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 March 31, 2000

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 May 1, 2000 was 16,032,749 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)

	March 31, 2000 (Unaudited)	Dec. 31, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$13,059	$10,401
Short-term investments	50,293	46,731
Accounts receivable, less allowance for doubtful accounts of $1,700	9,531	10,518
Other current assets	2,539	2,929
Deferred income taxes	406	336
Total current assets	75,828	70,915
Securities available for sale	-	182
Property and equipment, net	3,666	3,529
Capitalized software costs, net	586	676
Goodwill, net	492	428
Other intangibles, net	1,441	1,518
Deferred income taxes	6,617	6,643
Total assets	$88,630	$83,891
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 295	$ 222
Accrued bonuses	1,236	2,882
Other accrued expenses and liabilities	5,474	3,750
Customer prepayments	112	140
Deferred revenue	13,707	11,266
Total current liabilities	20,824	18,260
Stockholders' equity:		
Preferred stock, $.01 par value, 2,000,000 shares authorized	-	-
Common stock, $.01 par value; 50,000,000 shares authorized; 16,584,758 shares issued in both 2000 and 1999	166	166
Additional paid-in capital	37,448	37,543
Less treasury stock, at cost: 466,059 shares held in 2000 and 339,358 shares held in 1999	(4,723)	(2,375)
Retained earnings	34,915	30,427
Accumulated other comprehensive income	-	120
Note receivable from stockholder	-	(250)
Total stockholders' equity	67,806	65,631
Total liabilities and stockholders' equity	$88,630	$83,891

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

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

	Three months ended March 31, 2000	Three months ended March 31, 1999
Revenue:		
Software licenses	$ 10,507	$ 10,037
Maintenance and service	6,873	5,831
Total revenue	17,380	15,868
Cost of sales:		
Software licenses	1,094	848
Maintenance and service	909	777
Total cost of sales	2,003	1,625
Gross profit	15,377	14,243
Operating expenses:		
Selling and marketing	3,835	3,563
Research and development	3,411	3,445
Amortization	208	220
General and administrative	2,689	2,441
Total operating expenses	10,143	9,669
Operating income	5,234	4,574
Other income	997	550
Income before income tax provision	6,231	5,124
Income tax provision	1,744	1,407
Net income	4,487	3,717
Net income per basic common share:		
Basic earnings per share	$ 0.28	$ 0.23
Weighted average shares - basic	16,253	16,271
Net income per diluted common share:		
Diluted earnings per share	$ 0.27	$ 0.22
Weighted average shares - diluted	16,845	16,806

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)

	Three months ended	
	March 31, 2000	March 31, 1999
Cash flows from operating activities:		
Net income	$ 4,487	$ 3,717
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	750	704
Deferred income tax provision	18	224
Provision for bad debts	21	125
Gain on sale of equity securities	(151)	-
Change in operating assets and liabilities:		
Accounts receivable	966	556
Other current assets	390	(288)
Accounts payable, accrued expenses and liabilities and customer prepayments	123	(670)
Deferred revenue	2,441	2,077
Net cash provided by operating activities	9,045	6,445
Cash flows from investing activities:		
Capital expenditures	(682)	(807)
Acquisition payment	(100)	-
Capitalization of internally developed software costs	-	(211)
Purchase of short-term investments	(6,000)	(4,145)
Maturities of short-term investments	2,437	-
Repayment of stockholder loan	250	
Proceeds from sale of equity securities	151	-
Net cash used in investing activities	(3,944)	(5,163)
Cash flows from financing activities:		
Proceeds from issuance of common stock under Employee Stock Purchase Plan	74	76
Proceeds from issuance of treasury stock	-	4
Purchase of treasury stock	(3,209)	(4)
Proceeds from exercise of stock options	692	86
Net cash (used in) provided by financing activities	(2,443)	162
Net increase in cash and cash equivalents	2,658	1,444
Cash and cash equivalents, beginning of period	10,401	6,589
Cash and cash equivalents, end of period	$13,059	$ 8,033
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Income taxes	$ 87	$ 1,231

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

ANSYS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2000
(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 months ended March 31, 2000 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, 1999. 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 ended March 31, 2000 are not necessarily indicative of the results that may be expected for the year ending December 31, 2000.

