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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 1996

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 chapter)

DELAWARE	04-3219960
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
201 Johnson Road, Houston, PA	15342-1300
(Address of principal executive offices)	(Zip Code)

412-746-3304
(Registrant's telephone number, including area code)

Indicate by a check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No

The number of shares of the Registrant's Common Stock, par value $.01 per share, outstanding as of November 8, 1996 was 16,154,957 shares.

ANSYS, INC. AND SUBSIDIARIES

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Trademarks used in this Form 10-Q: ANSYS is a registered trademark and ANSYS/AUTOFEA and DesignSpace are a trademark of SAS IP, Inc., a wholly-owned subsidiary of ANSYS, Inc.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements:

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

	September 30, 1996	December 31, 1995
ASSETS	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 9,310	$ 8,091
Accounts receivable, less allowance for doubtful accounts of $747 in 1996 and $700 in 1995	11,755	7,666
Refundable and prepaid income taxes	-	1,497
Other current assets	529	439
Deferred income taxes	324	356
Total current assets	21,918	18,049
Securities available for sale	915	-
Property and equipment, net	3,720	3,163
Capitalized software costs, net of accumulated amortization of $13,036 in 1996 and $9,179 in 1995	2,466	6,207
Goodwill, net of accumulated amortization of $12,429 in 1996 and $8,762 in 1995	2,241	5,909
Other intangibles, net	1,852	2,807
Deferred income taxes	8,888	6,786
Total assets	$42,000	$ 42,921
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 60	$ 639
Accrued bonuses	1,862	1,952
Accrued pension and profit sharing	635	387
Other accrued expenses and liabilities	2,423	1,753
Accrued interest payable on subordinated debt	-	1,155
Customer prepayments	1,898	972
Deferred revenue	2,817	2,995
Current portion of long-term debt	-	5,000
Total current liabilities	9,695	14,853
Long-term debt, less current portion including amounts due to related parties of $17,204 in 1995	-	33,204
Total liabilities	9,695	48,057
Redeemable preferred stock, $.01 par value, 800 shares authorized; 412 shares issued and outstanding; atliquidation value, including accrued dividends of $772 in 1995	-	4,893
Stockholders' equity (deficit):		
Common stock, $.01 par value; 50,000,000 shares authorized; 16,221,700 shares issued in 1996; 10,626,000 shares issued in 1995	162	106
Class A common stock, $.01 par value; nonvoting, 2,000,000 shares authorized; 993,750 shares issued and outstanding in 1995	-	10
Additional paid-in capital	35,750	1,352
Adjustment for predecessor basis	-	(7,010)
Less treasury stock, at cost: 71,600 shares held in 1996 and 54,850 in 1995	(12)	(10)
Retained earnings (deficit)	(3,896)	(4,142)
Unrealized appreciation in securities available for sale, net	604	-
Notes receivable from stockholders	(303)	(335)
Total stockholders' equity (deficit)	32,305	(10,029)
Total liabilities, preferred stock and common stockholders' equity (deficit)	$42,000	$ 42,921

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

ANSYS, INC. AND SUBSIDIARIES
Consolidated Statements of Income
(in thousands, except share and per share data)
(unaudited)

