-	-	-
Balance, December 31, 2000	**16,585**	**166**	**37,588**
Treasury stock acquired	**-**	**-**	**-**
Acquisition of ICEM CFD Engineering	**-**	**-**	**29**
Exercise of stock options	**-**	**-**	**256**
Issuance of common stock under Employee Stock Purchase Plan	**-**	**-**	**(51)**
Net income for the year	**-**	**-**	**-**
Other comprehensive income (loss)	**-**	**-**	**-**
Balance, December 31, 2001	**16,585**	**$ 166**	**$ 37,822**

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

Treasury Stock Shares	Treasury Stock Amount	Retained Earnings	Accumulated Other Comprehensive Income	Notes Receivable from Stockholders	Total Stockholders' Equity	Total Comprehensive Income
-	-	$ 15,676	$ 120	$ (250)	$ 52,367	
382	(2,550)	-	-	-	(2,550)	
(43)	175	-	-	-	904	
-	-	-	-	-	159	
-	-	14,751	-	-	14,751	14,751
-	-	-	-	-	-	-
339	(2,375)	30,427	120	(250)	65,631	14,751
2,010	(21,588)	-	-	-	(21,588)	
(619)	6,644	-	-	-	6,538	
(259)	2,056	-	-	-	2,180	
(19)	136	-	-	-	163	
-	-	-	-	250	250	
-	-	16,310	-	-	16,310	16,310
-	-	-	(120)	-	(120)	(120)
1,452	**(15,127)**	**$ 46,737**	**-**	**-**	**69,364**	**16,190**
1,241	**(15,715)**	**-**	**-**	**-**	**(15,715)**	
(15)	**161**	**-**	**-**	**-**	**190**	
(584)	**6,472**	**-**	**-**	**-**	**6,728**	
(23)	**256**	**-**	**-**	**-**	**205**	
-	**-**	**13,692**	**-**	**-**	**13,692**	**13,692**
-	**-**	**-**	**(71)**	**-**	**(71)**	**(71)**
2,071	**($23,953)**	**$ 60,429**	**($71)**	**-**	**$ 74,393**	**$ 13,621**

1. Organization

ANSYS Inc. (the "Company" or "ANSYS"), founded in 1970 as Swanson Analysis Systems, Inc., 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.

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.

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 for perpetual licenses is recognized upon delivery of the authorization keys to the end user, acceptance by the customer and receipt of a signed contractual obligation, provided that no significant Company obligations remain and collection of the receivable is probable. Revenue is recorded at the net price to ANSYS for sales through the ANSYS distribution network. The Company estimates the value of post-contract customer support sold together with perpetual licenses by reference to published price lists which generally represent the prices at which customers could purchase renewal contracts for such services. 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 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 thirty days and up to one year from the date of purchase to be short-term investments. Short-term investments are recorded at cost, which approximates fair value.

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.

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.

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.

RESEARCH AND DEVELOPMENT COSTS: Research and development costs are expensed as incurred.

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 trade name, non-compete agreements, customer lists and acquired software and technology. These assets are being amortized on the straight-line method over their estimated useful lives. The Company periodically evaluates the carrying value of goodwill based on whether the goodwill is recoverable from expected future undiscounted operating cash flows of the related business. The Company periodically reviews the carrying value of other intangible assets and will recognize impairments when the expected future operating cash flow derived from such intangible assets is less than their carrying value.

The Company adopted Statement of Financial Accounting Standards ("SFAS") No.141, *"Business Combinations,"* for all business combinations initiated after June 30, 2001 and the non-amortization provisions of SFAS No. 142, *"Goodwill and Other Intangibles,"* for goodwill relating to business combinations initiated after June 30, 2001. Therefore, goodwill relating to business combinations completed during the second half of 2001 has not been amortized in 2001. See Recently Issued Accounting Pronouncements for additional information.

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 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. During 1999, sales by distributors comprised approximately 70% of the Company's total revenue, with two distributors accounting for approximately 12% and 11% 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.

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.

EARNINGS PER SHARE: Net income per basic common share is computed using the weighted average number of common shares outstanding during each period. Net income per diluted common 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.

RECLASSIFICATIONS: Certain reclassifications have been made to the 2000 and 1999 financial statements to conform to the 2001 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. 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 17), 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.