2. ACCUMULATED OTHER COMPREHENSIVE INCOME

As of December 31, 1999, accumulated other comprehensive income, as reflected on the condensed consolidated balance sheet, was comprised of unrealized gains on securities available for sale.

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 March 31, 2000, and the related condensed consolidated statements of income and cash flows for the three-month periods ended March 31, 2000 and 1999. These financial statements are the responsibility of the Company'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 the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such 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 auditing standards generally accepted in the United States, the consolidated balance sheet of ANSYS, Inc. and Subsidiaries as of December 31, 1999, and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended (not presented herein); and in our report dated January 27, 2000, 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, 1999, 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
April 19, 2000

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. Sales, support and training for customers are provided primarily through the Company's global network of ANSYS Support Distributors ("ASDs"). The Company distributes and supports its ANSYS(R) and DesignSpace(R) product lines through its ASDs, certain direct sales offices, as well as a network of independent distributors and dealers. The following discussion should be read in conjunction with the attached unaudited condensed consolidated financial statements and notes thereto for the three-month periods ended March 31, 2000 and March 31, 1999 and with the Company's audited financial statements and notes thereto for the fiscal year ended December 31, 1999.

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 below concerning future trends related to paid-up and lease license revenue, expectations of sales growth in the Company's DesignSpace and ANSYS/Professional products, the Company's intentions related to continued investments in sales and marketing and research and development, plans related to future capital spending, the sufficiency of existing cash and cash equivalent balances to meet future working capital and capital expenditure requirements and comments regarding the effective tax rate in future quarters, as well as statements which contain such words as "anticipates", "intends", "believes", "plans" and other similar expressions. The Company's actual results could differ materially from those set forth in forward-looking statements. Certain factors that might cause such a difference include risks and uncertainties detailed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section in the 1999 Annual Report to Shareholders and in "Certain Factors Regarding Future Results" included herein as Exhibit 99 to this Form 10-Q.

Results of Operations

Three Months Ended March 31, 2000 Compared to Three Months Ended March 31, 1999

Revenue. The Company's total revenue increased 9.5% for the 2000 quarter to $17.4 million from $15.9 million in the 1999 quarter. The increase primarily resulted from increased paid-up license revenue associated with both new sales of paid-up licenses and, to a lesser extent, the conversion of existing lease licenses to paid-up licenses. Higher maintenance and service revenue, primarily from maintenance contracts sold in association with increased paid-up license sales in the current and recent quarters, also contributed to the increase.

Software license revenue increased 4.7% in the 2000 quarter to $10.5 million from $10.0 million in the 1999 quarter, resulting primarily from increased sales of paid-up licenses. Revenue from the sale of paid-up licenses increased 27.5% to $6.9 million from $5.4 million in the prior year quarter. The Company anticipates that revenue from sales of paid-up licenses will increase as sales of its DesignSpace and ANSYS/Professional products grow. These products are priced at much lower price points compared to the traditional high-end product offerings and are sold primarily as paid-up licenses.

The increase in sales of paid-up licenses was partially offset by a $642,000 reduction in noncancellable annual lease license revenue and a $365,000 reduction in monthly lease license revenue. The decrease in noncancellable annual lease license revenue was principally attributable to the conversion of existing noncancellable annual leases to paid-up licenses in both the current and recent quarters. The Company believes that a 1999 increase in its annual lease price was a primary economic factor in influencing certain of the noncancellable annual lease conversions. The decrease in monthly lease license revenue is consistent with recent quarterly trends and resulted from existing monthly leases being renewed as noncancellable annual leases or converted to paid-up licenses. The Company believes that the reduction in lease license revenue on a quarterly comparison basis will continue throughout the remainder of 2000.

