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

FORM 10-Q

(Mark One)
[X} QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1998

OR

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

Commission file number: 0-20853

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

DELAWARE	04-3219960
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

275 Technology Drive, Canonsburg, PA	15317
(Address of principal executive offices)	(Zip Code)

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

Indicate by a check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

The number of shares of the Registrant's Common Stock, par value $.01 per share, outstanding as of November 6, 1998 was 16,381,458 shares.

ANSYS, INC. AND SUBSIDIARIES

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Trademarks used in this Form 10-Q: ANSYS(r) and DesignSpace(r) are registered trademarks of SAS IP, Inc., a wholly-owned subsidiary of ANSYS, Inc.

PART I - FINANCIAL INFORMATION

Item 1. - Financial Statements:

ANSYS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share information)

	Sept. 30, 1998	Dec. 31, 1997
ASSETS	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 4,751	$ 13,990
Short-term investments	35,275	13,853
Accounts receivable, less allowance for doubtful accounts of $1,750 in 1998 and $2,080 in 1997	7,326	8,034
Other current assets	832	926
Deferred income taxes	80	125
Total current assets	48,264	36,928
Securities available for sale	182	182
Property and equipment, net	3,937	4,771
Capitalized software costs, net of accumulated amortization of $15,562 in 1998 and $15,471 in 1997	491	260
Other intangibles, net	1,994	2,374
Deferred income taxes	8,524	9,066
Total assets	$ 63,392	$ 53,581
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 229	$ 235
Accrued bonuses	1,831	2,133
Other accrued expenses and liabilities	3,277	2,562
Accrued income taxes payable	248	46
Customer prepayments	474	746
Deferred revenue	8,329	7,445
Total Current liabilities	14,388	13,167
Stockholders' equity:		
Preferred stock, $.01 par value, 2,000,000 shares authorized	-	-
Common stock, $.01 par value; 50,000,000 shares authorized; 16,390,232 and 16,359,134 shares issued in 1998 and 1997	164	164
Additional paid-in capital	36,474	36,089
Less treasury stock, at cost: 11,874 shares held in 1998 and 68,800 shares held in 1997	(5)	(12)
Retained earnings	12,525	4,327
Accumulated other comprehensive income	120	120
Notes receivable from stockholders	(274)	(274)
Total stockholders' equity	49,004	40,414
Total liabilities and stockholders' equity	$ 63,392	$ 53,581

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

ANSYS, INC.AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(in thousands, except per share data)
(Unaudited)

	Three months ended		Nine months ended	
	Sept. 30, 1998	Sept. 30, 1997	Sept. 30, 1998	Sept. 30, 1997
Revenue:				
Software licenses	$ 7,884	$ 7,309	$ 25,661	$ 25,249
Maintenance and service	5,623	4,180	15,635	10,811
Total revenue	13,507	11,489	41,296	36,060
Cost of sales:				
Software licenses	818	669	2,552	2,024
Maintenance and service	697	595	1,987	1,757
Total cost of sales	1,515	1,264	4,539	3,781
Gross profit	11,992	10,225	36,757	32,279
Operating expenses:				
Selling and marketing	3,225	2,746	9,448	8,470
Research and development	2,663	2,538	8,694	8,341
Amortization	218	177	661	2,607
General and administrative	2,309	2,260	6,990	6,124
Total operating expenses	8,415	7,721	25,793	25,542
Operating income	3,577	2,504	10,964	6,737
Other income	533	225	1,398	646
Income before income tax provision	4,110	2,729	12,362	7,383
Income tax provision	1,400	1,010	4,165	2,730
Net income	2,710	1,719	8,197	4,653
Other comprehensive income(loss), net of tax:				
Unrealized losses on securities	-	-	-	(200)
Comprehensive income	$ 2,710	$ 1,719	$ 8,197	$ 4,453
Net income per basic common share:				
Basic earnings per share	$ 0.17	$ 0.11	$ 0.51	$ 0.30
Weighted average shares - basic	16,080	15,743	16,006	15,671
Net income per diluted common share:				
Diluted earnings per share	$ 0.16	$ 0.10	$ 0.49	$ 0.28
Weighted average shares - diluted	16,672	16,838	16,634	16,681

