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 June 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
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The number of shares of the Registrant's Common Stock, par value $.01 per share, outstanding as of August 11 ,1998 was 16,381,482 shares.

ANSYS, INC. AND SUBSIDIARIES

INDEX

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)

	June 30, 1998	Dec. 31, 1997
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,571	$13,990
Short-term investments	31,459	13,853
Accounts receivable, less allowance for doubtful accounts of $1,500 in 1998 and $2,080 in 1997	6,072	8,034
Refundable and prepaid income taxes	470	-
Other current assets	777	926
Deferred income taxes	80	125
Total current assets	44,429	36,928
Securities available for sale	182	182
Property and equipment, net	4,297	4,771
Capitalized software costs, net of accumulated amortization of $15,532 in 1998 and $15,471 in 1997	199	260
Other intangibles, net	2,120	2,374
Deferred income taxes	8,736	9,066
Total assets	$59,963	$53,581
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 180	$ 235
Accrued bonuses	1,322	2,133
Other accrued expenses and liabilities	3,206	2,562
Accrued income taxes payable	-	46
Customer prepayments	452	746
Deferred revenue	8,633	7,445
Total liabilities	13,793	13,167
Stockholders' equity:		
Preferred stock, $.01 par value, 2,000,000 shares authorized	-	-
Common stock, $.01 par value; 50,000,000 shares authorized; 16,359,134 shares issued in 1998 and 1997	164	164
Additional paid-in capital	36,349	36,089
Less treasury stock, at cost: 6,041 shares held in 1998 and 68,800 shares held in 1997	(3)	(12)
Retained earnings	9,814	4,327
Accumulated other comprehensive income	120	120
Notes receivable from stockholders	(274)	(274)
Total stockholders' equity	46,170	40,414
Total liabilities and stockholders' equity	$59,963	$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		Six months ended	
	June 30, 1998	June 30, 1997	June 30, 1998	June 30, 1997
Revenue:				
Software licenses	$ 8,478	$ 8,835	$17,777	$17,940
Maintenance and service	5,084	3,722	10,012	6,631
Total revenue	13,562	12,557	27,789	24,571
Cost of sales:				
Software licenses	843	734	1,734	1,355
Maintenance and service	640	592	1,290	1,162
Total cost of sales	1,483	1,326	3,024	2,517
Gross profit	12,079	11,231	24,765	22,054
Operating expenses:				
Selling and marketing	3,174	2,746	6,223	5,724
Research and development	2,938	3,033	6,031	5,803
Amortization	222	177	443	2,430
General and administrative	2,193	1,941	4,681	3,864
Total operating expenses	8,527	7,897	17,378	17,821
Operating income	3,552	3,334	7,387	4,233
Other income	508	274	865	421
Income before income tax provision	4,060	3,608	8,252	4,654
Income tax provision	1,340	1,334	2,765	1,721
Net income	2,720	2,274	5,487	2,933
Other comprehensive income(loss), net of tax:				
Unrealized losses on securities	(70)	(180)	-	(200)
Other comprehensive income (loss)	(70)	(180)	-	(200)
Comprehensive income	$ 2,650	$ 2,094	$ 5,487	$ 2,733
Net income per basic common share:				
Basic earnings per share	$0.17	$0.15	$0.34	$0.19
Weighted average shares - basic	15,986	15,639	15,969	15,635
Net income per diluted common share:				
Diluted earnings per share	$0.16	$0.14	$0.33	$0.18
Weighted average shares - diluted	16,793	16,635	16,727	16,603

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)

	Six months ended	
	June 30, 1998	June 30, 1997
Cash flows from operating activities:		
Net income	$ 5,487	$ 2,933
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,342	3,088
Deferred income tax provision(benefit)	375	(13)
Provision for bad debts	295	280
Change in operating assets and liabilities:		
Accounts receivable	1,667	80
Income taxes	(516)	(677)
Other current assets	149	(1,275)
Accounts payable, accrued expenses and liabilities and customer prepayments	(516)	(796)
Deferred revenue	1,188	2,849
Net cash provided by operating activities	9,471	6,469
Cash flows from investing activities:		
Capital expenditures	(554)	(1,635)
Capitalization of internally developed software costs	-	(70)
Proceeds from sales of short-term investments	5,247	-
Purchase of short-term investments	(22,853)	(4,068)
Net cash used in investing activities	(18,160)	(5,773)
Cash flows from financing activities:		
Proceeds from issuance of common stock under employee stock purchase plan	94	157
Proceeds from issuance of treasury stock	176	-
Proceeds from exercise of stock options	-	10
Repayment of stockholder notes	-	28
Net cash provided by financing activities	270	195
Net (decrease)increase in cash and cash equivalents	(8,419)	891
Cash and cash equivalents, beginning of period	13,990	17,069
Cash and cash equivalents, end of period	$ 5,571	$17,960
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Income taxes	$ 2,455	$ 2,420
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.