	Three months Ended		Nine months ended	
	September 30, 1996	September 30, 1995	September 30, 1996	September 30, 1995
Revenue:				
Software licenses	$ 10,206	$ 8,536	$ 27,428	$ 23,523
Maintenance and service	2,455	1,987	7,306	4,564
Total revenue	12,661	10,523	34,734	28,087
Cost of sales:				
Software licenses	828	726	2,310	2,697
Maintenance and service	575	342	1,828	949
Total cost of sales	1,403	1,068	4,138	3,646
Gross profit	11,258	9,455	30,596	24,441
Operating expenses:				
Selling and marketing	2,733	1,738	7,181	5,100
Research and development	2,561	1,982	7,240	6,046
Amortization	2,670	2,663	8,103	7,983
General and administrative	1,999	1,660	5,655	4,655
Total operating expenses	9,963	8,043	28,179	23,784
Operating income	1,295	1,412	2,417	657
Interest expense	-	(978)	(1,669)	(2,994)
Other income	406	82	561	167
Income (loss) before income tax (provision) benefit and extraordinary item	1,701	516	1,309	(2,170)
Income tax (provision) benefit	(635)	(173)	(485)	724
Net income (loss) before extraordinary item	1,066	343	824	(1,446)
Extraordinary item, net	-	-	(343)	-
Net income (loss)	$ 1,066	$ 343	$ 481	$ (1,446)
Net income (loss) applicable to common stock:				
Net income (loss)	$ 1,066	$ 343	$ 481	$ (1,446)
Redeemable preferred stock dividends	-	(104)	(236)	(325)
	$ 1,066	$ 239	$ 245	$ (1,771)
Net income (loss) per common share:				
Net income (loss) before extraordinary item	$ 0.06	$ 0.02	$ 0.04	$ (0.14)
Extraordinary item	$ -	$ -	$ (0.02)	$ -
Net income (loss)	$ 0.06	$ 0.02	$ 0.02	$ (0.14)
Shares used in computing per common share amounts	16,700,000	12,946,000	14,573,000	12,268,000

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

	Nine months ended September 30, 1996	Nine months ended September 30, 1995
Cash flows from operating activities:		
Net income (loss)	$ 481	$(1,446)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	8,913	8,481
Extraordinary item	553	-
Deferred income tax benefit	(2,381)	(1,777)
Provision for bad debts	47	(3)
Change in operating assets and liabilities:		
Accounts receivable	(4,136)	(1,673)
Refundable and prepaid income taxes	1,497	261
Other current assets	(90)	124
Accounts payable, accrued expenses and liabilities and customer prepayments	20	1281
Deferred revenue	(178)	859
Net cash provided by operating activities	4,726	6,107
Cash flows from investing activities:		
Capital expenditures	(1,542)	(1,193)
Capitalization of internally developed software costs	(117)	(9)
Payments for software products acquired	-	(175)
Notes receivable from stockholders	32	(29)
Net cash used in investing activities	(1,627)	(1,406)
Cash flows from financing activities:		
Payments on long-term debt	(21,000)	(4,000)
Proceeds from issuance of restricted stock	326	-
Proceeds from exercise of stock options	113	-
Repayment of subordinated notes	(17,204)	-
Redemption of preferred stock and accumulated dividends	(5,128)	-
Purchase of treasury stock	(2)	(4)
Proceeds from initial public offering, net of issuance costs of $1,300	41,015	-
Net cash used in financing activities	(1,880)	(4,004)
Net increase in cash and cash equivalents	1,219	697
Cash and cash equivalents, beginning of period	8,091	4,300
Cash and cash equivalents, end of period	9,310	4,997
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	2,848	3,182
Income taxes	1,136	1,826
Supplemental non cash investing and financing activities:		
Deferred interest notes issued for interest in arrears on subordinated notes	-	508
Increase in securities available for sale	915	-

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

ANSYS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SETPEMBER 30, 1996
(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements included herein have been prepared by ANSYS, Inc. (the "Company") in accordance with generally accepted accounting principles for interim financial information for commercial and industrial companies and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. The financial statements as of and for the three and nine months ended September 30, 1996 should be read in conjunction with the Company's consolidated financial statements (and notes thereto) included in the Company's Form S-1 dated June 20, 1996 which includes the year ended December 31, 1995. 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 and nine months ended September 30, 1996 are not necessarily indicative of the results that may be expected for the year ending December 31, 1996.

2. INITIAL PUBLIC OFFERING

Effective June 20, 1996, the Company completed its initial public offering of 3,500,000 shares of Common Stock at $13.00 per share. The net proceeds (after deducting underwriting discounts and commissions and offering expenses) totaled $41.0 million and were used as follows: i) the repayment of approximately $18.5 million of senior secured indebtedness (the "1994 Loan"), including accrued and unpaid interest; ii) the repayment of $17.5 million of 10% Subordinated Notes (the "Subordinated Notes") including accrued and unpaid interest; and iii) the redemption of $5.1 million of Redeemable Preferred Stock, including accumulated dividends.