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

ANSYS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

Nine months ended

	Sept 30, 1998	Sept 30, 1997
Cash flows from operating activities:		
Net income	$ 8,197	$ 4,653
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,012	3,600
Deferred income tax provision	587	150
Provision for bad debts	545	650
Change in operating assets and liabilities:		
Accounts receivable	164	85
Income taxes	202	(685)
Other current assets	94	(644)
Accounts payable, accrued expenses and liabilities and customer prepayments	135	(1,425)
Deferred revenue	884	3,305
Net cash provided by operating activities	12,820	9,689
Cash flows from investing activities:		
Capital expenditures	(707)	(1,935)
Capitalization of internally developed software costs	(322)	(229)
Proceeds from maturities of short-term investments	6,248	-
Purchase of short-term investments	(27,670)	(10,442)
Net cash used in investing activities	(22,451)	(12,606)
Cash flows from financing activities:		
Proceeds from issuance of common stock under employee stock purchase plan	168	125
Proceeds from issuance of treasury stock	201	-
Proceeds from exercise of stock options	28	206
Repayment of stockholder notes	-	28
Purchase of Treasury stock	(5)	-
Net cash provided by financing activities	392	359
Net decrease in cash and cash equivalents	(9,239)	(2,558)
Cash and cash equivalents, beginning of period	13,990	17,069
Cash and cash equivalents, end of period	$ 4,751	$ 14,511
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Income taxes	$ 2,695	$ 3,380
Supplemental non cash investing and financing activities:		
Decrease in securities available for sale	-	(200)

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

ANSYS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 1998
(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements included herein have been prepared by ANSYS, Inc. (the "Company") in accordance with generally accepted accounting principles for interim financial information for commercial and industrial companies and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. The financial statements as of and for the three and nine months ended September 30, 1998 should be read in conjunction with the Company's consolidated financial statements (and notes thereto) included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997. Accordingly, the accompanying statements do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a

fair presentation of the financial statements have been included, and all adjustments are of a normal and recurring nature. Operating results for the three months and nine months ended September 30, 1998 are not necessarily indicative of the results that may be expected for the year ending December 31, 1998.

2. NET INCOME PER SHARE

Effective December 31, 1997, the Company adopted Statement of Financial Accounting Standards No.128, "Earnings per Share." The Statement requires the disclosure of basic and diluted earnings per share and revises the method required to calculate these amounts under previous standards. Earnings per share data for the three and nine month periods ended September 30, 1997 have been restated to reflect the adoption of this Statement. The adoption of this standard did not materially impact previously reported earnings per share for the three and nine months periods ended September 30, 1997. The total shares issuable upon exercise of dilutive stock options and outstanding shares of restricted stock, which are included in the calculation of diluted earnings per share, totaled 592,000 and 1,095,000 and 628,000 and 1,010,000 for the three and nine month periods ended September 30, 1998 and 1997, respectively.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

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

We have reviewed the condensed consolidated balance sheet of ANSYS, Inc. and Subsidiaries as of September 30, 1998, the related condensed consolidated statements of income and comprehensive income for the three-month and nine-month periods ended September 30, 1998 and 1997, and condensed consolidated cash flows for the nine-month periods ended September 30, 1998 and 1997. These financial statements are the responsibility of ANSYS's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is an expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of ANSYS, Inc. and Subsidiaries as of December 31, 1997, and the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended (not presented herein). In our report dated January 29, 1998, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 1997, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP

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Pittsburgh, Pennsylvania
October 20, 1998

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ANSYS, Inc. (the "Company") is a leading international supplier of analysis and engineering software for optimizing the design of new products. The Company is committed to providing the most open and flexible analysis solutions to suit customer requirements for engineering software in today's competitive marketplace. In addition, the Company partners with leading design software suppliers to develop state-of-the-art computer-aided design ("CAD") integrated products. A global network of ANSYS Support Distributors ("ASDs") provides sales, support and training for customers. Additionally, the Company distributes its DesignSpace(r) products through its global network of ASDs, as well as a network of independent distributors and dealers (value-added resellers or "VARs") who support sales of DesignSpace(r) products to end users throughout the world. The following discussion should be read in conjunction with the attached unaudited condensed consolidated financial statements and notes thereto for the three-month and nine-month periods ended September 30, 1998 and September 30, 1997 and with the Company's audited financial statements and notes thereto for the fiscal year ended December 31, 1997.

This Form 10-Q 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 "anticipate", "intend", "believe", "plan" and other similar expressions. The Company's actual results could differ materially from those set forth in the forward-looking statements. Certain factors that might cause such a difference include uncertainties regarding customer acceptance of new products, possible delays in developing, completing or shipping new or enhanced products, potential volatility of revenues and profit in any period due to, among other things, lower than expected demand for or the ability to complete large contracts, regional economies, Year 2000 readiness status, as well as other risks and uncertainties that are detailed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section in the 1997 Annual Report to Shareholders , and in the statement of "Certain Factors Affecting Future Results" included herein as Exhibit 99 to this Form 10-Q.