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 six months ended June 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 six months ended June 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 six month periods ended June 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 six months periods ended June 30, 1997. The total shares issuable upon exercise of dilutive outstanding restricted stock and stock options, which are included in the calculation of diluted earnings per share, totaled 807,000 and 996,000 and 758,000 and 968,000 for the three and six month periods ending June 30, 1998 and 1997, respectively.

3. ACCUMULATED OTHER COMPREHENSIVE INCOME BALANCES
(in thousands)

	Unrealized Gains on Securities	Accumulated Other Comprehensive Income
Beginning balance	$120	$120
Current-period change	--	--
Ending balance	$120	$120

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 June 30, 1998, the related condensed consolidated statements of income and comprehensive income for the three-month and six-month periods ended June 30, 1998 and 1997, and condensed consolidated cash flows for the six-month periods ended June 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

Pittsburgh, Pennsylvania
July 14, 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 six-month periods ended June 30, 1998 and June 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, 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 June 30, 1998 Compared to Three Months
Ended June 30, 1997

Revenue. The Company's total revenue for the 1998 quarter increased 8.0% to $13.6 million from $12.6 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 these services. The increase in maintenance revenue was partially offset by a decrease in software license revenues, as discussed in further detail below.

Software license revenue totaled $8.5 million for the 1998 quarter as compared to $8.8 million for the 1997 quarter, a 4.0% decrease. This decrease principally resulted from a 50.0% reduction in monthly lease license revenue to $1.7

million for the 1998 quarter from $3.3 million for the 1997 quarter. This decrease was attributable to both an increase in the renewal and sales of existing monthly leases as noncancellable annual leases, as well as the conversion of certain existing lease licenses to paid-up licenses throughout the course of the past year. The decrease in monthly lease revenue was partially offset by an 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. Revenue from the sales of paid-up licenses remained stable at $4.6 million for each of the 1998 and 1997 quarters.

Maintenance and service revenue increased 36.6% for the 1998 quarter to $5.1 million from $3.7 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 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 52.65% and 47.35%, respectively, were attributable to international and domestic sales, as compared to 54.2% and 45.8%, respectively, for the 1997 quarter.

Cost of Sales and Gross Profit. The Company's total cost of sales increased 11.8% to $1.5 million, or 10.9% of total revenue, for the 1998 quarter from $1.3 million, or 10.6% of total revenue, for the 1997 quarter. The Company's cost of sales for software license revenue increased 14.9% for the 1998 quarter to $843,000, or 9.9% of software license revenue, from $734,000, or 8.3% of software license revenue, for the 1997 quarter. The increase was attributable to additional headcount and related costs, as well as an increase in royalty fees. The Company's cost of sales for maintenance and service revenue, which totaled $640,000 and $592,000, or 12.6% and 15.9% of maintenance and service revenue, for the 1998 and 1997 quarters, respectively, remained relatively constant in terms of total dollars.

As a result of the foregoing, the Company's gross profit increased 7.6% to $12.1 million for the 1998 quarter from $11.2 million for the 1997 quarter.

Selling and Marketing. Selling and marketing expenses increased 15.6% for the 1998 quarter to $3.2 million, or 23.4% of total revenue, from $2.7 million, or 21.9% of total revenue, for the 1997 quarter. During the 1998 quarter, the Company incurred increased consulting fees, sales support expenses and advertising costs, as well as increased office expenses associated with strategic office locations in the UK, Japan and China, as compared to the 1997 quarter. The Company anticipates that it will continue to make significant investments in its global sales and marketing organization to strengthen its competitive position and to support its worldwide sales channels and marketing strategies.

Research and Development. Research and development expenses, totaled $2.9 million and $3.0 million for the 1998 and 1997 quarters, or 21.7% and 24.2% of total revenue, respectively. The decrease is primarily attributable to reductions in third party development fees and outside labor costs during the 1998 quarter. 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 remained relatively consistent at $222,000 and $177,000 in the 1998 and 1997 quarter, respectively.

General and Administrative. General and administrative expenses increased 13.0% to $2.2 million, or 16.2% of total revenue, for the 1998 quarter from $1.9 million, or 15.5% of total revenue, for the 1997 quarter. The increase is largely attributable to an increase in legal fees related to a dispute regarding the expiration of an ASD distribution agreement. Additionally, the Company has added internal finance, information technology and administrative resources to support its global operations and infrastructure.

Other Income. Other income increased 85.4% to $508,000 for the 1998 quarter as compared to $274,000 for the 1997 quarter. This increase was attributable to higher interest-bearing cash and investment balances in the 1998 quarter.

