

Leading Collaborative Innovation

SDRC ANNUAL REPORT 2000

\\ To Our Shareholders

Last year's shareholder letter began by declaring, "SDRC is on an extraordinary journey." We are pleased to report that SDRC has completed the transition to a market-driven company, introduced new, disruptive products to the marketplace and stepped ahead of the competition. We have regained momentum and begun our final approach to a new, collaborative world and the next generation of solutions for our customers.

\\ As we have historically led the industry in innovation, mechanical design automation and product data management, we now will lead this next generation of collaborative technologies to enhance our customers' capability to plan, design, engineer, and manufacture products. Our collaborative product management initiative will provide the first comprehensive solution for horizontal collaboration within organizations, across the enterprise and to the supply chain—from collaborative project management to collaborative supply chain to collaborative product planning, and to collaborative product development. Each of these four areas is highlighted on the next few pages.

\\ In June, SDRC will release a new collaborative product suite that delivers on the promise of collaborative product management. We are proud of the innovation and technical achievement behind this new collaborative solution. We have rebuilt the company, leveraging the competencies of the old SDRC while putting in place a new organization and focus—energized at every level and reinforced by the commitment of outstanding partners and visionary customers. Transitioning and reinventing SDRC has required overcoming the sizable challenges of integrating disparate technologies in a new, transparent manner and aligning our corporate culture to support it. This reinvention included significant additions to our senior management team, aggressive redirection of our development and marketing teams, and strengthening our sales leadership and distribution channels. This transformation has required a substantial investment, but we are convinced it will amply reward SDRC's customers, partners, employees, and shareholders over the long run.

\\ For the year ended December 31, 2000, total SDRC revenues were \$451.9 million, up from 1999's \$442.2 million. Net income, excluding restructuring and other special

charges, was \$18.6 million, or \$0.51 per average common share, down from 1999's \$31.1 million, or \$0.83 per share. After restructuring and other special charges, net loss for the year was \$(27.7) million, or \$(0.77) per share, versus net income of \$28.0 million or \$0.75 per share in 1999. Our balance sheet remains strong, with no debt and substantial cash reserves.

What is Collaborative Product Management?

SDRC has been at the leading edge of collaboration in product design and data management since its inception, enabling companies to maximize their return on intellectual capital by developing innovative products with unmatched speed, sophistication, and fluency. Collaborative Product Management extends the enterprise through the web to team-oriented sessions for product planning, design and development, manufacturing support, and out of the enterprise to the complete supply chain. This collaborative environment complements SDRC's capabilities in design automation and significantly extends the reach of product data management.

\ \ SDRC's approach to CPM is a comprehensive response to changes in the way organizations, teams, and suppliers work together and how SDRC can help them evolve.

\ \ How companies develop product. It is not enough to have design automation or product data management without an integrated and global perspective. In the past, products could talk to each other, but little more. CPM moves a generation ahead with a degree of transparency and openness that enables an unprecedented interaction not only among SDRC products, but also among other commercial software systems — so that every aspect of product development from planning and design to production can be enhanced by shared knowledge, collaborative team and supplier interaction, and web visualization.

\ \ How organizations work together. CPM is grounded in the Internet realities of the 21st-century. Its not just flexible, but dynamically reconfigurable and extensible to meet constantly changing needs within and among internal workgroups and their external collaborators. Merging the web with a strong product foundation in design automation, product collaboration, knowledge management, and the supply chain addresses how tomorrow's customer will work — and is the basis of our new CPM solution.

\ \ How SDRC evolves. We have reinvented SDRC around this collaborative focus. This new collaborative environment is a perfect fit to SDRC's competencies in design, visualization, information management, and the web. New leading-edge productive technologies, tools, and methodologies, as well as a shift towards "Internet urgency" are at the heart of our transformation — affecting everything from product development

Collaborative PROJECT MANAGEMENT

Collaborative Project Management is a breakthrough enterprise solution that allows companies to reduce the costs and cycle times associated with globally diverse programs. This team-centric solution, accessed through a single collaboration portal, is the first to integrate project management, change control, life cycle integration, and visual product configuration.

\ \ SDRC solutions are helping leading aerospace and defense firms overcome the massive challenge of tracking every aspect of design and manufacturing, as well as the many variations of literally millions of parts and components. SDRC solutions have helped companies convert as many as 14 disparate BOM systems into one, increase accuracy to almost 100%, and double inventory turn rates.

to sales, marketing, distribution, channel development, strategic alliances, technical support, and finance and administration. Much like our customers, our goal is to lead in this new era. We are intent on making SDRC the best possible partner, employer, and supplier for the coming generation.

