UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 1997

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

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)	(I.R.S. 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)

Securities registered pursuant to Section 12(b) of the Act:

None	None
(Title of each class)	(Name of exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $.01 par value per share
(Title of class)

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 [ ]

Indicate by a check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in PART III of this Form 10-K, or any amendment to this Form 10-K. [ ]

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based upon the closing sale price of the Common Stock on March 18, 1998 as reported on the Nasdaq National Market, was approximately $64,648,479. Shares of Common Stock held by each officer and director and by each person who owns 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares of the Registrant's Common Stock, par value $.01 per share, outstanding as of March 18, 1998 was 16,309,776 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to Stockholders for the fiscal year ended December 31, 1997 are incorporated by reference into Parts I, II and IV. Portions of the Proxy Statement for the Registrant's 1998 Annual Meeting of Stockholders to be held on May 6, 1998 are incorporated by reference into Part III.

Important Factors Regarding Future Results

Information provided by ANSYS, Inc. ("the Company), including information contained in this Annual Report on Form 10-K, or by its spokespersons may from time to time contain forward-looking statements concerning such matters as projected financial performance, market and industry segment growth, product development and commercialization or other aspects of future operations. Such statements, made pursuant to the safe harbor established by the securities laws, are 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 statements) is subject to risks and uncertainties. Various important factors, including but not limited to those discussed herein, may cause the Company's future results to differ materially from those projected in any forward-looking statement. Important information about the basis for those assumptions is contained in "Important Factors Regarding Future Results" included in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," incorporated by reference to pages 12 through 17 of the Company's 1997 Annual Report to Stockholders. All information presented is as of December 31, 1997 unless otherwise indicated.

PART I

ITEM 1: BUSINESS

ANSYS, Inc. develops, markets and supports software solutions for design analysis and optimization. Engineering analysts and design engineers use the Company's software to accelerate product time to market, reduce production costs, improve engineering processes and optimize product quality and safety for a variety of manufactured products. The ANSYS product family features open, flexible architecture that permits easy integration into its customers' enterprise-wide engineering systems.

Since its founding in 1970 as Swanson Analysis Systems, Inc. ("Swanson Analysis"), the Company has become a technology leader in the market for computer-aided engineering ("CAE") analysis software. The Company has longstanding relationships with customers in many industries, including automotive, aerospace and electronics. Using the Company's products, engineers can construct computer models of structures, compounds, components or systems to simulate performance conditions and physical responses to varying levels of stress, pressure, temperature and velocity. This helps reduce the time and expense of physical prototyping and testing.

The Company's product line ranges from ANSYS/Multiphysics, a sophisticated multi-disciplinary CAE tool for engineering analysts, to its DesignSpace(R) products, innovative computer-aided design ("CAD")-integrated design optimization products for design engineers. The Company's individual design and analysis software programs, all of which are included in the ANSYS/Multiphysics program, are available as subsets or standalone products. The Company's multiphysics products comprise the core of its business and accounted for substantially all of the Company's revenue in 1997, 1996 and 1995. The Company's CAD integration products provide design optimization tools for use directly within a particular CAD product. CAD integration products are accessed from the graphical user interface of, and operate directly on the geometry produced within, the CAD product. The output from these programs may be read into any of the products in the ANSYS product family. The Company's product family features a unified database, a wide range of analysis functionality, a consistent, easy-to-use graphical user interface, support for multiple hardware platforms and operating systems (including Windows 95, Windows NT and Unix), effective user customization tools and integration with leading CAD systems. The Company's products are developed using the Company's ISO 9001-certified quality system.

The Company markets its products principally through its global network of 36 independent regional ANSYS Support Distributors ("ADSs"), which have 64 offices in 31 countries.

PRODUCT DEVELOPMENT

The Company makes significant investments in research and development and emphasizes a policy of accelerated new product releases. The Company's product development strategy centers on ongoing development and innovation of new technologies to increase productivity and provide solutions that customers can integrate into enterprise-wide engineering systems. The Company's product development efforts focus on extensions of the ANSYS product family with new functional modules, further integration with CAD products and the development of new products based on object-oriented technology. The Company's products run on the most widely used engineering computing platforms and operating systems, including Windows 95, Windows NT and most UNIX workstations, as well as on supercomputers such as the Cray.

During 1997, the Company achieved the following with respect to major product development activities and releases:

- The release of ANSYS 5.4, a new and enhanced version of the Company's flagship multiphysics product, and all component products. Major enhancements in this release included improved robustness and usability, improved meshing capabilities, newly added two-dimensional (2D) and 3D rigid-to-flexible contact capabilities which increase the solution power of ANSYS software for highly nonlinear analyses.

- ANSYS/ProFEA and ANSYS Connection for Pro/ENGINEER enhancement releases were available subsequent to Parametric Technology Corporation's ("Parametric Technology") release of its new versions of Pro/ENGINEER. These products enable users to access Pro/ENGINEER geometry directly from ANSYS products.

- The Company released commercial versions of DesignSpace(R) 3.0. These products are developed using a C++ object-oriented product development environment. The DesignSpace(R) products improve the effectiveness of product development by giving engineers a sounding board inside Autodesk's Mechanical Desktop(TM) and SolidWorks(R). The software allows engineers to quickly and easily simulate design performance and provides tighter integration between design and analysis, as well as enhanced solving capabilities and parametric support.

The Company's total research and development expense was $11.0 million, $9.8 million and $8.3 million in 1997, 1996 and 1995, or 21.8%, 20.8% and 21.0% of total revenue, respectively. As of December 31, 1997, the Company's product development staff consisted of 99 full time employees, most of whom hold advanced degrees and have industry experience in engineering, mathematics, computer science or related disciplines.

The Company uses multi-functional teams to develop its products and develops them simultaneously on multiple platforms to reduce subsequent porting costs. In addition to developing source code, these teams create and perform highly automated software verification tests; develop on-line documentation and help for the products; implement development enhancement tools, software configuration management and product licensing processes; and conduct regression tests of ANSYS products for all supported platforms.

PRODUCT QUALITY

During 1997, the Company continued to maintain ISO 9001 certification for its quality system. This standard applies to all of the Company's commercial software products and covers all product-related activities, from establishing product requirements to customer service practices and procedures. The ISO certification has also been extended to ANSYS Customer Services.

In accordance with its ISO 9001 certification for its quality system, the Company's employees perform all product development and support tasks according to predefined quality plans, procedures and work instructions. These plans define for each project the methods to be used, the responsibilities of project participants and the quality objectives to be met. To ensure that the Company meets or surpasses the IS0 9001 standards, the Company establishes quality plans for all products and services, subjects product designs to multiple levels of testing and verification, and selects development subcontractors in accordance with processes established under the Company's quality system.

SALES AND MARKETING

The Company distributes its multiphysics products and services primarily through its global ASD network. This network provides the Company with a cost-effective, highly specialized channel of distribution and technical support. Approximately 97% of the Company's revenue in 1997 was derived through the ASDs. All software licenses for the Company's products are directly between the Company and the end user.

At December 31, 1997, the ASD network consists of 36 independent distributors in 64 locations in 31 countries, including 16 in North America, eight in Europe, 11 in the Asia Pacific Region and one in Brazil. The ASDs sell ANSYS and DesignSpace(R) products to new customers, expand installations within the existing customer base, offer consulting services and provide the first line of ANSYS technical support. The Company's ASD certification process helps to ensure that each ASD has the capacity on an ongoing basis to adequately represent the Company's product line and provide an acceptable level of services and consultation.

The Company also has a sales management infrastructure in place to work with the ASDs to develop a more focused sales approach and to implement a worldwide major account strategy. As of December 31, 1997, the Company's sales management organization consisted of a North American Vice President of Sales, supported by four Regional Sales Directors and three Major Account Representatives, and an International Vice President of Sales, supported by a European Managing Director and five Regional Sales Directors.

During 1997, the Company expanded its investment in its global sales and marketing organization through the establishment of strategic sales offices in the United Kingdom, Michigan and Japan. In total, these offices employ approximately twelve persons who are responsible for the implementation of sales and marketing initiatives in those geographic areas designed to support the Company's overall revenue growth and market share expansion strategies.

During 1997, the Company also continued its efforts to expand the reseller channel for its CAD integrated products because these products are sold primarily to design engineers rather than engineering analysts. This channel compliments the ASD network by establishing a broader user base for the Company's CAD integrated products. As of December 31, 1997, the Company had signed agreements with 121 resellers. All resellers are required to meet the Company's standards for sales and customer support by ensuring they have appropriately trained marketing and technical personnel.

The Company's products have an installed base of approximately 45,000 seats at commercial sites and approximately 76,000 seats at university sites worldwide. The Company's products are utilized by organizations ranging in size from small consulting firms to the world's largest industrial companies. No single customer accounted for more than 1.7% of the Company's revenue in fiscal 1997.

Information with respect to foreign and domestic revenues may be found in Note 15 to the Consolidated Financial Statements and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Annual Report to Stockholders for the year ended December 31. 1997 ("1997 Annual Report to Stockholders"), which financial statements are included in Exhibit 13.1 to this Annual Report on Form 10-K and incorporated herein by reference.

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.

STRATEGIC ALLIANCES AND MARKETING RELATIONSHIPS

The Company has established and continues to pursue strategic alliances with advanced technology suppliers and marketing relationships with hardware vendors, specialized application developers and CAD providers. The Company believes these relationships allow it to accelerate the incorporation of advanced technology into the ANSYS product family, gain access to important new markets, expand the Company's sales channel, develop specialized product applications and provide direct integration with leading CAD systems.

One such example is the Company's software license agreement with Livermore Software Corporation under which Livermore has provided LS/DYNA software for explicit dynamics solutions used in applications such as crash test simulation in the automotive and other industries. Under this arrangement, Livermore assists in the integration of the LS/DYNA software with the Company's pre- and postprocessing capabilities and provides updates and problem resolution in return for a share of revenue from sales of ANSYS/LS-DYNA.

The Company has technical and marketing relationships with leading CAD vendors, such as Parametric Technology, Autodesk, Computervision, Intergraph, EDS/Unigraphics, SolidWorks and Dassault Systemes, to provide direct links between the vendors' CAD packages. These links facilitate the transfer of electronic data models between the CAD system and ANSYS products.

The Company has established relationships with leading suppliers of computer hardware, including Hewlett-Packard, Compaq, Silicon Graphics/Cray, Sun Microsystems, Intergraph, IBM and Intel. The relationships typically provide the Company with joint marketing and advertising, Internet links with the hardware partner's home page and reduced equipment costs.

The Company's Enhanced Solution Provider Program actively encourages specialized developers of niche software solutions to use ANSYS as a development platform for their applications. For example, Silverado Software and Consulting uses the Company's API to develop Silverado's vertical drop shock application that simulates the dropping of products onto an unyielding surface, such as an electronic appliance onto concrete. Other Enhanced Solution Providers include COMET Acoustics, which uses ANSYS/PrepPost to run its acoustic solver for the automobile industry, and AC Technologies, which provides an interface to ANSYS in connection with its plastic injection mold flow analysis product. In many cases, the sale of the Enhanced Solution Providers' products is accompanied by the sale of an ANSYS product.

COMPETITION

The CAD, 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 Sorensen, 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 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.

The Company believes that the principal competitive factors affecting its market include product features and functionality, such as ease of use; flexibility; quality; ease of integration into CAD systems; file compatibility across computer platforms; range of supported computer platforms; performance; price and cost of ownership; customer service and support; company reputation and financial viability; and effectiveness of sales and marketing efforts. Although the Company believes that it currently competes effectively with respect to such factors, there can be no assurance that the Company will be able to maintain its competitive position against current and potential competitors. There also can be no assurance that CAD software companies will not develop their own analysis software, acquire analysis software from companies other than the Company or otherwise discontinue their relationships with the Company. If any of these events occurred, the Company's business, financial condition and results of operations could be materially adversely affected.

PROPRIETARY RIGHTS AND LICENSES

The Company regards its software as proprietary and relies on a combination of trade secret, copyright and trademark laws, license agreements, nondisclosure and other contractual provisions and technical measures to protect its proprietary rights in its products. The Company distributes its ANSYS software under software license agreements that grant customers nonexclusive licenses for the use of the Company's products, which are typically nontransferable. Although the Company distributes its products primarily through the ASDs, licenses of the Company's products are directly between the Company and end users. Use of the licensed software is usually restricted to the customer's internal operations on designated computers at specified sites unless the customer obtains a site license for their use of the software. Software and hardware security measures are also employed to prevent unauthorized use of the Company's software, and the licensed software is subject to terms and conditions prohibiting unauthorized reproduction of the software. Customers may either purchase a paid-up perpetual license of the technology with the right to purchase annually ongoing maintenance, support and updates, or may lease the product on an annual basis for a fee which includes the license, maintenance, support and upgrades.