Income Tax Provision. The Company's effective rate of taxation was 33.0% 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 second quarter of 1998 was $2.7 million as compared to $2.3 million in the second quarter of 1997. Diluted earnings per share increased to $0.16 in the 1998 quarter as compared to $0.14 in the 1997 quarter. The increase in diluted earnings per share was attributable to the increase in net income. The weighted average shares outstanding used in computing net income per diluted common share totaled 16,793,000 and 16,635,000 in the 1998 and 1997 quarter, respectively.

Six Months Ended June 30, 1998 Compared to Six Months Ended June 30, 1997

Revenue. The Company's total revenue increased 13.1% for the 1998 six months to $27.8 million from $24.6 million for the 1997 six 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 decreases in monthly lease revenue and paid-up 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 six 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 its maintenance services.

Software license revenue totaled $17.8 million for the 1998 six months as compared to $17.9 million for the 1997 six months, a decrease of approximately 1.0%. The slight decrease resulted principally from a decrease in monthly lease revenues as existing monthly lease customers shifted to noncancellable annual leases in connection with the renewals of their leases, as well as a decrease in the sale of paid-up licenses in the Asian markets. These decreases were almost completely offset by an increase in revenue from renewals and sales of leases as noncancellable annual leases. Revenue from the sale of paid-up licenses and the portion of noncancellable annual leases classified as paid-up revenue increased 32.3% for the 1998 six months to $14.4 million from $10.9 million for the 1997 six 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 $1.3 million in the 1998 six months, of which approximately $980,000 was recorded in the first quarter of 1998.

The Company also experienced a 52.4% decrease in monthly lease license revenue to $3.4 million for the 1998 six months from $7.0 million for the 1997 six months. This decrease was primarily attributable to 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 51.0% for the 1998 six months to $10.0 million from $6.6 million for the 1997 six months, as a result of broader customer usage of maintenance and support services and the Company's increased emphasis on marketing 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 six months, approximately 53.4% and 46.6%, respectively, were attributable to international and domestic sales, as compared to 51.4% and 48.6%, respectively, for the 1997 six months.

Cost of Sales and Gross Profit. The Company's total cost of sales increased 20.1% to $3.0 million, or 10.9% of total revenue, for the 1998 six months from $2.5 million, or 10.2% of total revenue, for the 1997 six months. The Company's cost of sales for software license revenue increased 28.0% for the 1998 six months to $1.7 million, or 9.8% of software license revenue, from $1.4 million, or 7.6% of software license revenue, for the 1997 six months. The increase was due to the addition of headcount and related expenses, as well as increased costs related to manuals, packing supplies, media and royalty fees. The Company's cost of sales for maintenance and service revenue totaled $1.3 million and $1.2 million, or 12.9% and 17.5% of maintenance and service revenue, for the 1998 and 1997 six 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 12.3% to $24.8 million for the 1998 six months from $22.0 million for the 1997 six months.

Selling and Marketing. Selling and marketing expenses increased 8.7% for the 1998 six months to $6.2 million, or 22.4% of total revenue, from $5.7 million, or 23.3% of total revenue, for the 1997 six 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.

Research and Development. Research and development expenses increased 3.9% for the 1998 six months to $6.0 million, or 21.7% of total revenue, from $5.8 million, or 23.6% of total revenue, for the 1997 six months. This increase resulted primarily from increased software and depreciation expense as the Company continues to invest in software and hardware tools used to develop and enhance the Company's products and increased consulting costs associated with the upcoming releases of ANSYS 5.5 and DesignSpace 4.1.

Amortization. Amortization expense totaled $443,000 for the 1998 six months as compared to $2.4 million for the 1997 six months. The decrease was attributable to the full amortization of certain intangible assets, including goodwill and capitalized software, which were fully amortized in the first quarter of 1997.

General and Administrative. General and administrative expenses increased 21.1% for the 1998 six months to $4.7 million, or 16.8% of total revenue, from $3.9 million, or 15.7% of total revenue, for the 1997 six months. The increase was primarily attributable to an increase in legal fees related to a dispute regarding the expiration of an ASD distribution agreement. Additionally, the Company has added internal finance, information technology and administrative resources to support its global operations and infrastructure.

Other Income. Other income increased 105.5% to $865,000 for the 1998 six month period as compared to $421,000 for the 1997 six month period. This increase was attributable to higher interest-bearing cash and investment balances in 1998.

Income Tax Provision. The Company's effective rate of taxation was 33.5% for the 1998 six months, as compared to 37.0% for the 1997 six 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 six months.

Net Income. The Company's net income in the six months of 1998 totaled $5.5 million as compared to net income of $2.9 million in the 1997 six months. Diluted earnings per share increased to $0.33 in the 1998 six months as compared to diluted earnings per share of $0.18 in the 1997 six months as a result of the increase in net income. The weighted average shares used in computing net income per diluted share amounts increased to 16,727,000 in the 1998 six month period from 16,603,000 in the 1997 six month period.