3. EXTRAORDINARY ITEM

The Company incurred an extraordinary item for the nine months ended September 30, 1996 of $343,000, net of income tax benefit. In connection with the acquisition of its business in 1994 (the "1994 Acquisition"), the Company capitalized $925,000 of debt issuance costs and $179,000 associated with an interest rate cap agreement, the unamortized portion of which totaled $552,866 at June 20, 1996. As a result of the early repayment of the 1994 Loan with a portion of the net proceeds from its initial public offering in June 1996, the Company has written-off the unamortized balance as an extraordinary non-cash charge in the nine months ended September 30, 1996.

4. SECURITIES AVAILABLE FOR SALE

The Company has investments in marketable equity securities that have been classified under the provisions of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities", as available-for-sale. Accordingly, these investments are carried at fair value, with the unrealized gains and losses, net of tax, reported in a separate component of stockholders' equity.

5. NET INCOME (LOSS) PER SHARE

Net income (loss) per share is computed using the weighted average number of common and common equivalent shares outstanding during each period. Common equivalent shares are not included in the per share calculations where their inclusion would be antidilutive, except that, in accordance with certain Securities and Exchange Commission (SEC) Staff Accounting Bulletins, common and common equivalent shares issued within 12 months of the initial public offering date have been included in the calculation as if they were outstanding for all periods prior to June 20,1996, using the treasury stock method and the initial public offering price. Such shares totaled 690,680. Common equivalent shares also consist of the common shares issuable upon the exercise of stock options (using the treasury stock method). Primary and fully diluted net income (loss) per share are the same for all periods presented.

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REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

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

We have reviewed the unaudited condensed consolidated balance sheet of ANSYS, Inc. and subsidiaries as of September 30, 1996, the unaudited condensed consolidated statements of income for the three-month and nine-month periods ended September 30, 1996 and 1995, and condensed consolidated statements of cash flows for the nine-month periods ended September 30, 1996 and 1995, which are included in ANSYS's Form 10-Q for the period ended September 30, 1996. 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 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 generally accepted auditing standards, the consolidated balance sheet of ANSYS, Inc. and subsidiaries as of December 31, 1995, and the related consolidated statements of income, stockholders' equity (deficit) and cash flows for the year then ended (not presented herein). In our report dated April 19, 1996, 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, 1995, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Coopers & Lybrand L.L.P.

Pittsburgh, Pennsylvania
October 21, 1996

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 CAD integrated products. A global network of ANSYS Support Distributors ("ASDs") provides sales, support and training for customers. Additionally, the Company distributes its ANSYS/AutoFEA(TM) product 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 ANSYS/AutoFEA(TM) to end users throughout the world. The following discussion should be read in conjunction with the attached unaudited consolidated financial statements and notes thereto for the periods ended September 30, 1996 and September 30, 1995 and with the Company's audited financial statements and notes thereto for the fiscal year ended December 31, 1995.

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. 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 possible delays in developing, completing or shipping new or enhanced products, potential volatility of revenues and profit in any period due to lower than expected demand for large contracts, as well as other risks and uncertainties that are detailed from time to time in reports filed by ANSYS, Inc. with the Securities and Exchange Commission, including ANSYS, Inc.'s registration statement on Form S-1 and related prospectus dated June 20, 1996, and the "Risk Factors" described therein, and in the statement of "Certain Factors Affecting Future Results" included herein as Exhibit 99 to this Form 10-Q.