Maintenance and service revenue increased 17.9% for the 2000 quarter to $6.9 million from $5.8 million in the 1999 quarter. The increase was a result of maintenance contracts sold in association with the paid-up license sales discussed above, as well as a broader customer usage of support services and the Company's increased emphasis on marketing these services.

Of the Company's total revenue for the 2000 quarter, approximately 56.5% and 43.5%, respectively, were attributable to international and domestic sales, as compared to 54.3% and 45.7%, respectively, for the 1999 quarter.

Cost of Sales and Gross Profit. The Company's total cost of sales increased 23.3% to $2.0 million, or 11.5% of total revenue, for the 2000 first quarter from $1.6 million, or 10.2% of total revenue, for the 1999 first quarter. The increase in the 2000 quarter was principally attributable to higher salaries and related expenses associated with increased headcount to support the growth in license and service sales, as well as increased royalty costs.

As a result of the foregoing, the Company's gross profit increased 8.0% to $15.4 million in the 2000 quarter from $14.2 million for the 1999 quarter.

Selling and Marketing. Total selling and marketing expenses increased from $3.6 million, or 22.5% of total revenue in the 1999 quarter, to $3.8 million, or 22.1% of total revenue in the 2000 quarter. The increase primarily resulted from higher salaries and related headcount costs associated with the hiring of key personnel to bolster the Company's sales and marketing capabilities. Higher third party commission costs associated with direct sales to the Company's major account customers also contributed to the increase. The Company anticipates that it will continue to make significant investments in its global sales and marketing organization to strengthen its competitive position, to enhance major account sales activities and to support its worldwide sales channels and marketing strategies.

Research and Development. Research and development expenses remained consistent at $3.4 million in both the 2000 and 1999 quarters, or 19.6% and 21.7% of total revenue in each respective quarter. The Company has traditionally invested significant resources in research and development activities and intends to continue to make significant investments throughout the remainder of 2000.

Amortization. Amortization expense remained flat at $208,000 and $220,000 for the first quarters of 2000 and 1999, respectively.

General and Administrative. General and administrative expenses increased from $2.4 million, or 15.4% of revenue, in the 1999 first quarter, to $2.7 million, or 15.5% of total revenue, in the first quarter of 2000. The increase was primarily the result of a $500,000 one-time charge related to payment of the defendant's legal costs in litigation related to the expiration of an ASD distribution agreement. The increased expense related to this litigation was partially offset by a reduction in bad debt expense.

Other Income. Other income increased to $997,000 in the 2000 first quarter from $550,000 in the prior year comparable quarter. The increase was primarily attributable to higher interest-bearing cash and short-term investment balances, as well as a $151,000 one-time gain related to the sale of investment securities in the 2000 quarter.

Income Tax Provision. The Company's effective rate of taxation was 28.0% for the 2000 quarter which is comparable to the 27.5% rate for the 1999 quarter. These rates are lower than the federal and state combined statutory rates as a result of the utilization of a foreign sales corporation, as well as the generation of research and experimentation credits.

Net Income. The Company's net income in the 2000 quarter was $4.5 million as compared to $3.7 million in the 1999 quarter. Diluted earnings per share increased to $.27 in the 2000 quarter as compared to $.22 in the 1999 quarter as a result of the increase in net income. The weighted average shares used in computing net income per diluted common share were 16.8 million in both the 2000 and 1999 quarters.

Liquidity and Capital Resources

As of March 31, 2000, the Company had cash, cash equivalents and short-term investments totaling $63.4 million and working capital of $55.0 million, as compared to cash, cash equivalents and short-term investments of $57.1 million and working capital of $52.7 million at December 31, 1999. The short-term investments are generally investment grade and liquid-type, which allows the Company to minimize interest rate risk and to facilitate liquidity in the event an immediate cash need arises.