Liquidity and Capital Resources

As of June 30, 1998, the Company had cash, cash equivalents and short-term investments totaling $37.0 million and working capital of $30.6 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 $9.5 million for the six months ended June 30, 1998 and $6.5 million for the six months ended June 30, 1997. The increase in the Company's cash flow from operations for the 1998 six months as compared to the 1997 six 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 six months ended June 30, 1998.

Cash used in investing activities totaled $18.2 million for the six months ended June 30, 1998 and $5.8 million for the six months ended June 30, 1997. The increase is principally due to the purchase and sale of short-term investments in the six months ended June 30, 1998. The capital expenditures in 1997 were 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 $1.5 million 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 $270,000 for the six months ended June 30, 1998 and $195,000 for the six months ended June 30, 1997. Cash provided from financing activities for the 1998 and 1997 six month periods primarily included proceeds from issuance of treasury stock and common stock under employee stock option and purchase plans.

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
April 1998	16,750	3	$8,321.25
May 1998	2,000	1	$2,550.00
June 1998	563	2	$ 717.83

Item 3. Defaults upon Senior Securities

Not Applicable.

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

At the Annual Meeting of Stockholders of the Company held on May 6, 1998, the stockholders of the Company (1) elected Roger J. Heinen, Jr., Roger B. Kafker and Jacqueline C. Morby as Class II Directors of the Company to hold office until the 2001 Annual Meeting of Stockholders and until such Directors' successors are duly elected and qualified and other nominations were made;(2)approved an amendment to the Company's 1996 Stock Option and Grant Plan increasing the number of shares available for issuance under the Plan from 2,250,000 to 3,250,000. The votes were as follows:

	Votes For	Votes Withheld
(1) Election of Directors:		
Roger B. Heinen, Jr.	15,539.993	37,822
Roger B. Kafker	15,542,379	35,436
Jacqueline C. Morby	15,539,929	37,886

(2) Approval of Amendment to 1996 Stock Option and Grant Plan

Votes For	Votes Against	Votes Abstained	Broker Non-Votes
11,448,641	2,228,449	101,625	1,799,100

Item 5. Other information

Not Applicable.

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

(a) Exhibits.

10.1 Current Form of Stock Option Agreement
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: August 12, 1998

By: /s/ Peter J. Smith

Peter J. Smith
Chairman, President and
Chief Executive Officer

Date: August 12, 1998

By: /s/ John M. Sherbin II

John M. Sherbin II
Chief Financial Officer;
Senior Vice President, Finance
and Administration; Secretary

Item 6.

EXHIBIT INDEX

Exhibit No.	
10.1*	Current Form of Stock Option Agreement
15	Independent Accountants' Letter Regarding Unaudited Financial Information
27.1	Financial Data Schedule
99	Certain Factors Regarding Future Results

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* Identifies a management contract or compensatory plan or arrangement in which an executive officer or director of the Company participates.

Exhibit 10.1

Incentive Stock Option Agreement
under the
1996 Stock Option and Grant Plan

Name of Optionee: (Fullname)
No./Class of Option Shares: (Options) shares of Common Stock
Grant Date:
Expiration Date:
Option Exercise Price/Share:

Pursuant to the ANSYS, Inc. 1996 Stock Option and Grant Plan (the "Plan"), ANSYS, Inc., a Delaware corporation (together with all successors thereto, the "Company"), hereby grants to the person named above (the "Optionee"), who is an officer or full-time employee of the Company or any of its subsidiaries, an option (the "Stock Option") to purchase on or prior to the expiration date specified above, or such earlier date as is specified herein, all or any part of the number of shares of Common Stock, par value $0.01 per share ("Common Stock"), of the Company indicated above (the "Option Shares"), at the per share option exercise price specified above, subject to the terms and conditions set forth in this Incentive Stock Option Agreement (the "Agreement") and in the Plan. This Stock Option is intended to qualify as an "incentive stock option" as defined in Section 422(b) of the Internal Revenue Code of 1986, as amended from time to time (the "Code"). To the extent that any portion of the Stock Option does not so qualify, it shall be deemed a non-qualified stock option. All capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Plan.

1. Vesting and Exercisability.

(a) No portion of this Stock Option may be exercised until such portion shall have vested.