Results of Operations

Three Months Ended September 30, 1996 Compared to Three Months Ended September 30, 1995

Revenue. The Company's revenue increased 20.3% for the 1996 quarter to $12.7 million from $10.5 million for the 1995 quarter. This increase was attributable principally to increased domestic and international sales of paid-up licenses and increased maintenance and services revenue, both of which resulted primarily from the Company's increased marketing emphasis, market acceptance of new product releases and broader customer usage of maintenance and support services in response to accelerated frequency of product releases and the Company's increased emphasis on marketing its maintenance services.

Software license revenue increased 19.6% for the 1996 quarter to $10.2 million from $8.5 million for the 1995 quarter, resulting from increased sales of paid-up licenses in domestic and international markets. Revenue from sales of paid-up licenses increased 49.0% for the 1996 quarter to $5.9 million from $4.0 million for the 1995 quarter. The Company's paid-up license revenue reflected recognition of substantial revenue from several large contracts that were formalized during the 1996 quarter from customers such as General Electric, 3M, Pratt & Whitney and Fiat Avio. The Company believes that large contracts 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. The Company also experienced a 5.8% decrease in lease license revenue to $4.3 million for the 1996 quarter from $4.6 million for the 1995 quarter. This decrease was attributable to an increase in noncancellable annual leases, for which a portion of the annual license fee is recognized as paid-up revenue upon inception of the lease. Additionally, the decrease is partially attributable to the conversion of certain lease licenses to paid-up licenses in the 1996 quarter. Maintenance and service revenue increased 23.5% for the 1996 quarter to $2.5 million from $2.0 million for the 1995 quarter, as a result of the increase in the sale of paid-up licenses, broader customer usage of maintenance and support services and reduction in the warranty period.

Of the Company's total revenue for the 1996 quarter, approximately 54.4% and 45.6%, respectively, were attributable to domestic and international sales, as compared to 48.0% and 52.0%, respectively, for the 1995 quarter.

Cost of Sales and Gross Profit. The Company's total cost of sales increased 31.4% to $1.4 million, or 11.1% of total revenue, for the 1996 quarter from $1.1 million, or 10.2% of total revenue, for the 1995 quarter. The Company's cost of sales for software license revenue increased 14.0% for the 1996 quarter to $828,000, or 8.1% of software license revenue, from $726,000, or 8.5% of software license revenue, for the 1995 quarter. The increase was due primarily to an increase in royalty fees. The Company's cost of sales for maintenance and service revenue was $575,000 and $342,000, or 23.4% and 17.2% of maintenance and service revenue, for the 1996 and 1995 quarters, respectively. This 68.1% increase in the 1996 quarter as compared to the 1995 quarter reflects an increase in royalties, consulting fees and headcount.

As a result of the foregoing, the Company's gross profit increased 19.1% to $11.3 million for the 1996 quarter from $9.5 million for the 1995 quarter.

Selling and Marketing. Selling and marketing expenses increased 57.3% for the 1996 quarter to $2.7 million, or 21.6% of total revenue, from $1.7 million, or 16.5% of total revenue, for the 1995 quarter. This growth was attributable principally to increased personnel costs, including costs associated with increased headcount and compensation expenses related to building a sales and marketing organization, as well as increased commissions associated with increased revenue and increased advertising costs.

Research and Development. Research and development expenses increased 29.2% for the 1996 quarter to $2.6 million, or 20.2% of total revenue, from $2.0 million, or 18.8% of total revenue, for the 1995 quarter. This increase resulted primarily from employment of additional staff and independent contractors to develop and enhance the Company's products, including a dedicated team working on the development of the Company's DesignSpace(TM) product, costs associated with quality assurance and additional depreciation expense related to equipment purchases made to implement and enhance a multi-platform development environment.

Amortization. Amortization expense was $2.7 million in the third quarter in both 1996 and 1995. This amortization expense resulted from the 1994 Acquisition and relates primarily to intangible assets, including goodwill, which are being amortized from the date of the 1994 Acquisition, March 14, 1994. The unamortized portion of the goodwill and capitalized software acquired in connection with the 1994 Acquisition will be fully amortized in the first quarter of 1997.