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. The identified intangibles are being amortized over three to five years. The acquisition agreement also provides for additional future payments if the acquired business achieves certain performance criteria. Such payments in 2001 included $183,000 in cash and 15,465 shares of ANSYS Inc. common stock. The acquisition agreement also provides for a final payment based upon performance of the acquired business in 2001. In the first quarter of 2002, ANSYS made final payments of $2,591,000 in cash and 98,847 shares of ANSYS Inc. common stock. The additional payments resulted in an increase in goodwill associated with this acquisition.

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 and 1999. The unaudited pro forma consolidated results are not necessarily indicative of results that would have occurred had the acquisition been in effect for the years presented.

(in thousands)	**Year ended December 31, 2000**	Year ended December 31,1999
Total revenue	**$ 80,405**	$ 70,875
Net income	**13,837**	12,508
Net income per share		
Basic	**.85**	.74
Diluted	**.83**	.72

4. Property and Equipment

Property and equipment consists of the following:

(in thousands)	**December 31, 2001**	December 31, 2000
Equipment	**$ 9,048**	$ 7,995
Computer software	**4,275**	3,556
Furniture	**1,057**	993
Leasehold improvements	**873**	845
	15,253	13,389
Less: accumulated depreciation and amortization	**(10,338)**	(8,237)
	$ 4,915	$ 5,152

Depreciation and amortization expense related to property and equipment was approximately $2,360,000, $1,994,000 and $1,907,000 for the years ended December 31, 2001, 2000, and 1999, respectively.

5. Other Intangible Assets

Other intangible assets consists of the following:

(in thousands)	Estimated Useful Lives	**December 31, 2001**	December 31, 2000
Trade name	10 years	**$ 1,824**	$ 1,824
Non-compete agreements	2-8 years	**2,280**	1,790
Customer list	5 years	**1,407**	1,407
Acquired software/core technology	3-10 years	**4,335**	2,345
		9,846	7,366
Less: accumulated amortization		**(3,347)**	(1,698)
		$ 6,499	$ 5,668

6. Income Taxes

The provision for income taxes is comprised of the following:

(in thousands)	**December 31, 2001**	December 31, 2000	December 31, 1999
Current:			
Federal	**$ 5,562**	$ 5,701	$ 3,297
State	**318**	246	90
Foreign	**1,210**	942	876
Deferred:			
Federal	**(696)**	(34)	869
State	**(104)**	(7)	(14)
Total	**$ 6,290**	$ 6,848	$ 5,118

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

	December 31, 2001	December 31, 2000	December 31, 1999
Federal statutory tax rate	**35.0%**	35.0%	35.0%
State income taxes, net of federal benefit	**1.0**	0.7	0.3
Research and experimentation credit	**(1.5)**	(1.7)	(2.0)
Non-deductible goodwill	**3.5**	1.0	-
Foreign sales corporation	**(6.6)**	(5.0)	(5.7)
Other	**(0.1)**	(0.4)	(1.8)
	31.5%	29.6%	25.8%

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

(in thousands)	**December 31, 2001**	December 31, 2000
Deferred tax assets:		
Goodwill	**$ 3,259**	$ 3,578
Tradename	**279**	274
Capitalized software	**3,170**	3,831
Allowance for doubtful accounts	**515**	827
Deferred Revenue	**1,213**	175
Other	**529**	348
	8,965	9,033
Deferred tax liabilities:		
Accounts receivable mark-to-market	**-**	206
Property and equipment	**91**	88
Acquisition-related intangible assets	**345**	1,198
Other	**2,038**	1,951
	2,474	3,443
Net deferred tax assets	**$ 6,491**	$ 5,590

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.

7. 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 $2,121,000 in 2001, $1,712,000 in 2000 and $1,266,000 in 1999.

8. Non-Compete and Employment Agreements

In accordance with the acquisition of ICEM CFD (see Note 3), the existing stockholders 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 the 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.

9. 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 repurchased 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.