For certain software such as DesignSpace(R) and ANSYS/ED, the Company primarily relies on "shrink-wrapped" licenses that are not signed by licensees and therefore may be unenforceable under the laws of certain jurisdictions.

The Company also seeks to protect the source code of its software as a trade secret and as unpublished copyrighted work. The Company has obtained a federal trademark protection for ANSYS and a number of other trademarks and logos. The Company has also obtained trademark registrations of ANSYS in a number of foreign countries and is in the process of seeking such registration in other foreign countries.

Most employees of the Company have signed a Covenant Agreement under which they have agreed not to disclose trade secrets or confidential information or to engage in or become connected with any business which is competitive with the Company anywhere in the world while employed by the Company (and in some cases for specified periods thereafter), and that any products or technology created by them during their term of employment is the property of the Company. In addition, the Company requires all ASDs to enter into agreements not to disclose the Company's trade secrets and other proprietary information.

Despite these precautions, there can be no assurance that misappropriation of the Company's technology will not occur. Further, there can be no assurance that copyright and trade secret protection will be available for the Company's products in certain countries, or that restrictions on competition will be enforceable.

The software development industry is characterized by rapid technological change. Therefore, the Company believes that factors such as the technological and creative skills of its personnel, new product developments, frequent product enhancements, name recognition and reliable product maintenance are more important to establishing and maintaining a technology leadership position than the various legal protections of its technology which may be available.

The Company is not aware that any of its products infringe the proprietary rights of third parties. There can be no assurance, however, that third parties will not claim in the future such infringement by the Company or its licensers or licensees with respect to current or future products. The Company expects that software product developers will increasingly be subject to such claims as the number of products and competitors in the Company's market segment grows and the functionality of products in different market segments overlaps. Any such claims, with or without merit, could be time-consuming, result in costly litigation, cause product shipment delays or require the Company to enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on terms acceptable to the Company.

BACKLOG

The Company generally ships its products within 30 days after acceptance of an order and execution of a software license agreement. Accordingly, the Company does not believe that its backlog at any particular point in time is indicative of future sales levels.

EMPLOYEES

As of December 31, 1997, the Company had 243 full time employees. At that date, there were also approximately six contract personnel and co-op students providing development services and technical support on an ongoing basis. The Company believes that its relationship with its employees is good.

ITEM 2: PROPERTIES

The Company's executive offices and those related to product development, marketing, production and administration are located in a 107,000 square foot office facility in Canonsburg, Pennsylvania, which is leased for an annual rent of approximately $1,227,000. The Company also leases office space in various locations throughout the world. ANSYS' foreign subsidiary leases office space for its operations. The Company owns substantially all equipment used in its facilities. Management believes that its facilities allow for sufficient space to support not only its present needs, but also allow for expansion and growth as the business may require in the foreseeable future.

ITEM 3: LEGAL PROCEEDINGS

None.

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of fiscal year 1997.

PART II

ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated by reference to page 35 and the section captioned "Corporate Information" appearing in the Company's 1997 Annual Report to Stockholders.

ITEM 6: SELECTED FINANCIAL DATA

The information required by this Item is incorporated by reference to page 1 of the Company's 1997 Annual Report to Stockholders.

ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this Item is incorporated by reference to pages 12 through 17 of the Company's 1997 Annual Report to Stockholders, including the Important Factors Regarding Future Results.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is incorporated by reference to pages 18 through 34 of the Company's 1997 Annual Report to Stockholders.

ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10: DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information concerning the Company's directors and executive officers required by this Item is incorporated by reference to the Company's 1998 Proxy Statement and is set forth under "Information Regarding Directors" and "Information Regarding Executive Officers" therein.

ITEM 11: EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to the Company's 1998 Proxy Statement and is set forth under "Executive Compensation" therein.

ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated by reference to the Company's 1998 Proxy Statement and is set forth under "Principal and Management Stockholders" therein.

ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated by reference to the Company's 1998 Proxy Statement and is set forth under "Certain Transactions" therein.

PART IV

ITEM 14: EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Documents Filed as Part of this Annual Report on Form 10-K:

1. Financial Statements. The following Consolidated Financial Statements of ANSYS, Inc. and Report of Coopers & Lybrand L.L.P., Independent Accountants, are incorporated by reference to pages 18 through 33 of the Registrant's 1997 Annual Report to Stockholders:

   - Report of Coopers & Lybrand L.L.P., Independent Accountants
   - Consolidated Balance Sheets as of December 31, 1997 and 1996
   - Consolidated Statements of Operations for the years ended December 31, 1997, 1996 and 1995
   - Consolidated Statements of Cash Flows for the years ended December 31, 1997, 1996 and 1995
   - Consolidated Statements of Stockholders' Equity for the years ended December 31, 1997, 1996 and 1995
   - Notes to Consolidated Financial Statements

2. Financial Statement Schedules. The following financial statement schedule for ANSYS, Inc. is filed on page 12 of this Annual Report and should be read in conjunction with the Consolidated Financial Statements of ANSYS, Inc.

   Schedule II - Valuation and Qualifying Accounts

   Schedules not listed above have been omitted because they are not applicable or are not required or the information required to be set forth therein is included in the Consolidated Financial Statements or Notes thereto.

3. Exhibits:

   The Exhibits listed on the accompanying Exhibit Index immediately following the financial statement schedules are filed as part of, or incorporated by reference into, this Annual Report.

(b) Reports on Form 8-K:

The Registrant did not file any reports on Form 8-K during the last quarter of the period covered by this Annual Report.

(c) Exhibits

The Company hereby files as part of this Annual Report on Form 10-K the Exhibits listed in the attached Exhibit Index on page 10 of this Annual Report.

(d) Financial Statement Schedules

The Company hereby files as part of this Annual Report on Form 10-K the financial statement schedule listed in Item 14(a)2 as set forth above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: March 24, 1998 By: /S/ Peter J. Smith

Peter J. Smith
Chairman, President and Chief Executive Officer

Date: March 24, 1998 By: /S/ John M. Sherbin II

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

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Peter J. Smith and John M. Sherbin II, joint and severally, his or her attorneys-in-fact, each with the power of substitution, for such person in any and all capacities, to sign any amendments to this Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities and Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated below.

Signature	Title	Date
/S/ Peter J. Smith Peter J. Smith	Chairman of the Board of Directors, President and Chief Executive Officer (Principal Executive Officer)	March 24, 1998
/S/ John M. Sherbin II John M. Sherbin II	Chief Financial Officer, Senior Vice President, Finance and Administration; Secretary (Principal Financial Officer and Accounting Officer)	March 24, 1998
/S/ Dr. John A. Swanson Dr. John A. Swanson	Chief Technologist and Director	March 24, 1998
/S/ Jacqueline C. Morby Jacqueline C. Morby	Director	March 24, 1998
/S/ Roger B. Kafker Roger B. Kafker	Director	March 24, 1998
/S/ Gary B. Eichhorn Gary B. Eichhorn	Director	March 24, 1998
/S/ Roger J. Heinen, Jr. Roger J. Heinen, Jr.	Director	March 24, 1998
/S/ John F. Smith John F. Smith	Director	March 24, 1998

EXHIBIT INDEX

Exhibit No.	Exhibit
3.1	Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1996 and incorporated herein by reference).
3.2	By-laws of the Company (filed as Exhibit 3.3 to the Company's Registration Statement on Form S-1 (File No. 333-4278) and incorporated herein by reference).
10.1	1994 Stock Option and Grant Plan, as amended (filed as Exhibit 10.1 to the Company's Registration Statement on Form S-1 (File No. 333-4278) and incorporated herein by reference).*
10.2	1996 Stock Option and Grant Plan, as amended (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1996 and incorporated herein by reference).*
10.3	1996 Stock Purchase Plan, as amended (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1996 and incorporated herein by reference).*
10.4	Investment and Stockholders' Agreement dated as of February 7, 1994 by and among SAS Acquisition Corp., SAS Software, Inc. and Dr. John Swanson, the TA Investors (as defined) and Marcia S. Morton, as amended (filed as Exhibit 10.5 to the Company's Registration Statement on Form S-1 (File No. 333-4278) and incorporated herein by reference).*
10.5	Investment Agreement among SAS Holdings, Inc., the Present Investors (as defined), Peter J. Smith and the Parametric Investors (as defined) dated July 8, 1994, as amended (filed as Exhibit 10.6 to the Company's Registration Statement on Form S-1 (File No. 333-4278) and incorporated herein by reference).
10.6	Employment Agreement among the Registrant, a subsidiary of the Registrant and Dr. John A. Swanson dated February 7, 1994 (filed as Exhibit 10.7 to the Company's Registration Statement on Form S-1 (File No. 333-4278) and incorporated herein by reference).*
10.7	Incentive Stock Option Agreement between the Registrant and Dr. John A. Swanson dated March 14, 1994, as amended (filed as Exhibit 10.8 to the Company's Registration Statement on Form S-1 (File No. 333-4278) and incorporated herein by reference).*
10.8	Agreement Regarding Inventions, Confidentiality and Competitive Activities between the Registrant, subsidiaries of the Registrant and Dr. John A. Swanson dated February 7, 1994 (filed as Exhibit 10.9 to the Company's Registration Statement on Form S-1 (File No. 333-4278) and incorporated herein by reference).*
10.9	Employment Agreement between a subsidiary of the Registrant and Peter J. Smith dated as of March 28, 1994 (filed as Exhibit 10.10 to the Company's Registration Statement on Form S-1 (File No. 333-4278) and incorporated herein by reference).*
10.10	Restricted Stock Agreement between the Registrant and Peter J. Smith dated July 12, 1994 (filed as Exhibit 10.11 to the Company's Registration Statement on Form S-1 (File No. 333-4278) and incorporated herein by reference).*

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* Indicates management contract or compensatory plan, contract or arrangement.

10.11	Pledge Agreement between the Registrant and Peter J. Smith dated July 12, 1994 (filed as Exhibit 10.12 to the Company's Registration Statement on Form S-1 (File No. 333-4278) and incorporated herein by reference).*
10.12	Letter Agreement between a subsidiary of the Registrant and Peter J. Smith dated July 12, 1994 (filed as Exhibit 10.13 to the Company's Registration Statement on Form S-1 (File No. 333-4278) and incorporated herein by reference).*
10.13	Promissory Note between the Registrant and Peter J. Smith dated July 12, 1994, as amended (filed as Exhibit 10.14 to the Company's Registration Statement on Form S-1 (File No. 333-4278) and incorporated herein by reference).*
10.14	Restricted Stock Agreement between the Registrant and Peter J. Smith dated February 29, 1996, as amended.*
10.15	Incentive Option Agreement between the Registrant and Peter J. Smith dated February 29, 1996, as amended.*
10.16	Key-Man Executive Life Insurance Policies for Peter J. Smith and Dr. John A. Swanson (filed as Exhibit 10.17 to the Company's Registration Statement on Form S-1 (File No. 333-4278) and incorporated herein by reference).
10.17	Lease between National Build to Suit Washington County, L.L.C. and the Registrant for the Southpointe property (filed as Exhibit 10.19 to the Company's Registration Statement on Form S-1 (File No. 333-4278) and incorporated herein by reference).
10.18	Registrant's Pension Plan and Trust, as amended (filed as Exhibit 10.20 to the Company's Registration Statement on Form S-1 (File No. 333-4278) and incorporated herein by reference).*
10.19	Form of Director Indemnification Agreement (filed as Exhibit 10.21 to the Company's Registration Statement on Form S-1 (File No. 333-4278) and incorporated herein by reference).*
13.1	Annual Report to Stockholders for the fiscal year ended December 31, 1997 (which is not deemed to be "filed" except to the extent that portions thereof are expressly incorporated by reference in this Annual Report on Form 10-K); filed herewith.
21	Subsidiaries of the Registrant; filed herewith.
23.1	Report of Coopers & Lybrand L.L.P.; filed herewith.
23.2	Consent of Coopers & Lybrand L.L.P.; filed herewith.
24.1	Powers of Attorney. Contained in page 9 of this Annual Report on Form 10-K and incorporated herein by reference.
27.1	Financial Data Schedule; filed herewith.
27.2	Financial Data Schedule Amendment 10Q296; filed herewith.
27.3	Financial Data Schedule Amendment 10Q396; filed herewith.
27.4	Financial Data Schedule Amendment 10K96; filed herewith.
27.5	Financial Data Schedule Amendment 10Q197; filed herewith.
27.6	Financial Data Schedule Amendment 10Q297; filed herewith.
27.7	Financial Data Schedule Amendment 10Q397; filed herewith.
99	1996 Stock Purchase Plan Annual Report on Form 11-K.