General and Administrative. General and administrative expenses increased 20.4% to $2.0 million, or 15.8% of total revenue, for the 1996 quarter from $1.7 million, or 15.8% of total revenue, for the 1995 quarter. The Company has maintained a relatively stable headcount while adding administrative support services, such as computerized order fulfillment and corporate-wide information technology systems, to support its future operations. The Company also incurred additional expenses as a result of becoming a publicly owned company.

Interest. Interest expense decreased 100.0% for the 1996 quarter to $0 from $978,000 for the 1995 quarter. This decrease was attributable to the early repayment of the 1994 Loan and the Subordinated Notes with the net proceeds from the initial public offering in June 1996.

Other Income. Other income increased for the 1996 quarter to $406,000 as compared to $82,000 for the 1995 quarter. Approximately $331,000 of this increase was related to the repayment of a note receivable and related past-due interest which had previously been determined by the Company to be uncollectible.

Income Tax Benefit. The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." The Company's effective rate of taxation was 37.3% for the 1996 quarter, as compared to 33.5% for the 1995 quarter. These percentages are less than the federal and state combined statutory rate of approximately 39.0% due primarily to the utilization of research and experimentation credits.

Net Income. The Company's net income increased in the third quarter of 1996 to $1,066,000 from net income of $343,000 in the 1995 quarter. Net income per share increased to $.06 in the 1996 quarter from $.02 in the 1995 quarter. The increase in net income per share is attributable to the increase in net income, as well as the elimination of the preferred stock dividends due to the redemption of the Redeemable Preferred Stock, which occurred at the time of the Company's initial public offering in June 1996. The weighted average common and common equivalent shares used in computing per common shares amounts have increased to 16,700,000 in the 1996 quarter from 12,946,000 in the 1995 quarter, primarily as a result of the initial public offering.

Nine Months Ended September 30, 1996 Compared to Nine Months Ended September 30, 1995

Revenue. The Company's revenue increased 23.7% for the comparative nine months to $34.7 million from $28.1 million. This increase was attributable principally to increased domestic and international sales of paid-up licenses and increased maintenance and services revenue, both of which resulted primarily from the Company's increased marketing emphasis, market acceptance of new product releases and broader customer usage of maintenance and support services in response to accelerated frequency of product releases and the Company's increased emphasis on marketing its maintenance services.

Software license revenue increased 16.6% for the 1996 nine months to $27.4 million from $23.5 million for the 1995 nine months, resulting principally from increased sales of paid-up licenses in domestic and international markets. Revenue from sales of paid-up licenses increased 38.3% for the 1996 nine months to $13.9 million from $10.0 million for the 1995 nine months. The Company's paid-up license revenue reflected recognition of substantial revenue from several large contracts that were formalized during the 1996 quarter from customers such as General Electric, 3M, Pratt & Whitney and Fiat Avio. The Company believes that large contracts 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. The Company's lease license revenue remained stable at $13.5 million for the 1996 and 1995 nine month periods. Maintenance and service revenue increased 60.1% for the 1996 nine months to $7.3 million from $4.6 million for the 1995 nine months, as a result of a substantial increase in the sale of paid-up licenses, broader customer usage of maintenance and support services and reduction in the warranty period.

Of the Company's total revenue for the 1996 nine months, approximately 50.7% and 49.3%, respectively, were attributable to international and domestic sales, as compared to 53.9% and 46.1%, respectively, for the 1995 nine months.

Cost of Sales and Gross Profit. The Company's total cost of sales increased 13.5% to $4.1 million, or 11.9% of total revenue, for the 1996 nine months from $3.6 million, or 13.0% of total revenue, for the

1995 nine months. The Company's cost of sales for software license revenue decreased 14.4% for the 1996 nine months to $2.3 million, or 8.4% of software license revenue, from $2.7 million, or 11.5% of software license revenue, for the 1995 nine months. The decrease was due primarily to a reduction of expenses through lower headcount and cost controls and implementation of a more efficient multi-platform development environment for the Company's product releases and was partially offset by increased royalty fees. The Company's cost of sales for maintenance and service revenue was $1,827,000 and $949,000, or 25.0% and 20.8% of maintenance and service revenue, for the 1996 and 1995 nine months, respectively. This 92.5% increase in the 1996 nine months as compared to the 1995 nine months reflects an increase in headcount, consulting fees and royalties.