Accelerating Success

We enter 2001 with a new agenda, a clear vision, and metrics to measure our success. While we are not all the way there yet, the goal is clearly in sight. SDRC's new CPM product roadmap provides the opportunity to accelerate success in our world-class customer community. We closed out the year with a record quarter for Metaphase, our product knowledge management solution, and the foundation for CPM. Metaphase sales grew 32% in Q4 2000, as SDRC became the overwhelming world standard for the automotive and aerospace industries. Highlights included significant orders from BFGoodrich Aerospace, EADS, Ford, Thiokol, Harley Davidson, and Nissan.

\ \ At the same time, we entered a new era of strategic collaboration with the announcement of global alliances with Oracle, EDS, and Sun Microsystems as implementation and business partners for our e-commerce products, Metaphase and Accelis, reflecting recent internal initiatives that have heightened our focus on partnerships and business development.

\ \ While our next step is clearly Internet-centric, we have also continued to drive SDRC products to ever-higher levels of performance and functionality, while helping customers speed implementation through prepackaged software and service solutions. Foundation technology, content, and value are prerequisites for either our client-server enterprise solution or web-centric implementations.

\ \ From the early 2000 release of our Accelis e-business integration platform, through the Q4 2000 releases of Metaphase Express™ and its aerospace and defense solution, to our February 2001 release of I-DEAS Enterprise™ and the Metaphase Express automotive solution, we have outpaced the industry in new enterprise solutions and been rewarded with extraordinary enthusiasm among customers and industry analysts alike. We believe that Metaphase Express has redefined product data management with a new rapid deployment solution for vertical markets. Similarly, I-DEAS Enterprise has created a new paradigm for enterprise CAD solutions. Our CPM technology revolution will build on these developments and continue SDRC's industry-redefining product introductions throughout 2001.

\ \ These technology and solution thrusts reflect our continuing focus on the unique needs of customers in markets such as automotive, aerospace, electronics, and

Collaborative S U P P L Y C H A I N

Collaborative Supply Chain is a unique solution that brings supply chain management to the product definition life cycle in an exchange-based collaborative environment. The only solution to support both the supplier's and the OEM's view into requirements management and product development, Collaborative Supply Chain finally brings the supply chain into the core of product definition.

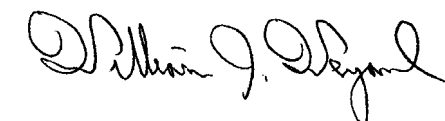
\ \ Automotive OEMs are increasingly standardizing on SDRC solutions for product design and knowledge management. Key suppliers are also leveraging SDRC solutions to help them collaborate more closely with their customer OEMs. As a result, both OEMs and their suppliers are tracking time-to-market improvements of 30 to 70%, and documenting annual savings of \$4 million or more.

Collaborative PRODUCT PLANNING

Collaborative Product Planning is the first solution to target early participants in the product life cycle who are responsible for determining the product's design requirements and eventual supply chain. With this solution, all product planning takes place in a single exchange-based environment in which conceptual requirements are developed, managed, and integrated into product development activities.

\ \ Industrial machinery manufacturers are building collaborative development environments within and beyond the enterprise. These global leaders are using SDRC solutions to dramatically reduce custom design time from months to days, increase productivity by 60%, and slash product development times by 75%.

industrial machinery as the means to more directly address the unique needs of our individual customers. The concept that discrete manufacturing now requires industry-specific technology and domain expertise as part of the overall product development solution has gained wide acceptance in both the customer and analyst communities. We have aggressively added value to vertical markets in every facet of our business, and we are leading our industry in accelerating return on investment for our customers. \ \ We believe this year's accomplishments constitute the broad and unshakable foundation for SDRC's new generation of collaborative product management solutions. We are fully committed to taking world-class capabilities, relationships, and friends along with us into that next-generation world. We are equally committed to strengthening market leadership and we are proud of the support of our customers, partners, employees, and shareholders as we work to complete this transition to an even better version of SDRC.