(b) Except as set forth below and in Section 6, and subject to the determination of the Compensation Committee of the Board of Directors of the Company or the Board of Directors of the Company, as applicable (the "Committee"), in its sole discretion to accelerate the vesting schedule hereunder, this Stock Option shall be vested and exercisable with respect to the following number of Option Shares on the respective dates indicated:

Incremental/Aggregate Number Of Option Shares Exercisable*	Vesting Date
(Vest1)/(Vest1Bal)	
(Vest2)/(Vest2Bal)	
(Vest3)/(Vest3Bal)	
(Vest4)/(Vest4Bal)	

Notwithstanding anything herein to the contrary and without limitation of Section 6, in the event that this Stock Option is assumed in the sole discretion of the parties to a Sale Event (as defined in Section 6) or is continued by the Company and thereafter remains in effect following such Sale Event as contemplated by Section 6, then this Stock Option shall be deemed vested and exercisable in full upon the date on which the Optionee's employment with the Company and its subsidiaries or successor entity terminates if (i) such termination occurs within eighteen (18) months of such Sale Event and (ii) such termination is by the Company without cause or by the Optionee if such termination by Optionee is preceded during such 18-month period by any material adverse modification of the duties, principal employment location or compensation of the Optionee without his or her consent, subject, however, to the following sentence. Notwithstanding the foregoing, in the event a Sale Event is contingent on using "pooling of interest" accounting methodology, the Company may, in its discretion, take any action necessary to preserve the use of "pooling of interest" accounting, including nullifying the vesting of this Stock Option

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* Subject to Section 5.

as provided in the previous sentence. In addition and notwithstanding anything herein to the contrary, in the event that the Optionee is not offered employment by the Company and its subsidiaries or any successor entity following a Sale Event other than a Sale Event accounted for as a "pooling of interests" on substantially the same or better terms (including, without limitation, duties and compensation) than those in effect immediately prior to such Sale Event with respect to his or her employment, then this Stock Option shall be deemed vested and exercisable in full upon the date on which the Optionee's employment with the Company and its subsidiaries terminates.

(c) In the event that the Optionee's Service Relationship (as hereinafter defined) with the Company and its subsidiaries terminates for any reason or under any circumstances, including the Optionee's resignation, retirement or termination by the Company, upon the Optionee's death or disability, or for any other reason, regardless of the circumstances thereof, this Stock Option shall no longer vest or become exercisable with respect to any Option Shares not vested (or which do not vest) as of the date of such termination from and after the date of such termination, and this Stock Option may thereafter be exercised, to the extent it was vested and exercisable on such date of such termination, until the Expiration Date contemplated by Section 1(d), except as the Committee may otherwise determine. For purposes hereof, a "Service Relationship" shall mean any relationship as an employee, part-time employee or consultant of the Company or any subsidiary of the Company such that, for example, a Service Relationship shall be deemed to continue without interruption in the event the Optionee's status changes from full-time employee to part-time employee or consultant.

(d) Once any portion of this Stock Option becomes vested and exercisable, it shall continue to be exercisable by the Optionee or his or her successors as contemplated herein at any time or times prior to the earlier of (i) the date which is twelve months following the date on which the Optionee's Service

Relationship with the Company and its subsidiaries terminates due to death or disability (as defined in Section 422(c)(6) of the Code), the date which is 21 days following the date on which the optionee's Service Relationship is terminated by the Company for cause or the date which is 90 days following the date on which the Optionee's Service Relationship with the Company terminates if the termination is due to any other reason or (ii) the tenth anniversary of option grant, subject to the provisions hereof, including, without limitation, Section 6 hereof which provides for the termination of unexercised options upon completion of certain transactions as described therein (the earliest to occur of such dates being referred to as the "Expiration Date"). The Committee shall have sole discretion to determine the reason for the termination of the Optionee's Service Relationship with the Company and its subsidiaries.

(e) It is understood and intended that this Stock Option is intended to qualify as an "incentive stock option" as defined in Section 422 of the Code. Accordingly, the Optionee understands that in order to obtain the benefits of an incentive stock option under Section 422 of the Code, no sale or other disposition may be made of Option Shares for which incentive stock option treatment is desired within the one-year period beginning on the day after the day of the transfer of such Option Shares to him or her, nor within the two-year period beginning on the day after the grant of this Stock Option and further that this Stock Option must be exercised within three months after termination of employment (or such shorter period as is permitted hereunder) (or twelve months in the case of death or disability) to qualify as an incentive stock option. If the Optionee disposes (whether by sale, gift, transfer or otherwise) of any such Option Shares within either of these periods, he or she will notify the Company within thirty (30) days after such disposition. The Optionee also agrees to provide the Company with any information concerning any such dispositions required by the Company for tax purposes. Further, to the extent Option Shares and any other incentive stock options of the Optionee having an aggregate exercise price in excess of $100,000 vest in any year, such options will not qualify as incentive stock options.

2. Exercise of Stock Option.

(a) The Optionee may exercise only vested portions of this Stock Option and only in the following manner: Prior to the Expiration Date (subject to Section 6), the Optionee may deliver a Stock Option Exercise Notice (an "Exercise Notice") in the form of Appendix A hereto indicating his or her election to purchase some or all of the Option Shares with respect to which this Stock Option has vested at the time of such notice. Such notice shall specify the number of Option Shares to be purchased.