As a result of the foregoing, the Company's gross profit increased 25.2% to $30.6 million for the 1996 nine months from $24.4 million for the 1995 nine months.

Selling and Marketing. Selling and marketing expenses increased 40.8% for the 1996 nine months to $7.2 million, or 20.7% of total revenue, from $5.1 million, or 18.2% of total revenue, for the 1995 nine months. The increase in selling and marketing expenses resulted primarily from increased personnel costs, including costs associated with increased headcount and compensation expenses related to the establishment of a sales force to support the Company's distribution network, as well as increased commissions associated with increased revenue and increased advertising costs.

Research and Development. Research and development expenses increased 19.8% for the 1996 nine months to $7.2 million, or 20.8% of total revenue, from $6.0 million, or 21.5% of total revenue, for the 1995 nine months. This increase resulted primarily from employment of additional staff and independent contractors to develop and enhance the Company's products, including a dedicated team working on the development of the Company's DesignSpace(TM) product, costs associated with quality assurance and additional depreciation expense related to equipment purchases made to implement and enhance a multi-platform development environment.

Amortization. Amortization expense was $8.1 million for the 1996 nine months and $8.0 million for the 1995 nine months. This amortization expense resulted from the 1994 Acquisition and relates primarily to intangible assets, including goodwill, which are being amortized from the date of the 1994 Acquisition, March 14, 1994. The unamortized portion of the goodwill and capitalized software acquired in connection with the 1994 Acquisition will be fully amortized in the first quarter of 1997.

General and Administrative. General and administrative expenses increased 21.5% for the 1996 nine months to $5.7 million, or 16.3% of total revenue, from $4.7 million, or 16.6% of total revenue, for the 1995 nine months. The Company has maintained a relatively stable headcount while adding administrative support services, such as a computerized order fulfillment and corporate-wide information technology systems, to support its future operations. The Company also incurred additional expenses as a result of becoming a publicly owned company.

Interest. Interest expense decreased 44.3% for the 1996 nine months to $1.7 million from $3.0 million for the 1995 nine months. This decrease was attributable to the early repayment of the 1994 Loan and the Subordinated Notes with the net proceeds from the initial public offering in June 1996.

Other Income. Other income increased for the 1996 nine months to $561,000 from $167,000 for the 1995 nine months. Approximately $331,000 of this increase was related to the repayment of a note receivable and related past-due interest which had previously been determined by the Company to be uncollectible.

Income Tax Benefit. The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." The Company's effective rate of taxation was 37.1% for the 1996 nine months, as compared to 33.4% for the 1995 nine months. These percentages are less than the federal and state combined statutory rate of approximately 39.0% due primarily to the utilization of research and experimentation credits.

Net Income(Loss). The Company's net income before extraordinary item in the nine months of 1996 was $824,000 compared to a net loss of $1,446,000 in the 1995 nine months. The net income including the extraordinary item in the 1996 nine months was $481,000. Net income per share increased to $.02 in the nine months of 1996 as compared to a net loss of $.14 in the 1995 nine months. The increase in net income per share is attributable to the increase in net income, as well as the elimination of the preferred stock dividends due to the redemption of the Redeemable Preferred Stock, which occurred at the time of the Company's initial public offering in June 1996. The weighted average common and common equivalent shares used in computing per common shares amounts have increased to 14,573,000 in the nine months of 1996 from 12,268,000 in the 1995 nine months, primarily as a result of the initial public offering.