William J. Weyand
Chairman and Chief Executive Officer



Glenn Wienkoop
President and Chief Operating Officer

March, 2001



\ \ Technology and Our Marketplace

For every manufacturer in the world, competitive advantage is a function of speed, quality, innovation, and cost in product development. Getting innovative products to market quickly and economically is not simply a goal—it is the fundamental building block of market leadership, value creation, and long-term success.

\ \ From its founding, SDRC has been helping manufacturers optimize product development through advanced collaborative technologies. SDRC products unlock and speed the flow of new ideas; streamline and automate design and production; ensure the integrity and efficiency of components, systems and processes; and turn the enterprise-wide accumulation of product knowledge into a unified, flexible strategic asset. Our move into web-centric collaboration at a time when companies everywhere are investing substantial sums in advanced systems for supply chain management and customer relationship management, further enhances the strategic value of what we provide.

\ \ SDRC's I-DEAS® and Metaphase product lines have enabled a quantum leap in the speed and agility of product development across a range of industries, as illustrated by the industry examples in this report. Today, used in combination with other products such as SDRC's SLATE engineering groupware for requirements management and Accellis for enterprise application integration, our combined Collaborative Product

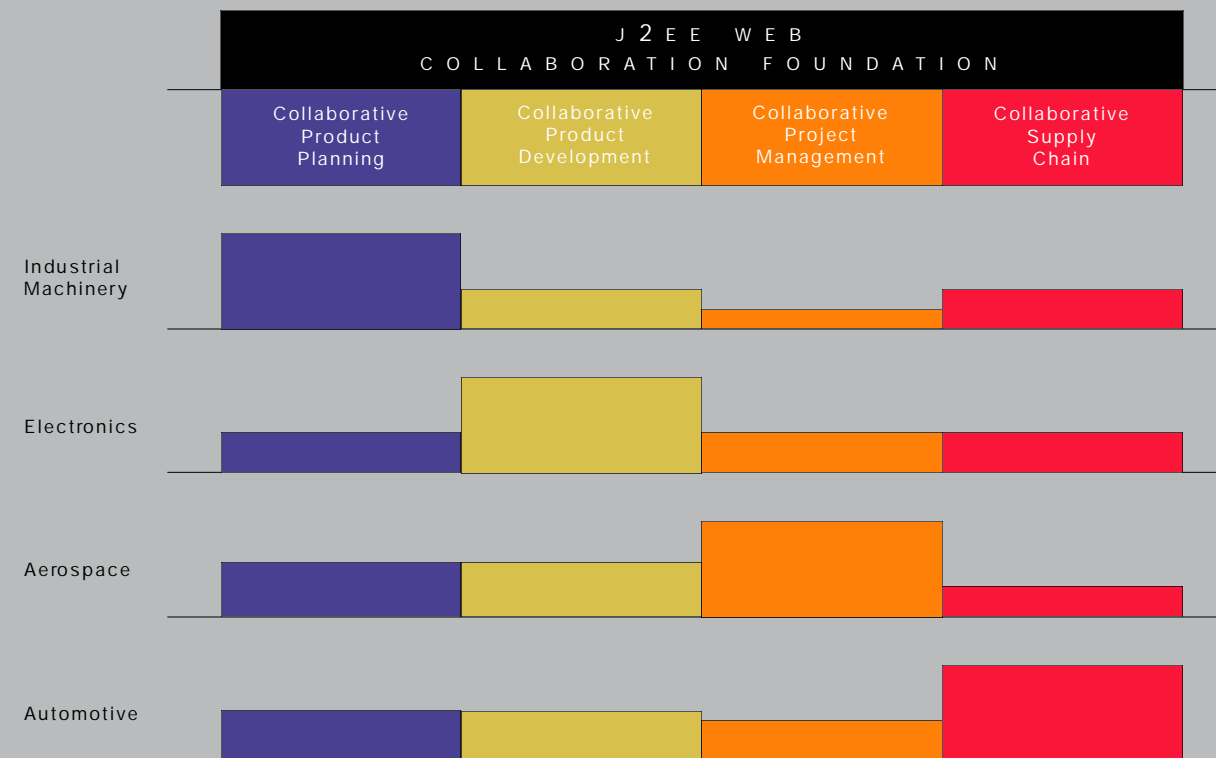
Collaborative PRODUCT DEVELOPMENT

Collaborative Product Development is at the heart of SDRC's CPM solution and provides companies with an unsurpassed capability for globally dispersed teams involved in the product development life cycle. No other solution combines the scalability of enterprise archiving with the power of life cycle management, visual product configuration, and powerful simulation tools with real time collaboration – even while the number of designs and accurate change requests increases.