Results of Operations

Three Months Ended September 30, 1998 Compared to Three Months Ended September 30, 1997

Revenue. The Company's total revenue for the 1998 quarter increased 17.6% to $13.5 million from $11.5 million for the 1997 quarter. The increase was primarily related to an increase in maintenance revenue, which resulted from broader customer usage of maintenance and support services and the Company's continued emphasis on marketing and promoting these services. The increase in revenue for the 1998 quarter was also attributable, to a lesser extent, to an increase in sales of paid-up licenses, as discussed in further detail below.

Software license revenue totaled $7.9 million for the 1998 quarter as compared to $7.3 million for the 1997 quarter, a 7.9% increase. This increase principally resulted from a 15.7% growth in paid-up license revenue to $4.4 million for the 1998 quarter from $3.8 million for the 1997 quarter, primarily in international markets. Total combined revenue from monthly and noncancellable annual leases remained stable at $3.5 million for each of the 1998 and 1997 quarters. While the Company experienced a $1.3 million decrease in monthly lease revenue in the 1998 third quarter as compared to the 1997 third quarter, this was completely offset by a $1.3 million increase in revenue

attributable to the portion of noncancellable annual license fees which are recognized as paid-up revenue upon renewal or inception of the lease. The Company anticipates that revenue from monthly leases will continue to decline as existing leases are renewed, and new leases are sold, as noncancellable annual leases, and to a lesser extent certain monthly leases are converted to paid-up licenses.

Maintenance and service revenue increased 34.5% for the 1998 quarter to $5.6 million from $4.2 million for the 1997 quarter, as a result of broader customer usage of maintenance and support services and the Company's increased emphasis on marketing and promoting these services, as well as an increase in the renewal and sale of noncancellable annual leases.

Of the Company's total revenue for the 1998 quarter, approximately 54.2% and 45.8%, respectively, were attributable to international and domestic sales, as compared to 53.3% and 46.7%, respectively, for the 1997 quarter.

Cost of Sales and Gross Profit. The Company's total cost of sales increased 19.9% to $1.5 million, or 11.2% of total revenue, for the 1998 quarter from $1.3 million, or 11.0% of total revenue, for the 1997 quarter. The Company's cost of sales for software license revenue increased 22.3% for the 1998 quarter to $818,000, or 10.4% of software license revenue, from $669,000, or 9.2% of software license revenue, for the 1997 quarter. The increase was principally attributable to additional headcount and related costs. The Company's cost of sales for maintenance and service revenue, which totaled $697,000 and $595,000, or 12.4% and 14.2% of maintenance and service revenue, for the 1998 and 1997 quarters, respectively, also increased due to additional headcount and related costs, and to a lesser extent due to increased consulting fees in the 1998 third quarter.

As a result of the foregoing, the Company's gross profit increased 17.3% to $12.0 million for the 1998 quarter from $10.2 million for the 1997 quarter.

Selling and Marketing. Selling and marketing expenses increased 17.4% for the 1998 quarter to $3.2 million from $2.7 million for the 1997 quarter, or 23.9% of total revenue for both the 1998 and 1997 quarters. During the 1998 quarter, the Company experienced an increase in expenses directly associated with its worldwide users' conference, in addition to increased expenses associated with strategic office locations in the United Kingdom, China and Japan, as compared to the 1997 quarter.

Research and Development. Research and development expense totaled $2.7 million and $2.5 million for the 1998 and 1997 quarters, or 19.7% and 22.1% of total revenue, respectively, and exclude costs which are capitalized in accordance with Financial Accounting Standards No.86. The increase in research and development expense in the 1998 quarter was primarily attributable to increased consulting fees and developers' salaries as compared to the 1997 quarter. The 1998 and 1997 quarters exclude capitalized internal software costs of approximately $280,000 and $90,000, respectively. The amount of capitalized software development costs will vary among quarters depending upon the stage of the development cycle which the Company has reached in connection with future commercial product releases.

Amortization. Amortization expense remained relatively consistent at $218,000 and $177,000 in the 1998 and 1997 quarter, respectively.

General and Administrative. General and administrative expenses have remained stable at $2.3 million, or 17.1% and 19.7% of total revenue for the 1998 and 1997 quarters, respectively.