Liquidity and Capital Resources

As of September 30, 1996, the Company had cash and cash equivalents of $9.3 million and working capital of $12.2 million, as compared to cash and cash equivalents of $8.1 million and working capital of $3.2 million at December 31, 1995. The improvement in the working capital position was due primarily to the net proceeds of $41.0 million received from the Company's initial public offering on June 25, 1996. The proceeds from the offering were used to repay the 1994 Loan and the Subordinated Notes, including accrued and unpaid interest, and retire all of the Company's outstanding Redeemable Preferred Stock, including accumulated dividends. Previously, the Company also had available to it a $1.0 million revolving line of credit with a commercial bank under a credit facilities agreement. During the second quarter of 1996, the Company elected to terminate the line of credit.

The Company's operating activities provided cash of $4.7 million for the nine months ended September 30, 1996 and $6.1 million for the nine months ended September 30, 1995. The Company's cash flow from operations decreased for the nine months ended September 30, 1996 as compared to the nine months ended September 30, 1995. This was a result of increased working capital requirements, primarily relating to an increase in accounts receivable, resulting from an increase in revenue and slower payments from certain ASDs.

Cash used in investing activities was $1.6 million for the nine months ended September 30, 1996 and $1.4 million for the nine months ended September 30, 1995. The Company's use of cash in these periods was substantially related to capital expenditures and internally developed software costs. The Company expects to spend approximately $2.5 million for capital equipment in 1996 principally for the acquisition of computer hardware, software and equipment.

Financing activities used net cash of $1.9 million for the nine months ended September 30, 1996 and $4.0 million for the nine months ended September 30, 1995. Cash provided from financing activities for the nine months ended September 30, 1996 was due primarily to the net proceeds of $41.0 million received from the Company's initial public offering on June 25, 1996 (see Note 2). Cash used for financing activities for the nine months ended September 30, 1996 was the result of the repayment of the 1994 Loan and Subordinated Notes, payment of related unpaid interest and the redemption of the Redeemable Preferred Stock and accumulated dividends. Cash used for the nine months ended September 30, 1995 was the result of principal repayments made on the 1994 loan.

New Accounting Pronouncements

In March 1995, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of." The new standard was implemented in the first quarter of 1996 and did not have a material effect on the consolidated financial statements.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

Not Applicable.

Item 2. Changes in Securities

Not Applicable.

Item 3. Defaults upon Secured Securities

Not Applicable.

Item 4. Submission of Matters to 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 Schedules

99 Certain Factors Regarding Future Results

(b) Reports on Form 8-K.

Not Applicable.

SIGNATURES

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

ANSYS, Inc.

Date: November 14, 1996 By: /s/ Peter J. Smith

Peter J. Smith
Chairman, President and Chief Executive Officer

Date: November 14, 1996 By: /s/ John M. Sherbin II

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

Item 6.

EXHIBIT INDEX

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

EXHIBIT 15
October 21, 1996

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 and gentlemen:

We are aware that our report dated October 21, 1996 on our review of interim financial information of ANSYS, Inc. and Subsidiaries for the three-month and nine-month periods ended September 30, 1996 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/ Coopers & Lybrand L.L.P.

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9-MOS
DEC-31-1996
JAN-01-1996
SEP-30-1996
9310
915
12502
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103
21918
3720
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42000
9695
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162
32143
42000
27428
34734
2310
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28179
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EXHIBIT 99 Certain Factors Regarding Future Results

Information provided by the Company or its spokespersons from time to time may 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; 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. 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 computer industry or the securities markets in general.

In addition, a large percentage of the Company's common stock is held by institutional investors. Consequently, actions with respect to the Company's common stock by 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 products and other noncompeting 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 rather than ANSYS 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") market is 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 be likely to 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, Peter J. Smith and Dr. John A. Swanson, and its key technical and other management employees. Although the Company has entered into employment agreements with Mr. Smith and Dr. Swanson, the loss of either of these senior executives or a number 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 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.

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. The Company has historically maintained stable recurring revenue from the sale of time-based licenses for its software products. 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. Although lease license revenue currently represents a significant portion of the Company's software license fee revenue, to the extent that perpetual license revenue increases 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.