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* Indicates management contract or compensatory plan, contract or arrangement.

SCHEDULE II

ANSYS, INC.

Valuation and Qualifying Accounts

Description	Balance at Beginning of Year	Additions - Provisions	Deductions - Returns and Write-Offs	Balance at End of Year
Year ended December 31, 1997				
Allowance for doubtful accounts	$950,000	$1,435,000	$305,000	$2,080,000
Year ended December 31, 1996				
Allowance for doubtful accounts	$700,000	$560,000	$310,000	$950,000
Year ended December 31, 1995				
Allowance for doubtful accounts	$650,000	$ 58,000	$ 8,000	$700,000

EXHIBIT 10.14

Restricted Stock Agreement Between the Registrant
and Peter J. Smith dated February 29, 1996, as amended.

Amended and Restated
Restricted Stock Agreement
under the ANSYS, Inc.
1994 Stock Option and Grant Plan

By this Amended and Restated Restricted Stock Agreement made and entered into as of August 11, 1997, ANSYS, Inc. (formerly "SAS Holdings, Inc."), a Delaware Corporation (the "Company") and Peter J. Smith hereby amend and restate in its entirety the Restricted Stock Agreement entered into by and between the Company and Mr. Smith as of February 29, 1996 as follows:

Name of Grantee: Peter J. Smith

Class of Shares: Common Stock

No. of Shares: 130,586/1/   Grant Date: February 29, 1996

Per Share Purchase Price: $2.40

Pursuant to the Company's 1994 Stock Option and Grant Plan (the "Plan"), as of the Grant Date set forth above, the Company hereby grants, sells and issues to the person named above (the "Grantee"), who is an officer or full-time employee of the Company or any of the Subsidiaries (as defined below) of the Company, the number of shares of Common Stock, par value $0.01 per share ("Common Stock"), of the Company indicated above (the "Shares"), for the per share purchase price specified above, subject to the terms and conditions set forth herein and in the Plan. The Grantee agrees to the provisions set forth herein and acknowledges that each such provision is a material condition of the Company's agreement to issue and sell the Shares to him. All references to share prices and amounts herein shall be equitably adjusted to reflect stock splits, stock dividends, recapitalizations and similar changes affecting the capital stock of the Company, and any shares of capital stock of the Company received on or in respect of Shares in connection with any such event (including any shares of capital stock or any right, option or warrant to receive the same or any security convertible into or exchangeable for any such shares) shall be subject to this Agreement on the same basis and extent at the relevant time as the Shares in respect of which they were issued, and shall be deemed Shares as if and to the same extent they were issued at the date hereof.

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/1/ Note that all of the numbers expressed herein with respect to the Shares (as defined herein) reflect the Company's 10 for 1 stock split that occurred on April 30, 1996.

Section 1. Definitions. For the purposes of this Agreement, the following terms shall have the following respective meanings:

"Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations thereunder.

"Common Stock" shall mean the Company's Common Stock, par value $.01 per share.

"Permitted Transferees" shall mean any of the following to whom the Grantee may transfer Restricted Shares hereunder: the Grantee's spouse, parents, brothers, sisters, children (natural or adopted), stepchildren or grandchildren or a trust for their sole benefit of which the Grantor is the settlor; provided, however, that any such trust does not require or permit distribution of any Shares during the term of this Agreement unless subject to its terms.

"Restricted Shares" shall mean all the Shares that are not Unrestricted Shares.

"Sale Event" shall mean any of the following transactions: (a) the dissolution or liquidation of the Company; (b) the sale of all or substantially all of the assets of the Company and its Subsidiaries to another person or entity; or (c) the sale of all of the outstanding stock of the Company to an unrelated person or entity in a merger transaction or otherwise.

"Shares" shall mean the number of shares of Common Stock being purchased by the Grantee on the date hereof and any additional shares of Common Stock received as a dividend on, or otherwise on account of, the Shares, as contemplated by the first paragraph hereof.

"Subsidiary" shall mean any corporation of which stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock is owned directly or indirectly by the Company.

"Termination Event" shall mean for purposes of this Agreement the termination of the Grantee's employment with the Company and its Subsidiaries, whether by reason of retirement, discharge or any other reason, voluntary or involuntary, regardless of the circumstances thereof.

"Unrestricted Shares" shall mean all shares that have vested in accordance with the Vesting Schedule attached hereto as Schedule A.

Section 2. Purchase and Sale of Shares; Investment Representations.

2.1. Purchase and Sale. On the date hereof, the Company hereby sells to the Grantee, and the Grantee hereby purchases from the Company, the number of Shares set forth above for the purchase price per share set forth above.

2.2. Investment Representations. In connection with the purchase and sale of the Shares contemplated by Section 2.1 above, the Grantee hereby represents and warrants to the Company as follows:

(a) The Grantee is purchasing the Shares for his own account for investment only, and not for resale or with a view to the distribution thereof.

(b) The Grantee has had such an opportunity as he has deemed adequate to obtain from representatives of the Company such information as is necessary to permit him to evaluate the merits and risks of his investment in the Company and may consult with his own advisers with respect to his investment in the Company.

(c) The Grantee has sufficient experience in business, financial and investment matters to be able to evaluate the risks involved in the purchase of the Shares and to make an informed investment decision with respect to such purchase.

(d) The Grantee is an "accredited investor" as that term is defined in Rule 501 promulgated under the Act.

(e) The Grantee can afford a complete loss of the value of the Shares and is able to bear the economic risk of holding such Shares for an indefinite period.

(f) The Grantee understands that the Shares are not registered under the Act or any applicable state securities or "blue sky" laws and may not be sold or otherwise transferred or disposed of in the absence of an effective registration statement under the Act and under any applicable state securities or "blue sky" laws (or exemptions from the registration requirements thereof). The Grantee further acknowledges that certificates representing the Shares will bear restrictive legends reflecting the foregoing. The Company acknowledges that transfers of Shares to Permitted Transferees or to the Company or any of its subsidiaries or assigns are likely to be exempt from such registration requirements.

Section 3. Repurchase of Restricted Shares.

3.1. Repurchase. Upon the occurrence of a Termination Event, the Company or its assigns shall repurchase (subject to approval of the Company's senior lender if then required, with the Company to use its best efforts to obtain any such approval), and the Grantee and any Permitted Transferee shall sell to it or them, all of the Restricted Shares held by the Grantee or any Permitted Transferee as of the date of such Termination Event, if any, at the per share purchase price set forth above, subject to adjustment as contemplated in the first paragraph hereof. The purchase and sale arrangements contemplated by the preceding sentences of this Section 3.1 are referred to herein as the "Repurchase."

3.2. Closing Procedure. The Company or its assigns shall effect the Repurchase by delivering or mailing to the Grantee (and/or, if applicable, his Permitted Transferees) written notice within six (6) months after the Termination Event, specifying a date within such six-month period in which the Repurchase shall be effected, provided that if approval of such Repurchase is required as contemplated by Section 3.1, then the Repurchase shall occur promptly after the same is approved if such approval is required but not obtained within such six-month period. Upon such notification, the Grantee and his Permitted Transferees shall promptly surrender to the Company any certificates representing the Restricted Shares being purchased, together with a duly executed stock power for the transfer of such Restricted Shares to the Company or the Company's assignee or assignees (as contemplated by Section 6, if applicable). Upon the Company's or its assignee's receipt of the certificates from the Grantee or his Permitted Transferees, the Company or its assignee or assignees shall deliver to him, her or them a cashier's check for the purchase price of the Restricted Shares. At such time, the Grantee and/or any holder of the Restricted Shares shall deliver to the Company the certificate or certificates representing the Restricted Shares so repurchased, duly endorsed for transfer, free and clear of any lien or encumbrances. The Repurchase obligation specified herein shall survive and remain in effect as to Restricted Shares following and notwithstanding any public offering by the Company and certificates representing such Restricted Shares shall bear legends to such effect.

3.3. Remedy. Without limitation of any other provision of this Agreement or other rights, in the event that the Grantee, his Permitted Transferees or any other person or entity is required to sell his or her Restricted Shares pursuant to the provisions of this Section 3 and in the further event that he or she refuses or for any reason fails to deliver to the designated purchaser of such Restricted Shares the certificate or certificates evidencing such Restricted Shares together with a related stock power, such designated purchaser may deposit the purchase price for such Restricted Shares with any bank doing business within fifty (50) miles of the Company's principal office, or with the Company's independent public accounting firm, as agent or trustee, or in escrow, for the Grantee, his Permitted Transferees or other person or entity, to be held by such bank or accounting firm for the benefit of and for delivery to him, them or it. Upon such deposit by the designated purchaser of such amount and upon notice to the person or entity who was required to sell the Restricted Shares to be sold pursuant to the provisions of this Section 3, such Restricted Shares shall at such time be deemed to have been sold, assigned, transferred and conveyed to such purchaser, the holder thereof shall have no further rights thereto (other than the right to withdraw the payment thereof held in escrow), and the Company shall record such transfer in its stock transfer book or in any appropriate manner.

Section 4. Restrictions on Transfer of Shares. None of the Shares now owned or hereafter acquired shall be sold, assigned, transferred, pledged, hypothecated, given away or in any other manner disposed of or encumbered, whether voluntarily or by operation of law, unless such transfer is in compliance with all foreign, federal and state securities laws (including, without limitation, the Act), and such disposition is in accordance with the terms and conditions of this Section 4. In connection with any transfer of Shares, the Company may require the transferor to provide at his own expense an opinion of counsel to the transferor, satisfactory to the Company, that such transfer is in compliance with all foreign, federal and state securities laws (including without limitation, the Act). Any attempted disposition of Shares not in accordance with the terms and conditions of this Section 4 shall be null and void, and the Company shall not reflect on its records any change in record ownership of any Shares as a result of any such disposition, shall otherwise refuse to recognize any such disposition and shall not in any way give effect to any such disposition of any Shares. Subject to the foregoing general provisions, Shares may be transferred pursuant to the following specific terms and conditions:

(a) Transfers to Permitted Transferees. The Grantee may sell, assign, transfer or give away any or all of the Shares to Permitted Transferees;

provided, however,

that any such Permitted Transferee(s) shall, as a condition to any such transfer, agree to be subject to the provisions of this Agreement (including without limitation, the provisions of Section 3 (with respect to Restricted Shares only) and this Section 4) and shall have delivered a written acknowledgment to that effect to the Company.

(b) Transfers Upon Death. Upon the death of the Grantee, the Shares held by the Grantee may be transferred and distributed by will or other instrument taking effect at his death or by the laws of descent and distribution to the Grantee's estate, executors, administrators and personal representatives, and then to the Grantees' heirs, legatees or distributees whether or not such heirs, legatees or distributees are Permitted Transferees; provided, however, that any such transferees shall be subject to the provisions of Section 3 (with respect to Restricted Shares only) hereof and this Section 4.

(c) Other Transfers. The Grantee shall not transfer all or any part of the Restricted Shares except in connection with a Sale Event and except as provided in Sections 4(a) and (b) above.

Section 5. Legend. Any certificate(s) representing the Shares shall carry substantially the following legends:

> "The transferability of this Certificate and the shares of stock represented hereby are subject to the restrictions, terms and conditions (including repurchase and restrictions against transfers) contained in a certain Restricted Stock Agreement dated February 29, 1996 between the Company and the holder of this Certificate (a copy of which is available at the offices of the Company for examination)."

and

> "The shares represented by this Certificate have not been registered under the Securities Act of 1933 or the securities laws of any State. The shares may not be sold or transferred in the absence of such registration or an exemption from registration."