Other Income. Other income increased 136.9% to $533,000 for the 1998 quarter as compared to $225,000 for the 1997 quarter. This increase was attributable to higher interest-bearing cash and short-term investment balances in the 1998 quarter.

Income Tax Provision. The Company's effective rate of taxation was 34.1% for the 1998 quarter as compared to 37.0% for the 1997 quarter. This percentage is less than the federal and state combined statutory rate due primarily to the utilization of research and experimentation credits, as well as the use of a

foreign sales corporation, which was established in the fourth quarter of 1997 and is the primary reason for the decrease in the Company's effective tax rate in the 1998 quarter.

Net Income. The Company's net income in the third quarter of 1998 was $2.7 million as compared to $1.7 million in the third quarter of 1997. Diluted earnings per share increased to $0.16 in the 1998 quarter as compared to $0.10 in the 1997 quarter. The increase in diluted earnings per share is attributable to the increase in net income. The weighted average shares outstanding used in computing net income per diluted common share totaled 16,672,000 and 16,838,000 in the 1998 and 1997 quarter, respectively.

Nine Months Ended September 30, 1998 Compared to Nine Months Ended September 30, 1997

Revenue. The Company's total revenue increased 14.5% for the 1998 nine months to $41.3 million from $36.1 million for the 1997 nine months. This increase was attributable principally to an increase in revenue from renewals and sales of leases as noncancellable annual leases, for which a portion of the annual license fee is recognized as paid-up revenue upon renewal or inception of the lease, while the remaining portion is recognized as maintenance revenue ratably over the remaining lease period. This increase, which was partially offset by a decrease in monthly lease revenue, as discussed in the paragraph below, was due, in part, to the active sales and licensing of noncancellable annual leases to existing and new lease customers. The increase in revenue in the 1998 nine months was also attributable to increased maintenance revenue, which resulted from broader customer usage of maintenance and support services and the Company's continued emphasis on marketing and promoting its maintenance services.

Software license revenue totaled $25.7 million for the 1998 nine months as compared to $25.2 million for the 1997 nine months, an increase of 1.6 %. The increase resulted principally from an increase in revenue from renewals and sales of leases as noncancellable annual leases, and to a lesser extent, an increase in sales of paid-up licenses in international markets. Revenue from the sale of paid-up licenses and the portion of noncancellable annual leases classified as paid-up revenue, increased 35.0% for the 1998 nine months to $20.9 million from $15.4 million for the 1997 nine months. This increase was partially attributable to a refinement of management's estimate relative to the allocation of noncancellable annual lease revenue between paid-up and maintenance revenue, which occurred in the first quarter of 1998. The refinement, which management believes more accurately reflects the Company's current pricing and business practices, resulted in a net revenue increase of approximately $1.1 million in the 1998 nine months, of which approximately $980,000 was recorded in the first quarter of 1998.

The increase discussed above was partially offset by a 51.0% decrease in monthly lease license revenue to $4.8 million for the 1998 nine months from $9.8 million for the 1997 nine months. This decrease was attributable to both an increase in the renewal of existing monthly leases as noncancellable annual leases, and to a lesser extent the conversion of certain existing lease licenses to paid-up licenses throughout the course of the past year.

Maintenance and service revenue increased 44.6% for the 1998 nine months to $15.6 million from $10.8 million for the 1997 nine months, as a result of broader customer usage of maintenance and support services and the Company's increased emphasis on marketing and promoting these services, as well as an increase in the renewal and sale of noncancellable annual leases.

Of the Company's total revenue for the 1998 nine months, approximately 53.6% and 46.4%, respectively, were attributable to international and domestic sales, as compared to 53.1% and 46.9%, respectively, for the 1997 nine months.

Cost of Sales and Gross Profit. The Company's total cost of sales increased 20.0% to $4.5 million, or 11.0% of total revenue, for the 1998 nine months from $3.8 million, or 10.5% of total revenue, for the 1997 nine months. The Company's cost of sales for software license revenue increased 26.1% for the 1998 nine months to $2.6 million, or 9.9% of software license revenue, from

$2.0 million, or 8.0% of software license revenue, for the 1997 nine months. The increase was due to the addition of headcount and related expenses, as well as increased costs associated with the printing of manuals, packing supplies, media and royalty fees. The Company's cost of sales for maintenance and service revenue totaled $2.0 million and $1.8 million, or 12.7% and 16.3% of maintenance and service revenue, for the 1998 and 1997 nine months, respectively. The increase in the 1998 period was principally attributable to increases in salaries, benefits and consulting fees as additional staff and consultants have been added to support the growth in global service revenue and related customer and ASD support needs.