Payment of the purchase price for the Option Shares may be made by one or more (if applicable) of the following methods: (i) in cash, by certified or bank check or other instrument acceptable to the Committee; or (ii) (A) through the delivery (or attestation to ownership) of shares of Common Stock that have been purchased by the Optionee on the open market or that have been held by the Optionee for at least six months, and are not subject to restrictions under any plan of the Company, if permitted by the Committee in its sole discretion, (B) by the Optionee delivering to the Company a properly executed Exercise Notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company to pay the option purchase price, provided that in the event the Optionee chooses to pay the option purchase price as so provided, the Optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Committee shall prescribe as a condition of such payment procedure, or (C) a combination of (i), (ii)(A) and (ii)(B) above if permitted by the Committee in its sole discretion. Payment instruments will be received subject to collection.

(b) Certificates for the Option Shares so purchased will be issued and delivered to the Optionee upon compliance to the satisfaction of the Committee with all requirements under applicable laws or regulations in connection with such issuance. Until the Optionee shall have complied with the requirements hereof and of the Plan, the Company shall be under no obligation to issue the Option Shares subject to this Stock Option, and the determination of the Committee as to such compliance shall be final and binding on the Optionee. The Optionee shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of stock subject to this Stock Option unless and until this Stock Option shall have been exercised pursuant to the terms hereof, the Company shall have issued and delivered the Option Shares to the Optionee, and the Optionee's name shall have been entered as a stockholder of record on the books of the Company. Thereupon, the Optionee shall have full dividend and other ownership rights with respect to such Option Shares, subject to the terms of this Agreement.

(c) Notwithstanding any other provision hereof or of the Plan, no portion of this Stock Option shall be exercisable after the Expiration Date, including such date as is contemplated by Section 6 hereof.

3. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Stock Option shall be subject to and governed by all the terms and conditions of the Plan.

4. Transferability. This Agreement is personal to the Optionee and is not transferable by the Optionee in any manner other than by will or by the laws of descent and distribution. This Stock Option may be exercised during the Optionee's lifetime only by the Optionee (or by the Optionee's guardian or personal representative in the event of the Optionee's incapacity). The Optionee may elect to designate a beneficiary by providing written notice of the name of such beneficiary to the Company, and may revoke or change such designation at any time by filing written notice of revocation or change with the Company; such beneficiary may exercise the Optionee's Stock Option in the event of the Optionee's death to the extent provided herein. If the Optionee does not designate a beneficiary, or if the designated beneficiary predeceases the Optionee, the personal representative

of the Optionee may exercise this Stock Option to the extent provided herein in the event of the Optionee's death.

5. Adjustment Upon Changes in Capitalization. The shares of stock covered by this Stock Option are shares of Common Stock of the Company. Subject to Section 6 hereof, if the shares of Common Stock as a whole are increased, decreased, changed or converted into or exchanged for a different number or kind of shares or securities of the Company or any successor entity (or a parent or subsidiary thereof), whether through merger or consolidation, sale of all or substantially all of the assets of the Company, reorganization, recapitalization, reclassification, stock dividend, stock split, combination of shares, exchange of shares, change in corporate structure or the like, an appropriate and proportionate adjustment shall be made in the number and kind of shares and in the per share exercise price of shares subject to any unexercised portion of this Stock Option. In the event of any such adjustment in this Stock Option, the Optionee thereafter shall have the right, subject to Section 6, to purchase the number of shares under this Stock Option at the per share price, as so adjusted, which the Optionee could purchase at the total purchase price applicable to this Stock Option immediately prior to such adjustment, all references herein to Common Stock shall be deemed to refer to the security that is subject to acquisition upon exercise of this Stock Option and all references to the Company shall be deemed to refer to the issuer of such security. Adjustments under this Section 5 shall be determined by the Committee, whose determination as to what adjustment shall be made, and the extent thereof, shall be conclusive. No fractional shares of Common Stock shall be issued under the Plan resulting from any such adjustment, but the Company in its discretion may make a cash payment in lieu of fractional shares.