Section 6. Escrow. In order to carry out the provisions of Sections 3 and 4 of this Agreement more effectively, the Company shall hold the Shares in escrow together with separate stock powers executed by the Grantee in blank for transfer. The Company shall not dispose of the Shares except as otherwise provided in this Agreement. In the event of any Repurchase, the Company is hereby authorized by the Grantee, as the Grantee's attorney-in-fact, to date and complete the stock powers necessary for the transfer of the Shares being purchased and to transfer such Shares in accordance with the terms hereof. At such time as any Shares are transferred in accordance with this Agreement, the Company shall, at the written request of the Grantee, deliver to the Grantee (or his proposed transferee) a certificate representing such Shares with the balance of the Shares to be held in escrow pursuant to this Section 6. All Shares which remain in escrow upon the termination of this Agreement shall then be delivered to the Grantee and/or the record holders of such Shares. The right to vote the Shares and to receive cash dividends on the Shares shall remain in the Grantee unless and until the Shares are purchased by the Company pursuant to any Repurchase. The Company upon request by the Grantee shall promptly process and release at its expense certificates representing Unrestricted Shares to the Grantee.

Section 7. Withholding Taxes. The Grantee acknowledges and agrees that the Company or any of its Subsidiaries have the right to deduct from payments of any kind otherwise due to the Grantee, or from the Shares held pursuant to Section 6 hereof, any federal, state or local taxes of any kind required by law to be withheld with respect to the purchase of the Shares by the Grantee. In furtherance of the foregoing the Grantee agrees to elect, in accordance with Section 83(b) of the Internal Revenue Code of 1986, as amended, to recognize ordinary income in the year of acquisition of the Shares, and to pay to the Company all withholding taxes shown as due on his Section 83(b) election form, or otherwise ultimately determined to be due with respect to such election, based on the excess, if any, of the fair market value of such Shares as of the date of the purchase of such Shares by the Grantee over the purchase price for such Shares.

Section 8. Assignment. At the discretion of the Board of Directors of the Company, the Company shall have the right to assign the right to exercise its obligations and rights with respect to the Repurchase to any person or persons, in whole or in part in any particular instance, upon the same terms and conditions applicable to the exercise thereof by the Company, and such assignee or assignees of the Company shall then take and hold any Shares so acquired subject to such terms as may be specified by the Company in connection with any such assignment.

Section 9. Miscellaneous Provisions.

9.1. 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.

9.2. 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 Grantee.

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

9.4. 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.

9.5. 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.

9.6. 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 Grantee 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. Notices to any holder of the Shares other than the Grantee shall be addressed to the address furnished by such holder to the Company.

9.7. Benefit and Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto, their respective successors, 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.

9.8. 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.

IN WITNESS WHEREOF, the Company and the Grantee have executed this Amended and Restated Restricted Stock Agreement as of the date first above written.

ANSYS, Inc.

By: /S/ John M. Sherbin II

Name: John M. Sherbin II

Title: Chief Financial Officer

GRANTEE

/S/ Peter J. Smith

Peter J. Smith

____

____
[Address]

Schedule A

Vesting Schedule

1. Time-Based Vesting. As of the date hereof, all of the Shares are Restricted Shares. On April 1, 1998 and the first day of each month thereafter until all Shares are Unrestricted Shares or vesting has ceased in accordance with the terms hereof, an incremental 10,000 of the Shares shall vest and become Unrestricted Shares such that all of the Shares shall be Unrestricted Shares on May 1, 1999 unless prior thereto an event which results in termination of vesting shall occur.

2. Vesting on Sale Event. In the event of a Sale Event, as defined in the attached Restricted Stock Agreement, any unvested tranches of Shares will vest and become Unrestricted Shares as of the closing of such transaction (and will vest contingent upon the closing thereof).

3. Termination of Vesting. Notwithstanding the foregoing paragraphs of this Schedule A or any provision of the Restricted Stock Agreement, no Restricted Shares shall vest after a Termination Event and all Restricted Shares as of the date of any Termination Event shall remain subject to the Repurchase.

EXHIBIT 10.15

Incentive Option Agreement between the Registrant
and Peter J. Smith dated February 29, 1996, as amended.

Amended and Restated

Incentive Stock Option Agreement
under the ANSYS, Inc.
1994 Stock Option and Grant Plan

By this Amended and Restated Incentive Stock Option Agreement made and entered into as of August 11, 1997, ANSYS, Inc. (formerly "SAS Holdings, Inc."), a Delaware Corporation (the "Company") and Peter J. Smith hereby amend and restate in its entirety the Incentive Stock Option Agreement entered into by and between the Company and Mr. Smith as of February 29, 1996 as follows:

Name of Optionee:	Peter J. Smith
No./Class of Option Shares:	130,586/2/ Shares of Common Stock
Grant Date:	February 29, 1996
Expiration Date:	February 28, 2006
Option Exercise Price/Share:	$2.40

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/2/ Note that all of the numbers expressed herein with respect to the Option Shares (as defined herein) reflect the Company's 10-for-1 stock split that occurred on April 30, 1996.

Pursuant to the Company's 1994 Stock Option and Grant Plan (the "Plan"), 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, subject to the further provisions hereof (the "Expiration Date"), 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 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 Certain Dispositions.

(a) Except as set forth below and in Section 7, and subject to the determination of the Compensation and Stock Option Committee of the Board of Directors of the Company or the Board of Directors of the Company, as applicable (the "Option Committee"), in its sole discretion to accelerate the vesting schedule hereunder, no portion of this Stock Option may be exercised until such portion shall have vested pursuant to this Section 1(a). Once any portion of this Stock Option becomes vested and exercisable, it shall continue to be exercisable at any time or times prior to the Expiration Date, subject to the provisions hereof and of the Plan. As of the date hereof, none of the Option Shares are vested. On April 1, 1998 and the first day of each month thereafter until all Option Shares are vested or vesting has ceased in accordance with the terms hereof, an incremental 10,000 of the Option Shares shall vest, such that all of the Option Shares shall be vested on May 1, 1999 unless prior thereto any event which results in termination of vesting shall occur. Notwithstanding the previous sentence, in the event that the Optionee's employment with the Company or its Subsidiaries terminates as a result of the Optionee's resignation, retirement, termination by the Company, death or disability, or for any other reason whatsoever, this Stock Option shall no longer vest or become exercisable with respect to any Option Shares which are not vested as of the effective date of such termination of employment, and the Optionee's right to exercise the portion of this Stock Option which is vested as of such effective date from and after such effective date shall be governed by the provisions of Section 3 hereof.

(b) It is understood and intended that this Stock Option shall qualify as an "incentive stock option" as defined in Section 422 of the Code to the extent permitted thereunder. 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 any Option Shares 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. If the Optionee disposes (whether by sale, gift, transfer or otherwise) of any such Option Shares within either of these periods, he 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.

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 Sections 3 and 7), the Optionee may deliver a Stock Option Exercise Notice (an "Exercise Notice") in the form of Appendix A hereto indicating his 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 Option Committee; (ii) in the form of shares of Common Stock that are not then subject to restrictions under any Company plan and that have been held by the Optionee for at least six months, (iii) 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 Option Committee shall prescribe as a condition of such payment procedure, or (iv) a combination of (i), (ii) and (iii) above. 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 Option 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 Option 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 hereof or such expiration date as is specified in Section 3 or 7 hereof.

3. Termination of Employment.

(a) If the Optionee's employment by the Company and all of its Subsidiaries terminates by reason of his or her death or disability (within the meaning of Section 422(c)(6) of the Code), this Stock Option may thereafter be exercised, to the extent it was vested and exercisable on the effective date of such termination, by the Optionee or the beneficiary or legal representative of the Optionee, as the case may be, until the earlier of (i) one year from the effective date of such termination or (ii) the Expiration Date (or, in either case, such earlier date as is contemplated by Section 7), and any portion of this Stock Option not exercised by such date shall lapse and terminate. To the extent that any portion of this Stock Option is not exercisable on the effective date of such termination of employment, such portion of this Stock Option shall terminate immediately and be of no force or effect.

(b) If the Optionee's employment by the Company and all of its Subsidiaries terminates or is terminated for any reason other than the death or disability of the Optionee (within the meaning of Section 422(c)(6) of the Code), this Stock Option may thereafter be exercised, to the extent it was vested and exercisable on the effective date of such termination, by the Optionee until the earlier of (i) one hundred and eighty days from the effective date of such termination or (ii) the Expiration Date, and any Stock Options not exercised by such date shall lapse and terminate. To the extent that any portion of this Stock Option is not exercisable on the effective date of such termination of employment, such portion of this Stock Option shall terminate immediately and be of no force or effect.

(c) For purposes of this Agreement the Option Committee shall have sole discretion to determine the reason for the termination of the Optionee's employment by the Company and its Subsidiaries.

4. 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.

5. 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. 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.

6. Adjustment Upon Changes in Capitalization. The shares of stock covered by this Stock Option are shares of Common Stock of the Company. 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, whether through merger or consolidation (subject to the provisions of Section 7), 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 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. Adjustments under this Section 6 shall be determined by the Option Committee of the Company, 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.

7. 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 and its Subsidiaries to another person or entity, or (c) the sale of all of the outstanding stock of the Company to an unrelated person or entity in a merger transaction or otherwise (each of the foregoing transactions being referred to as a "Sale Event"), this Stock Option shall be deemed fully vested as of the date of such Sale Event, and in all cases subject to the consummation of such Sale Event, and following such Sale Event this Option shall no longer be exercisable unless provision is made in such transaction in the sole discretion of the parties thereto for the assumption 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 in such case as to the number and kind of shares and the per share exercise price, as provided in Section 6 of this Agreement. In the event of any Sale Event which will result in such termination of this Option, the Company shall give to the Optionee written notice thereof at least thirty (30) days prior to the effective date of such Sale Event (the "Effective Date"). Until the Effective Date, the Optionee may exercise some or all of the Option Shares with respect to which this Option has vested

or shall vest as of and subject to the Effective Date in accordance with the provisions of this Section 7; provided, however, that the vesting of any Option Shares that would not otherwise be vested as of such Effective Date shall be subject to and effective only upon the consummation of such Sale Event.

8. Withholding Taxes. 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.

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.

IN WITNESS WHEREOF, the Company and the Optionee have executed this Amended and Restated Incentive Stock Option Agreement as of the date first above written.

ANSYS, Inc.

By: /S/ John M. Sherbin II

Name: John M. Sherbin II

Title: Chief Financial Officer

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

OPTIONEE:

/S/ Peter J. Smith

Optionee's Address:

____

____

DESIGNATED BENEFICIARY:

Beneficiary's Address:

____

____

Appendix A

STOCK OPTION EXERCISE NOTICE

ANSYS, Inc.
275 Technology Drive
Canonsburg, PA 15317

Attention: Chief Financial Officer

Dear Sirs:

Pursuant to the terms of my stock option agreement dated ____________ (the "Agreement") under the ANSYS, Inc. 1994 Stock Option and Grant Plan, I, [Insert Name] ___________________, 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 ANSYS, Inc.

[ ] 3. Other (as described in the Agreement (please describe)) ______________.

Sincerely yours,

Please Print Namer

Signature

EXHIBIT 13.1

FINANCIAL HIGHLIGHTS

	Year Ended December 31,				
(in thousands, except per share data)	The Company 1997	The Company 1996	The Company 1995	Pro Forma Combined/(1)/ 1994	Predecessor Company 1993
Revenue	$50,547	$47,066	$ 39,616	$32,823	$31,604
Operating income	10,731	3,674	1,360	2,307	7,648
Net income(loss)	7,400	1,304	(1,580)	257	8,120
Net income (loss) per basic share after extraordinary item (2)	0.47	0.08	(0.18)	--	--
Weighted averages shares - basic (2)	15,742	14,000	11,354	--	--
Net income(loss) per diluted share after extraordinary item (2)	0.45	0.07	(0.17)	--	--
Weighted average shares - diluted (2)	16,518	14,906	12,204	--	--
Total assets	$53,581	$43,431	$ 42,921	$44,669	$26,205
Working capital	23,761	14,691	3,196	1,822	16,135
Long-term obligations	--	--	33,204	37,696	3,401
Redeemable preferred stock	--	--	4,892	4,447	--
Stockholder's equity	40,414	32,974	(10,028)	(7,985)	19,515

(1) The results of operations of the Predecessor Company for the two and one-half months ended March 13, 1994 have been combined with the results of operations of the Company for the nine and one-half months ended December 31, 1994 by adding corresponding items without adjustment. This computation, which is reflected as pro forma combined for 1994, was done to permit useful comparison.