Restricted stock purchases, grants and option activity under the 1994 and 1996 Stock Plans, and the issuance of restricted stock to members of the Board of Directors under separate agreements, are summarized as follows:

1994 Stock Option and Grant Plan	Restricted Stock		Stock Options	
(in thousands, except for range of issue price)	Number of Shares	Range of Issue Price	Number of Options	Range of Issue Price
Outstanding at December 31,1998	837	.01-2.40	526	$ .40-11.00
Issued/granted	-	-	-	-
Exercised	(815)	.10-2.40	(143)	.40-2.40
Repurchased/cancelled	(18)	.01-.40	(33)	.40-10.00
Outstanding at December 31,1999	4	.40	350	.40-11.00
Issued/granted	-	-	-	-
Exercised	(4)	.40	(101)	.40-10.00
Cancelled	-	-	(9)	10.00
Outstanding at December 31, 2000	-	-	240	$ .40-11.00
Issued/granted	-	-	-	-
Exercised	-	-	(97)	.40-11.00
Cancelled	-	-	-	-
Outstanding at December 31, 2001	-	-	**143**	**$ .40-10.00**
Exercisable at:				
December 31, 1999	-	-	286	
December 31, 2000	-	-	240	
December 31, 2001	-	-	**143**	

1996 Stock Option and Grant Plan	Stock Options	
(in thousands, except for range of issue price)	Number of Options	Range of Issue Price
Outstanding at December 31, 1998	1,749	$ 6.00-13.13
Issued/granted	697	6.88-11.00
Exercised	(68)	6.00-9.63
Cancelled	(261)	6.00-13.00
Outstanding at December 31, 1999	2,117	6.00-13.13
Issued/granted	805	9.88-11.88
Exercised	(158)	6.00-11.75
Cancelled	(241)	6.00-11.75
Outstanding at December 31, 2000	2,523	6.00-13.13
Issued/granted	774	10.63-26.56
Exercised	(485)	6.00-11.75
Cancelled	(103)	6.00-18.70
Outstanding at December 31, 2001	**2,709**	**$ 6.00 - $26.56**
Exercisable at:		
December 31, 1999	577	
December 31, 2000	891	
December 31, 2001	**974**	

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 Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation." Accordingly, no compensation expense has been recognized for restricted stock or 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 2001, 2000 and 1999, 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)	**2001**	2000	1999
Net income – as reported	**$ 13,692**	$ 16,310	$ 14,751
Net income – pro forma	**11,295**	14,132	12,653
Net income per basic common share – as reported	**$ .94**	$ 1.03	$ .90
Net income per basic common share – pro forma	**.78**	.89	.77
Net income per diluted common share – as reported	**.89**	1.00	.88
Net income per diluted common share – pro forma	**.73**	.87	.76

The weighted-average fair value of options granted was $10.13 per share in 2001, $6.22 per share in 2000 and $5.01 per share in 1999.

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 a low of 3.80% to a high of 5.01%. 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 64% and expected term of five years.

10. 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 374,700 and 2,010,000 shares in 2001 and 2000, respectively. In addition to repurchases under this program, the Company also purchased 866,300 shares in a privately negotiated transaction during 2001.

11. 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, 2001, 125,658 shares of common stock had been issued under the Purchase Plan of which 102,284 were issued as of December 31, 2000.

12. 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 and tenth years. The Company incurred lease rental expense related to this facility of $1,227,000 in 2001, 2000 and 1999. Minimum lease payments for the next five years under the facility lease are $1,354,000 per annum in 2002 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 $1,232,000, $908,000 and $998,000 for the years ended December 31, 2001, 2000 and 1999, respectively. Future minimum lease payments under noncancellable operating leases for equipment and sales offices in effect at December 31, 2001 are $567,000 in 2002, $531,000 in 2003, $273,000 in 2004, $103,000 in 2005 and $77,000 in 2006.

13. 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 $939,000, $884,000 and $524,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

14. 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, 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
Year ended December 31, 1999	27,673	1,151	7,091	14,924	7,678	4,622	63,139

15. Contingencies

The Company had an outstanding irrevocable standby letter of credit for $1,378,000 at December 31, 2001. 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.