6. Effect of Certain Transactions. In the case of (a) the dissolution or liquidation of the Company, (b) the sale of all or substantially all of the assets of the Company on a consolidated basis to an another person or entity, (c) a merger, reorganization or consolidation in which the holders of the then

outstanding voting securities of the Company prior to such transaction do not own a majority of the outstanding voting securities of the surviving or resulting entity immediately upon completion of such transaction, (d) the sale of all of the outstanding stock of the Company to an unrelated person or entity or (e) any other transaction where the holders of the then outstanding voting securities of the Company prior to such transaction do not own at least a majority of the outstanding voting securities of the relevant entity after the transaction (in each case, a "Sale Event"), this Stock Option shall terminate on the effective date of such Sale Event, unless provision is made in such transaction in the sole discretion of the parties thereto for the assumption or continuation by the Company as survivor of this Stock Option or the substitution for this Stock Option of a new stock option of the successor person or entity or a parent or subsidiary thereof, with appropriate adjustment as to the number and kind of shares and the per share exercise price, as provided in Section 5 of this Agreement. In the event of any transaction which will result in the termination of this Stock Option, the Company shall give to the Optionee written notice thereof at least fifteen (15) days prior to the effective date of such transaction. Until such effective date, the Optionee may exercise any portion of this Stock Option which is vested as of such effective date (as contemplated by Section 1(b)), but after such effective date, the Optionee may not exercise this Stock Option unless it is assumed or substituted by the successor entity (or a parent or subsidiary thereof) as provided above.

7. Withholding Taxes. The Optionee shall, not later than the date as of which the exercise of this Stock Option becomes a taxable event for federal income tax purposes, pay to the Company or make arrangements satisfactory to the Committee for payment of any federal, state and local taxes required by law to be withheld on account of such taxable event. Subject to approval by the Committee, the Optionee may elect to have such tax withholding obligation satisfied, in whole or in part, by authorizing the

Company to withhold from shares of Common Stock to be issued or transferring to the Company, a number of shares of Common Stock with an aggregate Fair Market Value that would satisfy the withholding amount due. For purposes of this Section 7 "Fair Market Value" on any given date means the last reported sale price at which Common Stock is traded on such date or, if no Common Stock is traded on such date, the next preceding date on which Common Stock was traded, as reflected on the principal stock exchange or, if applicable, any other national stock exchange on which the Common Stock is traded or admitted to trading. The Optionee acknowledges and agrees that the Company or any subsidiary of the Company has the right to deduct from payments of any kind otherwise due to the Optionee, or from the Option Shares to be issued in respect of an exercise of this Stock Option, any federal, state or local taxes of any kind required by law to be withheld with respect to the issuance of Option Shares to the Optionee.

8. Forfeiture of Stock Option. As additional consideration for the issuance of this Stock Option to the Optionee, the Optionee hereby agrees that, if at anytime during and for a period of one (1) year after the termination of his or her Service Relationship no matter what the cause of that termination, he or she engages for any reason, directly or indirectly, whether as owner, part-owner, shareholder, member, partner, director, officer, trustee, employee, agent or consultant, or in any other capacity, on behalf of himself or herself or any firm, corporation or other business organization other than the Company and its subsidiaries in any one or more of the following activities:

(a) the development, marketing, solicitation, or selling of any product or service which performs functions the same as those being marketed, licensed, or sold by the Company at the time of such termination and of which the Optionee acquired specialized knowledge while employed by the Company related to the development, marketing or sale of such product or service;

(b) the use of any confidential or proprietary information which was acquired by the Optionee as an employee of the Company and its subsidiaries (i) in order to acquire a competitive advantage or (ii) in any manner such that it would have a detrimental effect upon the business of the Company and its subsidiaries; or

(c) any activity for the purpose of inducing, encouraging, or arranging for the employment or engagement by anyone other than the Company and its subsidiaries of any employee, officer, director, agent, consultant, or sales representative of the Company and its subsidiaries or attempt to engage any of them in a manner which would deprive the Company and its subsidiaries of their services or place them in a conflict of interest with the Company and its subsidiaries;

then (i) this Stock Option shall terminate effective on the date on which he or she first engages in such activity, unless terminated sooner by operation of any other term or condition of this Stock Option or the Plan, and (ii) any option gain recognized by the Optionee from exercising all or a portion of this Stock Option shall be paid by Optionee to the Company.

The Optionee may be released from his or her obligations as stated above only if the Committee (or its duly appointed agent) determines in its sole discretion that such action is in the best interests of the Company and its subsidiaries.

9. Miscellaneous Provisions.

(a) Equitable Relief. The parties hereto agree and declare that legal remedies may be inadequate to enforce the provisions of this Agreement and that equitable relief, including specific performance and injunctive relief, may be used to enforce the provisions of this Agreement.

(b) Change and Modifications. This Agreement may not be orally changed, modified or terminated, nor shall any oral waiver of any of its terms be effective. This Agreement may be changed, modified or terminated only by an agreement in writing signed by the Company and the Optionee.

(c) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

(d) Headings. The headings are intended only for convenience in finding the subject matter and do not constitute part of the text of this Agreement and shall not be considered in the interpretation of this Agreement.

(e) Saving Clause. If any provision(s) of this Agreement shall be determined to be illegal or unenforceable, such determination shall in no manner affect the legality or enforceability of any other provision hereof.