(2) The Company has adopted Statement of Financial Accounting Standards No. 128, "Earnings per Share" issued in February 1997. This Statement requires the disclosure of basic and diluted earnings per share and revises the method to calculate these amounts. Earnings per share data for periods prior to 1997 have been restated to reflect adoption of this Statement.

[Graph of Total Revenues]

A bar chart entitled "Total Revenues (in millions of dollars)" at the bottom left of page 1 of the Annual Report shows that for the fiscal years 1993, 1994, 1995, 1996, and 1997 (shown below each bar) the Company had total revenue (shown above each bar) in the respective amounts provided in the table entitled "financial Highlights" on page 1 of the Annual Report.

[Graph of Cash, Cash Equivalents and Short-Term Investments]

A bar chart entitled "Cash, Cash Equivalents and Short-Term Investments (in millions of dollars)" at the bottom right of page 1 of the Annual Report shows that at the end of each of the fiscal years 1995, 1996 and 1997 (shown below each bar) the Company had total cash, cash equivalents and short-term investments of $8.1 million, $17.1 million and $27.8 million in the respective years.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

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) 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 DesignSpace(R) products to end users throughout the world. The following discussion should be read in conjunction with the audited consolidated financial statements and notes thereto included elsewhere in this report.

This Annual Report 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, as well as other risks and uncertainties that are detailed in the "Important Factors Regarding Future Results" beginning on page 16.

For purposes of the following discussion and analysis, the following table sets forth certain consolidated financial data for the years 1997, 1996 and 1995.

	Year Ended December 31,		
(in thousands)	1997	1996	1995
Revenue:			
Software licenses	$35,083	$37,013	$32,604
Maintenance and service	15,464	10,053	7,012
Total revenue	50,547	47,066	39,616
Cost of sales:			
Software licenses	2,833	3,051	3,331
Maintenance and service	2,365	2,337	1,572
Total cost of sales	5,198	5,388	4,903
Gross profit	45,349	41,678	34,713
Operating expenses:			
Selling and marketing	11,834	9,722	7,526
Research and development	11,004	9,796	8,329
Amortization	2,797	10,774	10,641
General and administrative	8,983	7,712	6,857
Total operating expenses	34,618	38,004	33,353
Operating income	10,731	3,674	1,360
Interest expense	(1)	(1,669)	(3,983)
Other income	912	611	250
Income (loss) before income taxes	11,642	2,616	(2,373)
Income tax provision (benefit)	4,242	969	(793)
Net income (loss) before extraordinary item	7,400	1,647	(1,580)
Extraordinary item, net	-	(343)	-
Net income (loss)	$ 7,400	$ 1,304	$(1,580)

Results of Operations

Year Ended December 31, 1997 Compared to Year Ended December 31, 1996

Revenue. The Company's total revenue increased 7.4% for 1997 to $50.5 million from $47.1 million for 1996. The increase in total revenue in 1997 as compared to 1996 was attributable principally to an increase in revenue from renewals and sales of leases as noncancellable annual leases. The increase, which was partially offset by decreases in monthly lease license revenue and paid-up license revenue, was due, in part, to the active sales and licensing of noncancellable annual leases to existing and new lease customers during 1997. The increase in total revenue in 1997 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.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The comparison of the Company's revenue in 1997 and 1996 is affected by the Company's change in licensing and sales practices as they related to leases. Beginning in the third quarter of 1996, the Company began to promote sales and renewals 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, while the remaining portion is recognized as maintenance revenue ratably over the remaining lease period. Prior to the third quarter of 1996, the Company recorded all revenue from lease licenses as license revenue, as earned, because the underlying lease agreements contained provisions which allowed the customer to cancel the lease with 30 days' notice. The effect of this change generally was to increase paid-up revenue attributable to sales and renewals of leases and to increase maintenance revenues for 1997 relative to 1996, while resulting in a corresponding decrease in monthly lease license revenue. Had this change not been initiated, software license revenue would have been reported as $37.9 million in 1997 as compared to $37.4 in 1996, while maintenance and service revenue would have been reported as $12.3 million and $9.6 million in 1997 and 1996, respectively.

Software license revenue decreased 5.2% for 1997 to $35.1 million from $37.0 million for 1996, resulting principally from existing monthly lease customers shifting to noncancellable annual leases in connection with the renewals of their leases, thereby reducing the portion of their lease fees characterized as lease revenue, as described above. The decrease was also due to a decrease in the sale of paid-up licenses in the domestic market as compared to the prior year, as paid-up license revenue for the 1996 year reflected the recognition of substantial revenue from several large contracts. In this regard, the Company believes that such large contracts reflect an increasing demand for enterprise wide software solutions from certain of its customers and the ability, or inability, to close large contracts during any period may increase the volatility of the Company's revenues and profit from period to period. The foregoing decreases in monthly lease and paid-up revenue were partially offset by an increase in revenue from renewals and sales of leases as noncancellable annual leases, as described above. Revenue from the sale of paid-up licenses, excluding the portion of noncancellable annual leases classified as paid-up revenue, decreased 4.2% for the 1997 year to $18.6 million from $19.4 million for 1996. The Company also experienced a 27.9% decrease in monthly lease license revenue to $12.5 million for 1997 from $17.4 million for 1996. This decrease was attributable to an increase in the renewal of existing leases as noncancellable annual leases, as well as the conversion of certain existing lease licenses to paid-up licenses in 1997. The total revenue recognized from monthly and noncancellable annual leases was $19.3 million and $18.0 million in 1997 and 1996, respectively, of which $2.8 million and $400,000 were classified as maintenance revenue in 1997 and 1996, respectively. Maintenance and service revenue, excluding the portion of noncancellable annual leases recognized as maintenance revenue, increased 31.6% for 1997 to $12.7 million from $9.6 million for 1996, 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 1997, approximately 53.2% and 46.8%, respectively, were attributable to international and domestic sales, as compared to 49.4% and 50.6%, respectively, for 1996.

Cost of Sales and Gross Profit. The Company's total cost of sales decreased 3.5% to $5.2 million for 1997 from $5.4 million for 1996, representing 10.3% and 11.4% of total revenue, respectively. The Company's cost of sales for software license revenue decreased 7.1% for 1997 to $2.8 million, or 8.1% of software license revenue, from $3.1 million, or 8.2% of software license revenue, for 1996. The decrease was due primarily to a reduction of costs related to manuals, packing supplies and media. The Company's cost of sales for maintenance and service revenue remained relatively stable at $2.4 million and $2.3 million, or 15.3% and 23.2% of maintenance and service revenue, for 1997 and 1996, respectively.

As a result of the foregoing, the Company's gross profit increased 8.8% to $45.3 million for 1997 from $41.7 million for 1996.

Selling and Marketing. Selling and marketing expenses increased 21.7% for 1997 to $11.8 million, or 23.4% of total revenue, from $9.7 million, or 20.7% of total revenue, for 1996. This planned growth was attributable principally to increased personnel costs, including costs associated with increased headcount and compensation expenses related to the ongoing establishment of a global sales and marketing organization, as well as the establishment of strategic offices in the United Kingdom, Michigan and Japan in 1997. 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 increased 12.3% for 1997 to $11.0 million, or 21.8% of total revenue, from $9.8 million, or 20.8% of total revenue, for 1996. 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(R) products. The increase was partially offset by a decrease in equipment lease expense. 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 was $2.8 million in 1997 and $10.8 million in 1996. The decrease was attributable to the full amortization of certain of the intangible assets which resulted from the acquisition of the Company in 1994 ("1994 Acquisition"), including goodwill and capitalized software, which were fully amortized in the first quarter of 1997.

General and Administrative. General and administrative expenses increased 16.5% for 1997 to $9.0 million, or 17.8% of total revenue, from $7.7 million, or 16.4% of total revenue, for 1996. The increase is primarily attributable to expenses incurred to increase the allowance for doubtful accounts and an increase in legal fees related to a dispute regarding the expiration of an ASD distribution agreement. The Company is currently the Plaintiff in litigation regarding this matter, however, the action has not progressed sufficiently for the Company to estimate a range of potential gain, if any, should it prevail in its pursuit of damages related to this action. Additionally, the Company has added internal legal and finance resources to support the operations of a publicly owned company, which were offset by a significant reduction in outside labor and consulting fees.

Interest. Interest expense, which was $1,000 in 1997, totaled $1.7 million in 1996. This decrease was attributable to the early repayment of all outstanding debt related to the 1994 Acquisition with the net proceeds from the Company's initial public offering in June 1996.

Other Income. Other income increased for 1997 to $912,000 as compared to $611,000 for 1996. This increase was primarily attributable to higher interest-bearing cash and investment balances in 1997.

Income Tax Provision. 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 36.4% for 1997, as compared to 37.0% for 1996. 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.

Net Income. The Company's net income totaled $7.4 million in 1997 as compared to net income before extraordinary item of $1.6 million. The Company's net income including the extraordinary item in 1996 was $1.3 million. Diluted earnings per share, after extraordinary item, was $.45 in 1997 as compared to diluted earnings per share, after extraordinary item, of $.07 in 1996. The increase in diluted earnings 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 shares used in computing net income per diluted common share amounts have increased to 16,518,000 in 1997 from 14,906,000 in 1996, primarily as a result of the initial public offering.

Effective December 31, 1997, the Company adopted Statement of Financial Accounting Standards No. 128, "Earnings per Share" issued in February 1997 and has restated prior periods in accordance with this pronouncement.

Year Ended December 31, 1996 Compared to Year Ended December 31, 1995

Revenue. The Company's revenue increased 18.8% for 1996 to $47.1 million from $39.6 million for 1995. This increase was attributable principally to increased domestic and international sales of paid-up licenses and increased maintenance and service 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 13.5% for 1996 to $37.0 million from $32.6 million for 1995, resulting principally from increased sales of paid-up licenses in domestic and international markets. Revenue from sales of paid-up licenses increased 35.2% for 1996 to $19.6 million from $14.5 million for 1995. The Company's paid-up license revenue reflected recognition of substantial revenue from several large contracts that were formalized during 1996 from customers such as General Electric, 3M, Pratt & Whitney and Fiat Avio. The Company also experienced a 3.9% decrease in lease license revenue to $17.4 million for 1996 from $18.1 million for 1995. 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. The remaining portion is recognized as maintenance revenue ratably over the remaining lease period. Additionally, the decrease is partially attributable to the conversion of certain lease licenses to paid-up licenses in 1996. Maintenance and service revenue increased 43.4% for 1996 to $10.1 million from $7.0 million for 1995, as a result of a substantial increase in the sale of paid-up licenses, reduction in the warranty period, and broader customer usage of maintenance and support services.

Of the Company's total revenue for 1996, approximately 50.6% and 49.4%, respectively, were attributable to domestic and international sales, as compared to 47.3% and 52.7%, respectively, for 1995.

Cost of Sales and Gross Profit. The Company's total cost of sales increased 9.9% to $5.4 million for 1996 from $4.9 million for 1995, representing 11.4% and 12.4% of total revenue, respectively. The Company's cost of sales for software license revenue decreased 8.4% for 1996 to $3.1 million, or 8.2% of software license revenue, from $3.3 million, or 10.2% of software license revenue, for 1995. The decrease was due primarily to a reduction of expenses through lower headcount, 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 $2.3 million and $1.6 million, or 23.2% and 22.4% of maintenance and service revenue, for 1996 and 1995, respectively. This 48.7% increase in 1996 compared to 1995 reflects an increase in headcount, consulting fees and royalties.

As a result of the foregoing, the Company's gross profit increased 20.1% to $41.7 million for 1996 from $34.7 million for 1995.

Selling and Marketing. Selling and marketing expenses increased 29.2% for 1996 to $9.7 million, or 20.7% of total revenue, from $7.5 million, or 19.0% of total revenue, for 1995. This planned 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 17.6% for 1996 to $9.8 million, or 20.8% of total revenue, from $8.3 million, or 21.0% of total revenue, for 1995. 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(R) 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 $10.8 million in 1996 and $10.6 million in 1995. This amortization expense resulted principally from the 1994 Acquisition and relates to intangible assets, including goodwill, which were being amortized from the date of the 1994 Acquisition, March 14, 1994.