As a result of the foregoing, the Company's gross profit increased 13.9% to $36.8 million for the 1998 nine months from $32.3 million for the 1997 nine months.

Selling and Marketing. Selling and marketing expenses increased 11.5% for the 1998 nine months to $9.4 million, or 22.9% of total revenue, from $8.5 million, or 23.5% of total revenue, for the 1997 nine months. The increase in selling and marketing expenses resulted primarily from increased consulting and sales support costs incurred in connection with supporting its global sales and marketing infrastructure. Additionally, during the 1998 nine month period the Company also experienced an increase in expenses directly associated with its worldwide users' conference and increased expenses associated with strategic office locations in the United Kingdom, China and Japan, as compared to the 1997 nine month period.

Research and Development. Research and development expenses increased 4.2% for the 1998 nine months to $8.7 million, or 21.1% of total revenue, from $8.3 million, or 23.1% of total revenue, for the 1997 nine months. This increase resulted primarily from a growth in computer software costs and hardware related depreciation expense as the Company continues to invest in software and hardware tools used to develop and enhance the Company's products, as well as increased consulting costs associated with the releases of ANSYS 5.5 and DesignSpace 4.1.

Amortization. Amortization expense totaled $661,000 for the 1998 nine months as compared to $2.6 million for the 1997 nine months. The decrease was attributable to the full amortization of certain intangible assets, including goodwill and capitalized software, during the first quarter of 1997.

General and Administrative. General and administrative expenses increased 14.1% for the 1998 nine months to $7.0 million, or 16.9% of total revenue, from $6.1 million, or 17.0% of total revenue, for the 1997 nine months. The increase is primarily attributable to an increase in headcount and related expenses as the Company has added internal information technology, finance and administrative resources to support its global operations and infrastructure. In addition, during the 1998 nine months, the Company experienced an increase in legal fees related to a dispute regarding the expiration of an ASD distribution agreement. These increases were partially offset by a decrease in bad debt expense.

Other Income. Other income increased 116.4% to $1.4 million for the 1998 nine month period as compared to $646,000 for the 1997 nine month period. This increase was attributable to higher interest-bearing cash and short-term investment balances in 1998.

Income Tax Provision. The Company's effective rate of taxation was 33.7% for the 1998 nine months, as compared to 37.0% for the 1997 nine months. These percentages are less than the federal and state combined statutory rate due primarily to the utilization of research and experimentation credits, as well as the use of a foreign sales corporation, which was established in the fourth quarter of 1997 and is the primary reason for the decrease in the Company's effective tax rate in the 1998 nine months.

Net Income. The Company's net income in the nine months of 1998 totaled $8.2 million as compared to net income of $4.7 million in the 1997 nine months. Diluted earnings per share increased to $0.49 in the 1998 nine months as compared to diluted earnings per share of $0.28 in the 1997 nine months as a result of the increase in net income. The weighted average shares used in computing net income per diluted share totaled 16,634,000 in the 1998 nine month period and 16,681,000 in the 1997 nine month

period.

Liquidity and Capital Resources

As of September 30, 1998, the Company had cash, cash equivalents and short-term investments totaling $40.0 million and working capital of $33.9 million, as compared to cash, cash equivalents and short-term investments of $27.8 million and working capital of $23.8 million at December 31, 1997.

The Company's operating activities provided cash of $12.8 million for the nine months ended September 30, 1998 and $9.7 million for the nine months ended September 30, 1997. The increase in the Company's cash flow from operations for the 1998 nine months as compared to the 1997 nine months was a result of increased earnings as well as improved management of working capital. Net cash generated by operating activities provided sufficient resources to fund increased headcount and capital needs to support the Company's expansion of its global infrastructure and continued investment in research and development activities for the nine months ended September 30, 1998.

Cash used in investing activities totaled $22.5 million for the nine months ended September 30, 1998 and $12.6 million for the nine months ended September 30, 1997. The increase is principally due to the purchase of short-term investments in the nine months ended September 30, 1998. Capital expenditures in 1997 have been primarily related to furniture and equipment for the new corporate office facility, which the Company initially occupied in February 1997, as well as computer hardware and software to support the continued growth of the Company's development activities and the expansion of its global sales and support infrastructure. The Company currently plans additional capital spending of approximately $250,000 throughout the remainder of 1998, however, the level of spending will be dependent upon various factors, including growth of the business and general economic conditions.