\ \ In the electronics industry, innovation is virtually everything. SDRC's world-class electronics partners are collaboratively cutting time-to-market by 30 to 50%, setting market standards for innovation and quality while saving millions in development costs.

AMR RESEARCH ALERT ON CUSTOMER MANAGEMENT MARCH 2000

"Moving beyond bottom-line cost reductions toward creating top-line revenue and market growth requires the innovative process of designing new products with increased value to the customer. This level of collaboration moves beyond delivering content or exchanging some specification requirements. It involves interaction between customers, OEMs, and suppliers on the design, as it is modified throughout the development phase."



GartnerGroup: RETHINKING COLLABORATION, BUSINESS CHALLENGES AND OPPORTUNITIES UPDATE, 24 JANUARY 2001, WALDIR AREVOLO DE AZEVEDO FILHO

"Rethinking collaboration means taking actions that overcome challenges. With collaboration, enterprises will thrive; without it, they will fail."

Management (CPM) solution provides a comprehensive infrastructure at every stage of product design, development and manufacturing — including managing relationships with customers and suppliers over the web.

\ \ Industry analysts have coined the term Collaborative Product Commerce (CPC) to describe a web-based transactional model for collaboration. Working both on its own and in conjunction with other industry suppliers, SDRC has been a leader in creating product development-centric solutions to facilitate the implementation of a CPC model. As a result, our own CPM will be the heart and mind of the product-producing organizations enabling CPC. Collaborative Product Management provides the complete underlying collaborative structures, strategies, and processes through which companies translate product development into business value and sustainable competitive advantage.

\ \ This new generation begins with the technology components aligned with core SDRC functionality and then goes well beyond with next-generation collaboration tools that leverage the web infrastructure to create high-speed, transparent environments for innovation and workflow across the entire product life cycle. Combined with the industry's broadest application depth and our ExperTeamSM services and consulting organization, SDRC will set the industry standard for rapid return on clients' investment.

\ \ Collaborative Product Management will allow SDRC's customers to exploit collaborative opportunities never before available. In the process, it promises to fundamentally change the way manufacturing companies plan, design, manage, and service their products. From requirements planning to project management to real-time maintenance and repair operations, Collaborative Product Management provides an integrated solution that extends innovation beyond the walls of the company through the entire product life cycle. This takes collaboration far beyond the exchange of supply and commodity data to a solution that creates real business value through rapid product innovation, best-in-class design, superior product and project management, and true enterprise integration for large scale global collaboration between customers, OEMs and suppliers.

BUILDING THE SOLUTION FOR Collaborative PRODUCT MANAGEMENT

SDRC's Collaborative Product Management (CPM) solution suite provides a web-native environment, assuring the customer of true Internet collaboration from which to manage the entire product development process. The J2EE compliant architecture allows for web interoperability based on open, industry-accepted Internet standards. The CPM architecture offers scalability with the web underpinnings necessary for future internet growth and supports four primary solutions: Collaborative Product Planning, Collaborative Product Development, Collaborative Program Management and Collaborative Supply Chain.

\ \ Today's demanding business environment requires "value chain collaboration" across the entire product life cycle...collaboration encompassing the development, supply, and support chains. SDRC's focus on key industry verticals (left) reflects both the shared best practices and unique requirements of today's manufacturers. The functional content of SDRC's CPM solution can vary between vertical industries and companies as dictated by their unique business process needs.

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Stockholm, Sweden
Strasbourg, France
Stuttgart, Germany
Toulouse, France
Valencia, Spain
Zurich, Switzerland

SHAREHOLDER INFORMATION

2001 Annual Shareholders' Meeting

Date: Thursday, May 3, 2001
Time: 2:00 P.M.
Place: SDRC World Headquarters
2000 Eastman Drive
Milford, Ohio 45150

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INVESTOR RELATIONS

Shareholders may obtain a copy of the Form 10-K
filed with the Securities and Exchange Commission,
or any additional information, by contacting:

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COMMON STOCK

SDRC's common stock is traded on the
Nasdaq Stock Market under the symbol SDRC.

You can view an online version of this annual report, including excerpts of interviews with SDRC customers, by visiting the investor relations section of www.sdrc.com

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