General and Administrative. General and administrative expenses increased 12.5% for 1996 to $7.7 million, or 16.4% of total revenue, from $6.9 million, or 17.3% of total revenue, for 1995. The increase was attributable to the addition of administrative support services, such as computerized order fulfillment and corporate-wide information technology systems, to support the Company's future operations. In addition, the Company also incurred expenses related to increasing the allowance for bad debt, as well as the addition of personnel, and accounting and legal costs to support the operations of a publicly owned company.

Interest. Interest expense decreased 58.1% for 1996 to $1.7 million from $4.0 million for 1995. This decrease was attributable to the early repayment of the debt incurred to finance the 1994 Acquisition with the net proceeds from the Company's initial public offering in June 1996.

Other Income. Other income increased for 1996 to $611,000 as compared to $250,000 for 1995. 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 Provision (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 37.0% for 1996, as compared to 33.4% for 1995. These percentages are less than the federal and state combined statutory rate due primarily to the utilization of research and experimentation credits.

Net Income (Loss). The Company's net income before extraordinary item in 1996 was $1.6 million compared to a net loss of $1.6 million in 1995. The net income including the extraordinary item in 1996 was $1.3 million. Diluted earnings per share increased to $.07 in 1996 as compared to a diluted loss per share of ($.17) in 1995. The increase in diluted earnings 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 net income per diluted common share amounts increased to 14,906,000 in 1996 from 12,204,000 in 1995, primarily as a result of the initial public offering.

Liquidity and Capital Resources

As of December 31, 1997, the Company had cash, cash equivalents and short-term investments totaling $27.8 million and working capital of $23.8 million, as compared to cash and cash equivalents of $17.1 million and working capital of $14.7 million at December 31, 1996.

The Company's operating activities provided cash of $12.7 million for 1997, $13.5 million for 1996 and $10.8 million for 1995. The decrease in cash flow from operations in 1997 as compared to 1996 is the result of the fluctuations within the individual components of working capital, as well as a decrease in earnings after the effect of depreciation and amortization. The increase in cash flow from operations in 1996 as compared to 1995 is the result of increased earnings before the effect of depreciation and amortization, 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 sales support network and continued investment in research and development activities for the 1997 year.

Cash used in investing activities was $16.1 million for 1997, $2.6 million for 1996 and $2.0 million for 1995. The Company's use of cash in 1997 was primarily related to the purchase of short-term investments, and to a lesser extent the purchase of furniture and computer equipment for the new corporate office facility, while the use of cash in 1996 and 1995 was substantially related to capital expenditures. The Company expects to spend approximately $2.0 million for capital expenditures in 1998, principally for the acquisition of computer hardware and software to support the continued growth of the Company's development activities and expansion of its global sales and support infrastructure.

Financing activities provided cash of $335,000 in 1997 and used cash of $1.9 million and $5.0 million for 1996 and 1995, respectively. Cash provided from financing activities in 1997 was substantially related to proceeds from the issuance of common stock under employee stock purchase and option plans. Cash provided from financing activities in 1996 was due primarily to the net proceeds of $41.1 million received from the Company's initial public offering on June 25, 1996. Cash used for financing activities for 1996 was principally for the repayment of the indebtedness incurred to finance the 1994 Acquisition, payment of related unpaid interest and the redemption of the Redeemable Preferred Stock, issued in connection with the 1994 Acquisition, and accumulated dividends. Cash used for 1995 was the principal repayments made on the senior indebtedness.

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 at least the next fiscal year. 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 financing can be obtained on favorable terms, if at all.

Management's Assessment of the Year 2000

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 complete the Year 2000 project within the next year, but 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 over the next two years to have a material effect on its financial position or results of operations. During 1997, 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.

Recently Issued Accounting Pronouncements

In October 1997, the Financial Accounting Standards Board approved the American Institute of Certified Public Accountants Statement of Position (SOP) No. 97-2, "Software Revenue Recognition," which is effective for transactions entered into beginning after December 15, 1997. This SOP provides guidance on when revenue should be recognized and in what amounts for licensing, selling, leasing or otherwise marketing computer software. This SOP supersedes SOP No. 91-1, "Software Revenue Recognition." Beginning in December 1997, the Company has adopted the provisions of SOP No. 97-2 and its current revenue recognition policies are in conformance with the guidelines of the statement.

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No.130, "Reporting Comprehensive Income," which establishes standards for reporting and displaying comprehensive income and its components in a full set of general-purpose financial statements. This Statement, which is effective for financial statements issued for fiscal years beginning after December 15, 1997, requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The Company will adopt SFAS No.130 for its fiscal year ending December 31, 1998.

Additionally, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No.131, "Disclosures about Segments of an Enterprise and Related Information," which establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. This Statement, which is effective for financial statements for periods beginning after December 15, 1997, also establishes standards for related disclosures about products and services, geographic areas and major customers. Management is currently evaluating the implication of this statement from both an operations and financial reporting perspective.

Important Factors Regarding Future Results

Information provided by the Company, including information contained in this Annual Report to Shareholders, 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 are 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 has become increasingly dependent upon receiving large orders of perpetual licenses involving a single up-front fee. 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. 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 the 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 36 independent, regional 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 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, 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 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 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 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. 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, more recently, it has also experienced an increase in customer preference for noncancellable annual leases. Although lease license revenue currently represents a substantial 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.

Report of Independent Accountants

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

We have audited the accompanying consolidated balance sheets of ANSYS, Inc. and Subsidiaries as of December 31, 1997 and 1996, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1997. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ANSYS, Inc. and Subsidiaries as of December 31, 1997 and 1996, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

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

Pittsburgh, Pennsylvania
January 29, 1998

Consolidated Balance Sheets

(in thousands, except share data)	December 31, 1997	December 31, 1996
ASSETS		
Current assets:		
Cash and cash equivalents	$13,990	$17,069
Short-term investments	13,853	-
Accounts receivable, less allowance for doubtful accounts of $2,080 in 1997 and $950 in 1996	8,034	7,307
Other current assets	926	350
Deferred income taxes	125	422
Total current assets	36,928	25,148
Securities available for sale	182	673
Property and equipment, net	4,771	4,334
Capitalized software costs, net of accumulated amortization of $15,471 in 1997 and $14,328 in 1996	260	1,174
Goodwill, net of accumulated amortization of $14,671 in 1997 and $13,652 in 1996	-	1,019
Other intangibles, net	2,374	1,756
Deferred income taxes	9,066	9,327
Total assets	$53,581	$43,431
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 235	$ 486
Accrued bonuses	2,133	2,281
Other accrued expenses and liabilities	2,562	1,701
Accrued income taxes payable	46	677
Customer prepayments	746	1,447
Deferred revenue	7,445	3,865
Total current liabilities	13,167	10,457
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 and 16,228,985 shares issued in 1997 and 1996	164	162
Additional paid-in capital	36,089	35,755
Less treasury stock, at cost: 68,800 shares held in 1997 and 71,600 shares held in 1996	(12)	(12)
Retained earnings (deficit)	4,327	(3,073)
Unrealized appreciation in securities available for sale, net	120	444
Notes receivable from stockholders	(274)	(302)
Total stockholders' equity	40,414	32,974
Total liabilities and stockholders' equity	$53,581	$43,431

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

Consolidated Statements of Operations

(in thousands, except per share data)	1997	1996	1995
Revenue:			
Software licenses	$35,083	$37,013	$32,604
Maintenance and service	15,464	10,053	7,012
Total revenue	50,547	47,066	39,616
Cost of sales:			
Software licenses	2,833	3,051	3,331
Maintenance and service	2,365	2,337	1,572
Total cost of sales	5,198	5,388	4,903
Gross profit	45,349	41,678	34,713
Operating expenses:			
Selling and marketing	11,834	9,722	7,526
Research and development	11,004	9,796	8,329
Amortization	2,797	10,774	10,641
General and administrative	8,983	7,712	6,857
Total operating expenses	34,618	38,004	33,353
Operating income	10,731	3,674	1,360
Interest expense	(1)	(1,669)	(3,983)
Other income	912	611	250
Income (loss) before income tax provision (benefit) and extraordinary item	11,642	2,616	(2,373)
Income tax provision (benefit)	4,242	969	(793)
Net income (loss) before extraordinary item	7,400	1,647	(1,580)
Extraordinary item, net	-	(343)	-
Net income (loss)	$ 7,400	$ 1,304	$(1,580)
Net income (loss) applicable to common stock:			
Net income (loss)	$ 7,400	$ 1,304	$(1,580)
Redeemable preferred stock dividends	-	(236)	(445)
	$ 7,400	$ 1,068	$(2,025)
Net income (loss) per basic common share:			
Net income (loss) before extraordinary item	$ .47	$ .10	$ (.18)
Extraordinary item	-	(.02)	-
Basic earnings per share	$ .47	$ .08	$ (.18)
Weighted average shares - basic	15,742	14,000	11,354
Net income (loss) per diluted common share:			
Net income (loss) before extraordinary item	$ .45	$ .09	$ (.17)
Extraordinary item	-	(.02)	-
Diluted earnings per share	$ .45	$ .07	$ (.17)
Weighted average shares - diluted	16,518	14,906	12,204

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

Consolidated Statements of Cash Flows

(in thousands)	1997	1996	1995
Cash flows from operating activities:			
Net income (loss)	$ 7,400	$ 1,304	$(1,580)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	4,170	11,911	11,458
Extraordinary item	-	553	-
Deferred income tax provision (benefit)	725	(2,836)	(2,115)
Provision for bad debts	1,130	250	50
Change in operating assets and liabilities:			
Accounts receivable	(2,857)	108	(1,981)
Other current assets	(576)	89	534
Accounts payable, accrued expenses and liabilities and customer prepayments	(239)	(942)	3,816
Income taxes	(631)	2,174	(450)
Deferred revenue	3,580	870	1,034
Net cash provided by operating activities	12,702	13,481	10,766
Cash flows from investing activities:			
Capital expenditures	(2,063)	(2,544)	(1,937)
Capitalization of internally developed software costs	(229)	(117)	(19)
Purchase of short-term investments	(13,853)	-	-
Notes receivable from stockholders	28	32	(21)
Net cash used in investing activities	(16,117)	(2,629)	(1,977)
Cash flows from financing activities:			
Payments on long-term debt	-	(21,000)	(5,000)
Proceeds from issuance of restricted stock	-	326	12
Proceeds from issuance of common stock under Employee Stock Purchase Plan	283	-	-
Proceeds from exercise of stock options	50	119	-
Repayment of subordinated notes	-	(17,204)	-
Redemption of preferred stock and accumulated dividends	-	(5,128)	-
Proceeds from initial public offering, net of issuance costs of $1,300	-	41,015	-
Purchase of treasury stock	(1)	(2)	(10)
Proceeds from issuance of treasury stock	4	-	-
Net cash provided by (used in) financing activities	336	(1,874)	(4,998)
Net (decrease) increase in cash and cash equivalents	(3,079)	8,978	3,791
Cash and cash equivalents, beginning of period	17,069	8,091	4,300
Cash and cash equivalents, end of period	$ 13,990	$ 17,069	$ 8,091
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	-	$ 2,848	$ 2,568
Income taxes	$ 4,148	2,311	2,463
Supplemental noncash investing and financing activities:			
Exercise of option for non-compete agreement	1,000	-	-
Deferred interest notes issued for interest in arrears on subordinated notes		-	508
(Decrease) increase in securities available for sale	(491)	673	-

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

Consolidated Statements of Stockholders' Equity

	Common Stock		Class A Common Stock	
(in thousands)	Shares	Amount	Shares	Amount
Balance, December 31, 1994	10,626	$106	964	$ 10
Treasury stock acquired	-	-	-	-
Issuance of Class A common stock	-	-	30	-
Dividends accrued on redeemable preferred stock	-	-	-	-
Loans to facilitate purchase of restricted stock	-	-	-	-
Net loss for the year	-	-	-	-
Balance, December 31, 1995	10,626	106	994	10
Treasury stock acquired	-	-	-	-
Issuance of restricted stock	136	1	-	-
Conversion of Class A shares into common stock	994	10	(994)	(10)
Issuance of common stock	3,500	35	-	-
Reinstatement of adjustment for predecessor basis	-	-	-	-
Unrealized appreciation in securities, net	-	-	-	-
Exercise of stock options	973	10	-	-
Dividends accrued on redeemable preferred stock	-	-	-	-
Repayment of note receivable from stockholder	-	-	-	-
Net income for the year	-	-	-	-
Balance, December 31, 1996	16,229	162	-	-
Treasury stock acquired	-	-	-	-
Treasury stock sold	-	-	-	-
Unrealized depreciation in securities, net	-	-	-	-
Exercise of stock options	92	1	-	-
Issuance of common stock under Employee Stock Purchase Plan	38	1	-	-
Repayment of note receivable from stockholder	-	-	-	-
Net income for the year	-	-	-	-
Balance, December 31, 1997	16,359	$164	-	$ -