Financing activities provided net cash of $392,000 for the nine months ended September 30, 1998 and $359,000 for the nine months ended September 30, 1997. Cash provided from financing activities for the 1998 and 1997 nine month periods primarily included proceeds from issuance of treasury stock and common stock under employee stock option and purchase plans.

Management's Assessment of Year 2000 Readiness.

The subsequent "Year 2000 ("Y2K")" discussion contains various forward-looking statements which represent the Company's beliefs or expectations regarding future events. When used in the "Year 2000" discussion, the words "believe," "expects," "estimates" and other similar expressions are intended to identify forward-looking statements. Forward-looking statements include, without limitation, the Company's expectations as to when it and its significant distributors, customers and suppliers will complete the implementation and compliance phases of the Y2K Plan, as well as its Year 2000 contingency plans; its estimated costs related to the Y2K Plan; and the Company's belief that its internal systems and equipment will be Year 2000 compliant in a timely manner. All forward-looking statements involve a number of risks and uncertainties that could cause the actual results to differ materially from the projected results. Factors that may cause these differences include, but are not limited to, the availability of qualified personnel and other information technology resources; the ability to identify and remediate all date sensitive lines of code or to replace embedded chips in affected systems or equipment; unanticipated delays or expenses related to remediation; and the actions of independent third parties with respect to Year 2000 problems.

The statements in the following section include "Year 2000 readiness disclosure" within the meaning of the Year 2000 Information and Readiness Disclosure Act of 1998.

The "Year 2000" problem refers to the inability of software to process date information later than December 31, 1999. Date codes in many software programs are abbreviated to allow only two

digits for the year. Software with date-sensitive functions that is not year 2000 compliant may not be able to distinguish whether "00" means 1900 or 2000. When that happens, some software will not work at all and other software will suffer critical calculation and other processing errors. Hardware and other products with embedded chips may also experience problems.

Company's Software Products:
The Company provides analysis and engineering software for optimizing the design of new products. The functionality offered by these products is generally not date dependent and consequently the Company's software products have minimal date sensitivities or dependencies.

The current releases of the Company's ANSYS Family of Products and the DesignSpace products are Y2K Compliant, as defined below. Management believes that essentially 100% of its year-to-date 1998 license and service revenue has been derived from the sale of Y2K Compliant products and services. The Company defines "Y2K Compliant" as meaning the ability to meet the British Standards Institution DISC PD2000-1: Year 2000 conformity requirements. This definition provides that Year 2000 conformity shall mean that neither performance nor functionality is affected by dates prior to, during and after the year 2000.

The Company began shipping Y2K Compliant ANSYS Family of Products beginning in 1997 with Release 5.4. The Company began shipping Y2K Compliant DesignSpace products beginning in 1996 with Release 2.0. The Company believes that versions of the ANSYS Family of Products shipped between 1993 through 1996 should work past December 31, 1999. However, the Company cannot make a definitive statement regarding these products because they have not been tested on all platforms or on all versions of operating systems. Consequently, the Company has advised its customers who may still be running these older versions to (a) upgrade to later releases of the Company's software, and (b) verify that their platforms and operating systems support the transition to the year 2000. ANSYS Family of Products shipped prior to 1993 will not work after December 31, 1999 and ANSYS has continually advised its customers to upgrade such products to newer versions.

Some commentators have predicted significant litigation regarding Y2K compliance issues, and the Company is aware of such lawsuits against other software vendors. Because of the unprecedented nature of such litigation, it is uncertain whether, or to what extent, the Company may be affected. However, at this time the Company believes that the existence of earlier versions of its products that are not Y2K compliant is not likely to have a material adverse effect on the Company or its operations.

Company's Internal Systems:
The Company has developed a Year 2000 Project Plan ("Y2K Plan") that addresses both information technology systems ("IT") (i.e. business systems and the software development environment) and non-IT systems, ie. elevators, building security and HVAC systems.

The Y2K Plan includes five Phases: 1) raising Company awareness, 2) a company-wide system inventory, 3) criticality assessment, 4) implementation (including remediation, upgrading and/or replacement of certain systems), and 5) compliance testing. Phases 1-3 are complete. Phase 4 (implementation) and Phase 5 (compliance testing) are underway in an iterative process dependent on what may be found during compliance testing. The following graphs present information on the Company's current overall status of the implementation and compliance phases of the Y2K Plan, as well as information regarding expected final testing completion dates. This information, provided in these graphs, specifically relates to internal systems which have been identified as high or critical importance during the criticality assessment phase of the Y2K Plan.