The Company's operating activities provided cash of $9.0 million for the three months ended March 31, 2000 and $6.4 million for the three months ended March 31, 1999. The increase in the Company's cash flow from operations for the 2000 quarter as compared to the 1999 quarter was a result of increased earnings, improved accounts receivable collections and lower cash payments for income taxes. Net cash generated by operating activities provided sufficient resources to fund increased headcount and capital needs, as well as to sustain share repurchase activity under the Company's announced Share Repurchase Program.

Cash used in investing activities totaled $3.9 million for the three months ended March 31, 2000 and $5.2 million for the three months ended March 31, 1999. The use of cash in both the 2000 quarter and the 1999 quarter was primarily attributable to the purchase of short-term investments and, to a lesser extent, the purchase of equipment and computer hardware and software. The Company currently plans additional capital spending of approximately $2.0 million throughout the remainder of 2000; however, the level of spending will be dependent upon various factors, including growth of the business and general economic conditions.

Financing activities used net cash of $2.4 million for the three months ended March 31, 2000 and provided cash of approximately $162,000 for the comparable 1999 period. In the 2000 quarter, cash outlays related to the Company's share repurchase program were partially offset by proceeds from the issuance of common stock under employee stock purchase and option plans. In the 1999 quarter, cash provided from financing activities related to proceeds from the issuance of common stock under employee stock purchase and option plans.

The Company believes that existing cash and cash equivalent balances together with cash generated from operations will be sufficient to meet the Company's working capital and capital expenditure requirements through the remainder of fiscal 2000. The Company's cash requirements in the future may also be financed through additional equity or debt financings. There can be no assurance that such financings can be obtained on favorable terms, if at all.

Conversion to the Euro

On January 1, 1999, eleven of the member countries of the European Union established fixed conversion rates between their existing currencies and one common currency, the euro. The legacy currencies will remain legal currency in the participating countries during a transition period through January 1, 2002. Beginning on this date, new euro-denominated currency will be issued and the legacy currencies will be withdrawn from circulation.

The Company is currently in the process of identifying and addressing issues that may result from the euro conversion such as changes to information systems to accommodate euro-denominated transactions, long-term competitive implications and the exposure to market risk with respect to financial instruments. Although the Company's assessment of the impact of the euro conversion is not yet complete, it currently does not believe that the conversion will have a material adverse impact on its financial position or results of operations.

Recently Issued Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," which defines derivatives, requires that all derivatives be carried at fair value and provides for hedge accounting when certain conditions are met. The Standard was effective for all fiscal quarters of fiscal years beginning after June 15, 1999. In June 1999, the FASB delayed the effective date of this Statement for one year through the issuance of Statement No. 137, "Accounting for Derivative Instruments and Hedging Activities - - Deferral of the Effective Date of SFAS No. 133 and an Amendment of SFAS No. 133." The Company implemented Statement No. 133 during the quarter ended March 31, 2000. The adoption of this Statement did not have a material effect on the Company's consolidated financial statements.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is subject to various legal proceedings from time to time that arise in the ordinary course of business activities. Each of these matters is subject to various uncertainties, and it is possible that these matters may be resolved unfavorably to the Company.

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
January 2000	8,000	4	$ 3,637.50
February 2000	29,250	6	$167,293.75
March 2000	12,950	5	$ 34,375.00

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: May 5, 2000

By: /s/ James E. Cashman, III

James E. Cashman, III
President and Chief
Executive Officer

Date: May 5, 2000

By: /s/ Maria T. Shields

Maria T. Shields
Chief Financial Officer

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

April 19, 2000

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

Ladies & Gentlemen:

We are aware that our report dated April 19, 2000 on our review of the interim financial information of ANSYS, Inc. and Subsidiaries for the three-month period ended March 31, 2000 and included in the Company's quarterly report on Form 10-Q for the quarter then ended is incorporated by reference in the registration statement referred to above.