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

Additional Paid-in Capital	Adjustment for Predecessor Basis	Treasury Stock Shares	Treasury Stock Amount	Retained Earnings (Deficit)	Unrealized Appreciation in Securities Available for Sale	Notes Receivable from Stockholders	Total Stockholders' Equity
$ 1,340	$(7,010)	-	-	$(2,116)	-	$(314)	$ (7,984)
-	-	55	$(10)	-	-	-	(10)
11	-	-	-	-	-	-	11
-	-	-	-	(445)	-	-	(445)
-	-	-	-	-	-	(20)	(20)
-	-	-	-	(1,580)	-	-	(1,580)
1,351	(7,010)	55	(10)	(4,141)	-	(334)	(10,028)
-	-	17	(2)	-	-	-	(2)
325	-	-	-	-	-	-	326
-	-	-	-	-	-	-	-
40,980	-	-	-	-	-	-	41,015
(7,010)	7,010	-	-	-	-	-	-
-	-	-	-	-	$ 444	-	444
109	-	-	-	-	-	-	119
-	-	-	-	(236)	-	-	(236)
-	-	-	-	-	-	32	32
-	-	-	-	1,304	-	-	1,304
35,755	-	72	(12)	(3,073)	444	(302)	32,974
-	-	4	(1)	-	-	-	(1)
3	-	(7)	1	-	-	-	4
-	-	-	-	-	(324)	-	(324)
49	-	-	-	-	-	-	50
282	-	-	-	-	-	-	283
-	-	-	-	-	-	28	28
-	-	-	-	7,400	-	-	7,400
$36,089	-	$69	$(12)	$ 4,327	$ 120	$(274)	$ 40,414

1. Organization and Initial Public Offering:

ANSYS, Inc. ("the Company"), formerly SAS Holdings, Inc., is a holding company incorporated on January 12, 1994 for the purpose of acquiring through its subsidiary, SAS Acquisition Corp. (Acquisition), substantially all of the assets and technology, and the assumption of certain liabilities of Swanson Analysis Systems, Inc. (the "1994 Acquisition"). The Company, through its operating subsidiaries, develops, markets and supports a family of mechanical computer-aided engineering software products. The Company's products are marketed and sold to many industries throughout the world, including automotive, aerospace and electronics.

Effective June 20, 1996, the Company completed an initial public offering (IPO) 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 $41.1 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.

2. Summary of Significant Accounting Policies:

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, ANSYS Operating Corporation, SAS IP, Inc., ASN Systems Limited and ANSYS Foreign Sales Corporation. All significant intercompany accounts and transactions have been eliminated in consolidation.

Revenue Recognition: The Company's revenue recognition policy is in conformance with the American Institute of Certified Public Accountants' Statement of Position 91-1,"Software Revenue Recognition."

The Company's products are sold primarily through distributors, who are resellers with respect to its products. Revenue is derived principally from the licensing of computer software products, either on an annual lease, monthly lease or perpetual basis, and from related maintenance contracts. Revenue from product licensing for perpetual licenses is recognized upon delivery of the product, acceptance by the customer and receipt of a signed contractual obligation provided that no significant Company obligations remain and collection of the receivable is probable. A portion of the license fees from noncancellable annual leases is recognized as paid-up revenue upon inception of the lease. The remaining portion is recognized ratably over the remaining lease period. Revenue for monthly lease licenses is recognized monthly as earned because the lease license agreements can be cancelled by the customers with 30 days' notice. The portion of the perpetual license associated with providing the initial warranty is unbundled from the fee and deferred and recognized ratably over the warranty period. The Company discontinued the offering of an initial warranty period in 1997. Revenue from maintenance contracts is recognized ratably over the term of the contract. Costs related to maintenance obligations are expensed as incurred. Revenue from training, support and other services is recognized as the services are performed.

In October 1997, the Financial Accounting Standards Board approved the American Institute of Certified Public Accountants Statement of Position (SOP) No. 97-2, "Software Revenue Recognition," which is effective for transactions entered into beginning after December 15, 1997. This SOP provides guidance on when revenue should be recognized and in what amounts for licensing, selling, leasing or otherwise marketing computer software. This SOP supersedes SOP No. 91-1, "Software Revenue Recognition." Beginning in December 1997, the Company has adopted the provisions of SOP No. 97-2 and its current revenue recognition policies are in conformance with the guidelines of the statement.

Cash Equivalents: For the purposes of the consolidated statements of cash flows, the Company considers highly liquid deposits in money market funds to be cash equivalents. Cash equivalents are recorded at cost, which approximates fair value.

Short-Term Investments: The Company considers investments in money market funds backed by government agencies or U.S. financial institutions and which have a maturity between thirty days and up to one year from the date of purchase to be short-term investments. Short-term investments are recorded at cost, which approximates fair value.

Securities Available for Sale: The Company follows the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," which addresses the classification, accounting and disclosure of investments in debt and equity securities. In accordance with Statement No. 115, the Company has investments in marketable equity securities that have been classified as available-for-sale, and accordingly, are carried at fair value, with the unrealized gains and losses, net of tax, reported in a separate component of stockholders' equity until disposition.

Property and Equipment: Property and equipment is carried at cost. Depreciation is computed by the straight-line method over the estimated useful lives of the various classes of assets, which range from two to ten years. Repairs and maintenance are charged to expense as incurred. Gains or losses from the sale or retirement of property and equipment are included in the results of operations.

Capitalized Software: Internally developed computer software costs and costs of product enhancements are capitalized subsequent to the determination of technological feasibility; such capitalization continues until the product becomes available for general release. Amortization of capitalized software costs, both for internally developed as well as for purchased software products, is computed on a product-by-product basis over the estimated economic life of the product which ranges from three years to five years. Amortization is the greater of the amount computed using: (i) the ratio of the current year's gross revenue to the total current and anticipated future gross revenue for that product or (ii) the straight-line method over the estimated life of the product.

The Company periodically reviews the carrying value of capitalized software and impairments are recognized in the results of operations when the expected future undiscounted operating cash flow derived from the capitalized software is less than its carrying value.

Research and Development Costs: Research and development costs are expensed as incurred.

Goodwill and Other Intangible Assets: Intangible assets consist of the excess of the purchase cost over the fair value of net assets acquired (goodwill), the ANSYS trade name and non-compete agreements, which are being amortized on the straight-line method over the estimated useful lives of these assets. The Company periodically evaluates the carrying value of goodwill, which was being amortized over three years, based on whether the goodwill is recoverable from expected future undiscounted operating cash flows of the related business. The goodwill recorded in connection with the 1994 Acquisition has been fully amortized at December 31, 1997. Additionally, the Company periodically reviews the carrying value of other intangible assets and will recognize impairments when the expected future operating cash flow derived from such intangible assets is less than their carrying value.

Debt Issuance Costs: Debt issuance costs, which were incurred by the Company in connection with the 1994 Acquisition, were deferred and amortized over the term of the related debt. Debt issuance costs had been included in other intangibles on the consolidated balance sheet. As a result of the early repayment of the 1994 Loan with a portion of the net proceeds from its IPO, the Company wrote off the unamortized balance of the debt issuance cost, which was reflected as an extraordinary item, net of income taxes, in the Consolidated Statement of Operations for the year ended December 31, 1996.

Concentrations of Credit Risk: The Company invests its cash primarily in deposits and money market funds with commercial banks. The Company has not experienced any losses to date on its invested cash.

The Company has a concentration of credit risk with respect to trade receivables because of the limited number of distributors through which the Company sells its products. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral.

During 1997, sales by distributors comprised approximately 97% of the Company's total revenue, with two distributors accounting for approximately 14% and 10% of total revenue. During 1996, sales by distributors comprised approximately 96% of the Company's total revenue, with two distributors accounting for approximately 13% and 9% of total revenue. During 1995, sales by distributors comprised approximately 97% of the Company's total revenue, with two distributors accounting for approximately 15% and 10% of total revenue.

Income Taxes: Deferred tax assets and liabilities are determined based on temporary differences between the financial statement and the tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Foreign Currency Transactions: Certain of the Company's sales transactions are denominated in foreign currencies. These transactions are translated to U.S. dollars at the exchange rate on the transaction date. Accounts receivable in foreign currencies at year-end are translated at the effective exchange rate on that date. The unrealized exchange loss or gain resulting from the translation as of year-end is included in the results of operations.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the amounts of revenues and expenses during the reported periods. Actual results could differ from the estimates.

Net Income (Loss) Per Share: Effective December 31, 1997, the Company has adopted Statement of Financial Accounting Standards No. 128, "Earnings per Share" issued in February 1997. This Statement requires the disclosure of basic and diluted earnings per share and revises the method required to calculate these amounts under previous standards. Earning per share data for periods prior to 1997 have been restated to reflect adoption of this Statement. The adoption of this standard did not materially impact previously reported earnings per share amounts. Net income (loss) per basic common share is computed using the weighted average number of common shares outstanding during each period. Net income (loss) per diluted common 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 anti-dilutive, 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 IPO 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 IPO 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).

2. Summary of Significant Accounting Policies (continued):

Common Stock Split: In April 1996, the Board of Directors approved an amendment to the Company's Certificate of Incorporation to increase the number of authorized shares of common stock to 50,000,000 and to effect a ten-for-one stock split of the Company's common stock in the form of a stock dividend, paid on or about April 30, 1996. All references in the accompanying consolidated financial statements to share and per share amounts have been retroactively restated to reflect the stock split.

3. Property and Equipment:

Property and equipment consisted of the following:

(in thousands)	December 31, 1997	December 31, 1996
Equipment	$ 3,977	$ 3,307
Computer software	2,199	1,920
Furniture	839	527
Leasehold improvements	824	828
	7,839	6,582
Less: accumulated depreciation and amortization	(3,068)	(2,248)
	$ 4,771	$ 4,334

Depreciation expense was approximately $1,373,000, $1,137,000 and $877,000 for the years ended December 31, 1997, 1996 and 1995, respectively.

4. Other Intangible Assets:

The components of other intangible assets were as follows:

(in thousands)	Estimated Useful Lives	December 31, 1997	December 31, 1996
Trade names	10	$ 1,824	$ 1,824
Non-compete agreements	5-8	2,000	1,000
		3,824	2,824
Less: accumulated amortization		(1,450)	(1,068)
		$ 2,374	$ 1,756

During 1997, the Company exercised an option for a non-compete agreement related to the Company's United Kingdom and Netherlands territories. The total purchase price of the non-compete agreement was $1,000,000.

5. Securities Available for Sale:

Securities Available for Sale:

(in thousands)	December 31, 1997			
Long-term:	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Gross Estimated Fair Value
Marketable equity securities	$ -	$ -	$491	$182
	$ -	$ -	$491	$182
	December 31, 1996			
Long-term:	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Gross Estimated Fair Value
Marketable equity securities	$ -	$915	$242	$673
	$ -	$915	$242	$673

6. Income Taxes:

The provision (benefit) for income taxes is comprised of the following:

(in thousands)	December 31, 1997	December 31, 1996	December 31, 1995
Current:			
Federal	$ 2,699	$ 2,886	$ 680
State	73	244	5
Foreign	745	675	637
Deferred:			
Federal	725	(2,836)	(2,115)
Total	$ 4,242	$ 969	$ (793)

The reconciliation of the federal statutory tax rate to the consolidated effective tax rate is as follows:

(in thousands)	December 31, 1997	December 31, 1996	December 31, 1995
Federal statutory tax rate	34.0%	34.0%	34.0%
State income taxes, net of federal benefit	0.4	6.1	-
Research and experimentation credit	(0.9)	(3.8)	(1.1)
Other	2.9	0.7	0.5
	36.4%	37.0%	33.4%

The components of net deferred tax assets and liabilities are as follows:

(in thousands)	December 31, 1997	December 31, 1996
Deferred tax assets:		
Goodwill	$ 4,126	$ 4,148
Capitalized software	5,081	5,172
Other intangible assets	422	370
Allowance for doubtful accounts	707	323
Accrued expenses and liabilities	136	234
	10,472	10,247
Deferred tax liability:		
Accounts receivable mark-to-market	707	-
Property and equipment	286	189
Other	288	309
	1,281	498
Net deferred tax asset	$ 9,191	$ 9,749

Based upon the Company's current and historical taxable income and the anticipated level of future taxable income, management believes it is more likely than not that all of the deferred tax assets will be realized. Accordingly, no valuation allowance has been established against the deferred tax assets.