(f) Notices. All notices, requests, consents and other communications shall be in writing and be deemed given when delivered personally, by telex or facsimile transmission or when received if mailed by first class registered or certified mail, postage prepaid. Notices to the Company or the Optionee shall be addressed as set forth underneath their signatures below, or to such other address or addresses as may have been furnished by such party in writing to the other.

(g) Benefit and Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto, their respective successors, permitted assigns, and legal representatives. The Company has the right to assign this Agreement, and such assignee shall become entitled to all the rights of the Company hereunder to the extent of such assignment.

(h) Counterparts. For the convenience of the parties and to facilitate execution, this Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same document.

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned.

Dated: ANSYS, Inc.

By:

Name: Peter J. Smith

Title: President

Address: ANSYS, Inc.
Attention: President
275 Technology Drive
Canonsburg, PA 15317

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned.

Dated:

OPTIONEE:

(Fullname)

Optionees Address:

DESIGNATED BENEFICIARY:

Beneficiary's Address:

Appendix A

STOCK OPTION EXERCISE NOTICE

ANSYS, Inc.
Attention: Chief Financial Officer
275 Technology Drive
Canonsburg, PA 15317

Dear Sirs:

Pursuant to the terms of my stock option agreement dated __________ (the "Agreement") under the ANSYS, Inc. 1996 Stock Option and Incentive Plan, I, (Fullname), hereby [Circle One] partially/fully exercise such option by including herein payment in the amount of $______ representing the purchase price for [Fill in number of Option Shares] _______ option shares. I have chosen the following form(s) of payment:

[ ] 1. Cash
[ ] 2. [Certified or Bank] Check payable to [ ]
[ ] 3. Other (as described in the Agreement (please describe)) _________.

Sincerely yours,

(Fullname)

EXHIBIT 15

August 12, 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 July 14, 1998 on our review of the interim financial information of ANSYS, Inc. and Subsidiaries for the three-month and six-month periods ended June 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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1,000

6-MOS
DEC-31-1998
JAN-01-1998
JUN-30-1998
5,571
31,459
7,572
1,500
0
44,428
4,297
0
59,963
13,793
0
0
0
164
46,006
59,963
17,777
27,789
1,734
3,024
17,378
0
0
8,252
2,765
5,487
0
0
0
5,487
.17
.16

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, and increasingly is dependent upon receiving large orders of perpetual licenses involving the payment of a single up-front fee. The Company believes that large orders of this type may reflect an increasing demand for enterprise-wide software solutions from certain of the Company's customers, which, if continued, may 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 35 independent, regional ANSYS Support Distributors ("ASDs"). The ASDs sell ANSYS and DesignSpace(R) 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 recently experienced 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 Perpetual Licenses and Noncancellable Annual Leases. The Company has historically maintained stable recurring revenue from the sale of monthly lease licenses for its software products. While 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, most recently, it has also experienced an increase in customer preference for noncancellable annual leases. Although lease license revenue currently represents a significant portion of the Company's software license fee revenue, to the extent that perpetual license and noncancellable annual lease license revenue 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.

Year 2000 Computer Systems Compliance. The Company has established a corporate-wide Year 2000 task force, led by the Company's Vice President of Corporate Quality, with the representation of all major business segments. This task force is responsible for identifying, evaluating and overseeing the implementation of necessary changes to computer systems and applications to achieve a Year 2000 date conversion with no effect on customers or disruption of business operations. The task force is currently in the process of assessing its exposure to contingencies related to the Year 2000 Issue for previous releases of its products. The Company plans to utilize both internal and external resources to reprogram, or replace and test the software for Year 2000 modifications. The Company plans to substantially complete the Year 2000 project no later than December 31, 1998. The total remaining cost of the Year 2000 project will be funded through operating cash flows. The Company does not expect the amounts required to be expensed to have a material effect on its financial position or results of operations. During 1997 and the first six months of 1998, the costs related to the assessment of, and preliminary efforts in connection with, its Year 2000 project and the development of its action plan were not material.

The Company is also communicating with its significant suppliers and customers to identify critical related issues which need to be resolved. The Company's total Year 2000 project costs and estimates to complete include the estimated costs and time associated with the impact of a third party's Year 2000 issue, and are based on presently available information. However, there can be no guarantee that the systems of other companies on which the Company's systems rely will be converted on a timely basis, or that a failure to convert by another company, or a conversion that is incompatible with the Company's systems, would not have a material adverse effect on the Company.

The costs of the project and the date on which the Company plans to complete the year 2000 action plan are based upon management's best estimates, which are derived utilizing numerous assumptions of future events including the availability of certain resources, third party modification plans and other factors. However, there can be no guarantee that these estimates will be achieved and actual results could differ materially from those plans. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel with necessary expertise in this area, the ability to identify and correct all relevant computer codes and similar uncertainties.