Very truly yours,

/s/ PricewaterhouseCoopers LLP
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3-MOS
DEC-31-2000
JAN-01-2000
MAR-31-2000
13,059
50,293
11,231
1,700
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75,828
3,666
0
88,630
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0
0
166
67,640
88,630
10,507
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1,094
2,003
10,143
0
0
6,231
1,744
4,487
0
0
0
4,487
.28
.27

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

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

In addition, a large percentage of the Company's common stock is held by investment funds associated with 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 of 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 quickly to industry changes, its business, financial condition and results of operations could be materially adversely affected. The introduction and marketing of new or enhanced products require the Company to manage the transition from existing products in order to minimize disruption in customer purchasing patterns. There can be no assurance that the Company will be successful in developing and marketing, on a timely basis, new products or product enhancements, that its new products will adequately address the changing needs of the marketplace or that it will successfully manage the transition from existing products. Software products as complex as those offered by the Company may contain undetected errors or failures when first introduced or as new versions are released, and the likelihood of errors is increased as a result of the Company's commitment to accelerating the frequency of its product releases.

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

Dependence on Distributors. The Company continues to distribute its products principally through its global network of 29 independent, regional ASDs. The ASDs sell ANSYS and DesignSpace products to new and existing customers, expand installations within their existing customer base, offer consulting services and provide the first line of 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, failure to meet performance criteria or to promote the Company's products as aggressively as the Company expects and differences in the handling of customer relationships could adversely affect the Company's performance. Additionally, the loss of any major ASD for any reason, including an ASD's decision to sell competing products rather than the Company's products, could have a materially adverse effect on the Company. Moreover, the Company's future success will depend substantially on the ability and willingness of its ASDs to continue to dedicate the resources necessary to promote the Company's products and to support a larger installed base of the Company's products. If the ASDs are unable or unwilling to do so, the Company may be unable to sustain revenue growth.

Competition. The CAD, CAE and computer-aided manufacturing ("CAM") markets are intensely competitive. In the traditional CAE market, the Company's primary competitors include MSC.Software Corporation and Hibbitt, Karlsson and Sorenson, Inc. The Company also faces competition from smaller vendors of specialized analysis applications in fields such as computational fluid dynamics. In addition, certain integrated CAD suppliers such as Parametric Technology Corporation, Structural

Dynamics Research Corporation and Dassault Systemes provide varying levels of design analysis, optimization and verification capabilities as part of their product offerings. The entrance of new competitors would likely intensify competition in all or a portion of the overall CAD, CAE and CAM markets. Some of the Company's current and possible future competitors have greater financial, technical, marketing and other resources than the Company, and some have well established relationships with current and potential customers of the Company. It is also possible that alliances among competitors may emerge and rapidly acquire significant market share or that competition will increase as a result of software industry consolidation. Increased competition may result in price reductions, reduced profitability and loss of market share, any of which would materially adversely affect the Company's business, financial condition and results of operations.

Dependence on Senior Management and Key Technical Personnel. The Company is highly dependent upon the ability and experience of its senior executives and its key technical and other management employees. Although the Company has an employment agreement with one executive, the loss of this employee, or any of the Company's other key employees, could adversely affect the Company's ability to conduct its operations.

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

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

Recently, the World Trade Organization ("WTO") ruled that tax incentives provided to U.S.-based companies that export their products via a foreign sales corporation are prohibited tax subsidies. The United States has until October 1, 2000 to comply with the WTO decision. Any prospective changes regarding tax benefits associated with a foreign sales corporation may directly impact the Company's effective tax rate.

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

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

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

General Contingencies. The Company is subject to various investigations, claims and legal proceedings from time to time that arise in the ordinary course of its business activities. Each of these matters is subject to various uncertainties, and it is possible that some of these matters may be resolved unfavorably to the Company.