16. Earnings Per Share

Basic earnings per common 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 common share are as follows:

(in thousands, except per share data)	**2001**	2000	1999
Net income	**$ 13,692**	$ 16,310	$ 14,751
Weighted average shares outstanding – basic	**14,554**	15,804	16,366
Basic earnings per share	**$ .94**	$ 1.03	$ .90
Effect of dilutive securities:			
Shares issuable upon exercise of dilutive outstanding restricted stock and stock options	**884**	465	323
Weighted average shares outstanding – diluted	**15,438**	16,269	16,689
Diluted earnings per share	**$ .89**	$ 1.00	$ .88
Anti-dilutive shares/options	**541**	201	570

17. Recently Issued Accounting Pronouncements

ANSYS adopted Statement of Financial Accounting Standards (SFAS) No. 141, *"Business Combinations"* for all business combinations initiated after June 30, 2001. This standard requires that all business combinations be accounted for using the purchase method and it further clarifies the criteria for recognition of intangible assets separately from goodwill.

Effective January 1, 2002, the Company adopted SFAS No. 142, *"Goodwill and Other Intangible Assets"* for existing goodwill and other intangible assets, including the non-amortization provisions of this standard arising from business combinations after June 30, 2001. This standard eliminates the amortization of goodwill and intangible assets with indefinite useful lives and requires annual testing for impairment. This standard also requires the assignment of assets acquired and liabilities assumed, including goodwill, to reporting units for purposes of the annual impairment test. As of December 31, 2001, ANSYS had net unamortized goodwill of $16.9 million and amortization expense associated with goodwill of $3.3 million, $1.1 million and $0.1 million for the years ended December 31, 2001, 2000 and 1999, respectively. The Company has evaluated the impact of the adoption of this standard on the consolidated financial statements and does not expect the adoption to have a material impact on the Company's financial position.

(in thousands, except per share data)	Fiscal Quarter Ended 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
Net income per common share – basic	.35	.18	.25	.16
Net income per common share – diluted	.33	.17	.24	.15
Adjusted earnings per share – diluted[1]	.38	.23	.29	.21
Common stock price per share[2]:				
High	27.73	19.15	18.72	13.63
Low	16.80	14.65	11.70	10.13

(in thousands, except per share data)	Fiscal Quarter Ended December 31, 2000	September 30, 2000	June 30, 2000	March 31, 2000
Revenue	$ 24,152	$ 16,682	$ 16,253	$ 17,380
Gross profit	21,345	14,601	14,459	15,377
Operating income	5,751	3,805	4,789	5,234
Net income	4,459	3,272	4,092	4,487
Net income per common share – basic	.28	.21	.26	.28
Net income per common share – diluted	.27	.21	.25	.27
Adjusted earnings per share – diluted[1]	.33	.24	.25	.27
Common stock price per share[2]:				
High	12.06	12.44	11.88	14.31
Low	9.44	9.38	9.00	9.88

(1) Adjusted earnings per share represents earnings per share determined in accordance with generally accepted accounting principles, excluding amortization expense, net of related income tax benefit, associated with intangible assets and goodwill resulting from business combinations accounted for under the purchase method.
(2) 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 7, 2002, there were 236 shareholders of record and approximately 3,400 beneficial shareholders of the Company's common stock.

Corporate Information

Headquarters:

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

http://www.ansys.com

Shareholder Information

Requests for information about the Company should be directed to:

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

Telephone: 724.514.1782

Report on Form 10-K

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

Stock Listing

Counsel

Goodwin Procter LLP, Boston, MA

Annual Meeting

The Annual Meeting of Stockholders will be held on May 9, 2002 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

PricewaterhouseCoopers LLP, Pittsburgh, PA

This entire report is printed on recycled paper.

ANSYS®
INCORPORATED

About ANSYS Inc.

ANSYS Inc. is a global innovator of simulation software and technologies designed to optimize product development processes. The company focuses on the development of open and flexible solutions that enable users to analyze designs directly on the desktop, providing a common platform for fast, efficient and cost-conscious product development, from design concept to final-stage testing and validation. Headquartered in Canonsburg, Pennsylvania, U.S.A., with more than 18 strategic sales locations throughout the world, ANSYS Inc. employs approximately 450 people and distributes its ANSYS,® DesignSpace,® AI*Solutions™ and ICEM CFD Engineering products as well as its CADOE technologies through a network of channel partners in 37 countries.

ANSYS Inc.
Southpointe
275 Technology Drive
Canonsburg, PA 15317
Telephone: 1.866.ANSYS.AI

ISO 9001 CERTIFICATION INCLUDES ALL COMMERCIAL PRODUCTS

MAR0006MAR02 Printed in U.S.A.