[Graph of Compliance Status Determined]

A bar chart entitled "Compliance Status Determined" at the top left of page 15 of the 10-Q shows that by 9/30/98, 12/31/98 and 3/31/99 (shown below each bar) the Company has determined compliance status to be 87%, 97% and 100%, respectively.

[Graph of Remediation Complete]

A bar chart entitled "Remediation Complete" at the top middle of page 15 of the 10-Q shows that by 9/30/98, 12/31/98, 3/31/99, 6/30/99 and 9/30/99 (shown below each bar) the Company has determined remediation to be 63%, 80%, 95%, 99% and 100% completed by the respective dates.

[Graph of Final Certification Testing Complete]

A bar chart entitled "Final Certification Testing Complete" at the top right of page 15 of the 10-Q shows that by 9/30/98, 12/31/98, 3/31/99, 6/30/99, 9/30/99 and 12/31/99 (shown below each bar) the Company has determined final certification testing to be 21%, 40%, 60%, 80%, 99% and 100% completed by the respective dates.

Company's Cost of Year 2000 Compliance Efforts:
The Company has funded its Y2K Plan from operating cash flows and has not separately accounted for these costs in the past, partly because the responsibilities and costs are distributed throughout the organization and represent a small percentage of total operating costs. The Company's current estimate of total cost to the Company for achieving Y2K compliance is approximately $500,000 over three years (1997 - 2000), with about half of those costs estimated to already have been incurred. Implementing the Y2K Plan has caused some delays in other planned IT initiatives, however, these delays have not had a material effect on the Company's business results. There can be no assurance, however, that there will not be a delay in the completion of the Y2K Plan or that the cost of the Y2K Plan will not exceed present estimates, either of which could have a material adverse effect on future results of operations. The Company may experience unforeseen material problems and costs with Y2K compliance that could adversely affect the Company's business, results of operations, and financial condition.

Company's Risks and Contingencies:
The Company has initiated the development of a comprehensive Y2K contingency plan to address situations that may result if the Company is unable to achieve Y2K readiness of its critical systems. The contingency plan is expected to be completed during the second quarter of 1999.

Company's Third Party Relationships:
The Company has contacted its distributors and key vendors regarding their Y2K compliance efforts. Although the Company has received information from some of its distributors and vendors regarding their Y2K compliance efforts, there can be no assurance that the Company will not experience disruptions in its ability to conduct business because of Y2K problems experienced by the Company's distributors or vendors. The Company has no practical means to verify the information provided by these independent third parties and is still pursuing those key distributors and vendors who may not yet have responded. To the extent that its key distributors or vendors experience problems relative to achieving Y2K compliance, the Company could suffer unanticipated revenue losses.

In addition, the Company does not currently have meaningful information concerning the Y2K compliance status of its customers. As is the case with other software companies, if significant numbers of the Company's current or future customers fail to achieve Y2K compliance, or if they divert technology expenditures away from those that were reserved for computer aided engineering software to address Y2K compliance problems, the Company's business, results of operations, or financial condition could be materially adversely affected.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Not Applicable.

Item 2. Changes in Securities

(c)The following information is furnished in connection with securities sold by the Registrant during the period covered by this Form 10-Q which were not registered under the Securities Act. The transactions constitute sales of the Registrant's Common Stock, par value $.01 per share, upon the exercise of vested options issued pursuant to the Company's 1994 Stock Option and Grant Plan, issued in reliance upon the exemption from registration under Rule 701 promulgated under the Securities Act and issued prior to the Registrant becoming subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act of 1934, as amended.

Month/Year	Number of Shares	Number of Employees	Aggregate Exercise Price
July 1998	9,500	3	$3,800.00
August 1998	10,750	5	$5,831.25
September 1998	126	1	$ 160.65

Item 3. Defaults upon Senior Securities

Not Applicable.

Item 4. Submission of Matters to a Vote of Security Holders

Not Applicable.

Item 5. Other information

Not Applicable.

Item 6. Exhibits and Reports Filed on Form 8-K

(a) Exhibits.

15 Independent Accountants' Letter Regarding Unaudited Financial Information
27.1 Financial Data Schedule
99 Certain Factors Regarding Future Results

(b) Reports on Form 8-K.

Not Applicable.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ANSYS, Inc.

Date: November 9, 1998 By: /s/ Peter J. Smith
Peter J. Smith
Chairman, President and
Chief Executive Officer

Date: November 9, 1998 By: /s/ Maria T. Shields
Maria T. Shields
Chief Financial Officer;
Vice President, Finance
and Administration; Treasurer

Item 6.

EXHIBIT INDEX

Exhibit No.	
15	Independent Accountants' Letter Regarding Unaudited Financial Information
27.1	Financial Data Schedule
99	Certain Factors Regarding Future Results

EXHIBIT 15

October 20, 1998

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

RE: ANSYS, Inc. and Subsidiaries

1. Form S-8 (Registration No. 333-8613) 1996 Stock Option and Grant Plan Employee Stock Purchase Plan, as Amended

Ladies & Gentlemen:

We are aware that our report dated October 20, 1998 on our review of the interim financial information of ANSYS, Inc. and Subsidiaries for the three-month and nine-month periods ended September 30, 1998 is incorporated by reference in the registration statement referred to above. Pursuant to Rule 436 (c) under the Securities Act of 1933, this report should not be considered a part of the registration statement prepared or certified by us within the meaning of Sections 7 and 11 of that Act.

Very truly yours,

/s/ PricewaterhouseCoopers LLP
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9-MOS
DEC-31-1998
JAN-01-1998
SEP-30-1998
4751
35,275
9,076
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12,362
4,165
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0
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0
8,197
.51
.49

EXHIBIT 99 Certain Factors Regarding Future Results

Information provided by the Company or its spokespersons 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; 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 personnel expenses cannot be adjusted quickly and is based, in significant part, on the Company's expectation for future revenues. 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, which could increase the volatility of the Company's revenues and profit from period to period. More recently, the Company has also experienced an increase in renewals and sales of noncancellable annual leases, for which a portion of the annual license fee is recognized as paid-up revenue upon renewal or inception of the lease.

As a result, product revenues in any quarter are substantially dependent on orders booked and shipped in the latter part of that quarter, and revenues for any future quarter are not predictable with any significant degree of accuracy.

Stock Market 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 and software industry or securities markets in general.

In addition, a large percentage of the Company's common stock is held by TA Associates, Inc. and various institutional investors. Consequently, actions with respect to the Company's common stock by either TA Associates, Inc. or certain of these institutional investors could have a significant impact on the market price for the stock.

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 to industry changes on a timely basis, 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 or warranty costs, any of which could have a materially adverse effect upon the Company's business, financial condition and results of operations.

Dependence on Distributors. The Company distributes its products principally through its global network of 33 independent, regional ANSYS Support Distributors ("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 ANSYS 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, ASDs' 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, 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, computer-aided engineering ("CAE") and computer-aided manufacturing ("CAM") markets are intensely competitive. In the traditional CAE market, the Company's primary competitors include MacNeal-Schwendler Corporation, Hibbitt, Karlsson and Sorenson, Inc. and MARC Analysis Research Corporation. 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 and Structural Dynamics Research Corporation provide varying levels of design analysis and 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 market. 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 entered into employment agreements with two executives, the loss of these, 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 and growing portion of the Company's business comes from outside the United States. 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 the Asia Pacific region, including Japan, 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 position or results of operations.

Dependence on Proprietary Technology. The Company's success is highly dependent upon its proprietary technology. The Company does not have patents on any of its technology and 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 Noncancellable Annual Leases and Perpetual Licenses. The Company has historically maintained stable recurring revenue from the sale of monthly lease licenses for its software products. During certain periods in the past, the Company 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. Most recently, it has experienced an increase in customer preference for noncancellable annual leases. While monthly lease license revenue currently represents a portion of the Company's software license fee revenue, to the extent that noncancellable annual lease license and perpetual license revenue continue to increase as a percent of total software license fee revenue, the Company's revenue in any period will increasingly depend on sales completed during that period.

Management's Assessment of Year 2000 Readiness. The Company has developed a plan to address the possible exposures related to the impact of the Year 2000 on its products, as well as it internal computer software and hardware systems. Details of the Company's Year 2000 Plan, along with further information regarding costs, timing and risks are contained in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this Form 10-Q under the heading "Management's Assessment of Year 2000 Readiness." The timely resolution of Year 2000 issues by the Company and its distributors, customers and suppliers is based upon certain assumptions and estimates of the Company and independent third parties. To the extent these prove to be incorrect or inaccurate, or the Company or its distributors, customers or suppliers experience unanticipated delays or expenses, this could cause the actual outcome to differ materially from the projected results.