7. Stockholders' Equity:

The Company is authorized to issue up to 50,000,000 shares of $.01 par value voting common stock. Upon the closing of the Company's IPO, each Class A share was converted into one share of common stock. Subsequently, the Class A common stock was cancelled.

On April 19, 1996, the Board of Directors authorized 2,000,000 shares of undesignated preferred stock issuable in one or more series by the Board of Directors. At December 31, 1997 and 1996, there were no shares of preferred stock issued or outstanding.

8. Pension and Profit-Sharing Plans:

The Company maintains both a money purchase pension plan (the "Pension Plan") and a profit-sharing plan (the "Profit-Sharing Plan") for all qualifying full-time employees. The plans are noncontributory. The Pension Plan required the Company to contribute 20% of each participant's compensation annually in 1997, 1996 and 1995, while the Profit-Sharing Plan contribution was determined annually by the Board of Directors, subject to a maximum limitation of 5% of eligible compensation.

Pension expense was $2,113,00, $1,563,000 and $1,500,000 for the years ended December 31, 1997, 1996 and 1995, respectively. Additionally, profit-sharing expense was $453,000, $319,000 and $346,000 for the years ended December 31, 1997, 1996 and 1995, respectively.

Effective January 1, 1998, the Compensation Committee of the Board of Directors approved an amendment to the Pension Plan reducing the Company's contribution from 20% to 5%. Additionally, the employee vesting period has been amended to a five year graduated vesting schedule for employer contributions.

Effective January 1, 1998, the Company also elected to implement the 401(k) feature of the existing Profit-Sharing Plan. Under the 401(k) feature, each eligible employee may elect to contribute to the plan, through payroll deductions, up to 10% of his or her salary, subject to certain limitations. The Company makes matching contributions on behalf of each participant in an amount equal to 100% of the employee contribution up to a maximum of 5% of employee compensation. The employee's vesting period under the Profit-Sharing Plan was also amended to a five year graduated vesting schedule for employer contributions.

9. Non-Compete and Employment Agreements:

The Company has entered into non-compete agreements with certain holders of the Company's common stock. The agreements preclude the stockholders from competing either directly or indirectly with the Company for a period ranging from one to three years subsequent to termination. Additionally, during 1997, the Company exercised an option for a non-compete agreement related to activities in the Company's United Kingdom and Netherlands territories. The agreement precludes the former ASD from engaging in any competitive business activities previously undertaken pursuant to the former ASD Agreement.

The Company has entered into employment agreements with the Chief Executive Officer and another senior executive. The terms of the agreements are substantially similar except with respect to minimum annual base salary. In the event the Chief Executive Officer is terminated without cause, his employment agreement provides for severance at the annual rate of $300,000 for the later of a period of one year after termination or when he accepts other employment. In the event the other senior executive is terminated without cause, his employment agreement provides that the Company will continue to pay his base salary of $256,000, subject to specified cost of living increases, through the later of March 14, 1999 or six months from the date of termination. The Chief Executive Officer and the other senior executive are subject to one and three-year restrictions on competition, respectively, with the Company following termination of employment under the circumstances described in each contract.

10. Stock Option and Grant Plans:

The Company has two stock option and grant plans - the 1994 Stock Option and Grant Plan ("1994 Stock Plan") and the 1996 Stock Option and Grant Plan ("1996 Stock Plan"). The 1994 and 1996 Stock Plans authorize the grant of up to 868,110 and 2,250,000 shares, respectively, of the Company's common stock in the form of: (i) incentive stock options ("ISOs"), (ii) nonqualified stock options, or (iii) the issuance or sale of common stock with or without vesting or other restrictions (Stock Grants). Additionally, the 1996 Stock Plan permits the grant of common stock upon the attainment of specified performance goals (Performance Share Awards) and the grant of the right to receive cash dividends with the holders of the common stock as if the recipient held a specified number of shares of the common stock (Dividend Equivalent Rights). No further grants may be made under the 1994 Stock Plan.

The 1994 and 1996 Stock Plans provide that: (i) the exercise price of an ISO must be no less than the fair value of the relevant stock at the date of grant, and (ii) the exercise price of an optionee who possesses more than 10% of the total combined voting power of all classes of stock must be no less than 110% of the fair market value of the stock at the time of grant. The Board of Directors has the authority to set expiration dates no longer than ten years from the date of grant (or five years for an optionee who meets the 10% criteria), payment terms and other provisions of each grant. Shares associated with unexercised options or repurchased shares of common stock become available for options or issuances under the 1996 Stock Plan. The Compensation Committee of the Board of Directors may, in its sole discretion, accelerate or extend the date or dates on which all or any particular award or awards granted under the 1994 and 1996 Stock Plans may be exercised or vest. In the event of a merger, liquidation, or the sale of substantially all of the assets of the Company, the Board of Directors has the discretion to accelerate the vesting of the options granted under the 1994 and 1996 Stock Plans, except that options granted to the Chief Executive Officer and Independent Directors vest automatically in such circumstances. In addition, the 1994 and 1996 Stock Plans and the grants issued thereunder terminate upon the effectiveness of any such transaction or event, unless a provision is made in connection with such transaction for the assumption of grants theretofore made. Under the 1996 Stock Plan, at the discretion of the Compensation Committee, any option may include a "reload" feature. Such feature allows an optionee exercising an option to receive, in addition to the number of shares of common stock due on the exercise, an additional option with an exercise price equal to the fair market value of the common stock on the date such additional option is granted.

In addition, the 1996 Stock Plan provides for the automatic grant of Non-Qualified options to Independent Directors. Under such provisions, options to purchase that number of shares of common stock determined by dividing $200,000 by the option exercise price will be granted to each individual when he or she first becomes a member of the Board of Directors provided that he or she is not an employee of the Company. In addition, on the date five business days following each annual meeting of stockholders of the Company, commencing with the meeting to be held in 1997, each Independent Director who is then serving will be granted an option to purchase that number of shares of common stock determined by dividing $75,000 by the option exercise price. Options granted to Independent Directors under the foregoing provisions will vest in annual installments over four years commencing with the date of grant and will expire ten years after grant, subject to earlier termination if the optionee ceases to serve as a director. The exercisability of these options will be accelerated upon the occurrence of a merger, liquidation or sale of substantially all of the assets of the Company.

During 1994, the Company issued 1,289,750 shares of restricted common stock to certain officers, employees and members of the Board of Directors. In addition, during 1996 and 1995 the Company issued 135,860 and 30,000 shares of restricted common stock to an officer and members of the Board of Directors, respectively. Substantially all shares of restricted stock and all of the options under both the 1994 and 1996 Stock Plans were issued at the estimated market value of the Company's common stock at the time of issuance. The recipients of the restricted stock are required to continue in the employment or service of the Company for periods up to five years after the date of issuance for ownership to vest and provide for repurchase of unvested restricted stock by the Company at the original purchase price in the event of the termination of employment prior to vesting. Upon termination of employment, the Company repurchased 3,950, 16,750 and 54,850 shares of restricted stock from employees in 1997, 1996 and 1995 respectively.

Restricted stock purchases, grants and option activity under the 1994 and 1996 Stock Plans, and the issuance of 50,000 shares of restricted stock to members of the Board of Directors under separate agreements, are summarized as follows:

1994 Stock Option and Grant Plan:	Restricted Stock		Stock Options	
(in thousands, except for range of issue price)	Number of Shares	Range of Issue Price	Number of Options	Range of Issue Price
Outstanding at December 31, 1994	1,290	$ .01-.40	960	$ .11
Issued/granted	30	.40	315	.40
Exercised	-	-	-	-
Repurchased/cancelled	(55)	01-.40	-	-
Outstanding at December 31, 1995	1,265	.01-.40	1,275	.11-.40
Issued/granted	1,096(1)	.11-2.40(1)	553	1.275-11.00
Exercised	-	-	(973)(1)	.11-1.275(1)
Repurchased/cancelled	(17)	.10	(16)	.40-10.00
Outstanding at December 31, 1996	2,344	.01-2.40	839	.11-11.00
Issued/granted	-	-	-	-
Exercised	(79)	.10-.40	(99)	.40-1.275
Repurchased/cancelled	(4)	.10	(86)	.40-10.00
Outstanding at December 31, 1997	2,261	$.01-2.40	654	$ .11-11.00
Exercisable at:				
December 31, 1995	471		-	
December 31, 1996	721		91	
December 31, 1997	979		156	

(1) Includes 960 options exercised by a stockholder at an exercise price of $.11 per share. The shares received upon such exercise are restricted subject to repurchase by the Company in certain circumstances and vest in March 1998 and 1999.

10. Stock Option and Grant Plans (continued):

1996 Stock Option and Grant Plan:	Stock Options	
(in thousands, except for range of issue price)	Number of Options	Range of Issue Price
Issued/granted	415	$11.75-13.125
Exercised	-	-
Repurchased/cancelled	(1)	11.75
Outstanding at December 31, 1996	414	11.75-13.125
Issued/granted	759	6.25-9.625
Exercised	-	-
Repurchased/cancelled	(146)	6.25-13.125
Outstanding at December 31, 1997	1,027	$ 6.25-13.125
Exercisable at:		
December 31, 1996	-	
December 31, 1997	95	

The Company has elected to account for stock-based compensation arrangements under the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock-Based Compensation," which resulted in no compensation costs being recorded. The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation." Accordingly, no compensation expense has been recognized for restricted stock or options which have been issued under the 1994 and 1996 Stock Plans. Had compensation cost for the Company's two stock option and grant plans been determined based upon the fair value at the grant date for the option awards in 1997, 1996 and 1995 consistent with the provisions of SFAS No. 123, the Company's net income (loss) and diluted earnings (loss) per share would have been reduced to the pro forma amounts indicated below:

(in thousands, except per share data)	1997	1996	1995
Net income (loss) - as reported	$7,400	$1,304	$(1,580)
Net income (loss) - pro forma	7,048	927	(1,585)
Net income (loss) per basic common share - as reported	$ 0.47	$ 0.08	$ (0.18)
Net income (loss) per basic common share - pro forma	0.45	0.05	(0.18)
Net income (loss) per diluted common share - as reported	0.45	0.07	(0.17)
Net income (loss) per diluted common share - pro forma	0.43	0.05	(0.17)

The weighted-average fair value of options granted was $6.65 per share in 1997, $9.03 per share in 1996 and $0.40 per share in 1995.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the risk-free interest rates ranging from a low of 5.24% to a high of 6.48%. The interest rates used were determined by using the five year Treasury Note rate at the date of grant. The following assumptions were also used to determine the fair value of each option grant: dividend yields of 0%; expected volatility of 70% and expected term of 5 years.

11. Employee Stock Purchase Plan:

The Company's 1996 Employee Stock Purchase Plan ("Purchase Plan") was adopted by the Board of Directors on April 19, 1996 and was subsequently approved by the Company's stockholders. Up to 210,000 shares of common stock may be issued under the Purchase Plan. The Purchase Plan is administered by the Compensation Committee. The first offering under the Purchase Plan commenced on August 1, 1996 and closed on January 31, 1997. Subsequent offerings commence on each February 1 and August 1 thereafter, and have a duration of six months. An employee who owns or is deemed to own shares of stock representing in excess of 5% of the combined voting power of all classes of stock of the Company may not participate in the Purchase Plan.

During each offering, an eligible employee may purchase shares under the Purchase Plan by authorizing payroll deductions of up to 10% of their cash compensation during the offering period. The maximum number of shares which may be purchased by any participating employee during any offering period is limited to 960 shares (as adjusted by the Compensation Committee from time to time). Unless the employee has previously withdrawn from the offering, his accumulated payroll deductions will be used to purchase common stock on the last business day of the period at a price equal to 85% of the fair market value of the common stock on the first or last day of the offering period, whichever is lower. Under applicable tax rules, an employee may purchase no more than $25,000 worth of common stock in any calendar year. At December 31, 1997, 37,877 shares of common stock were issued under the Purchase Plan. At December 31, 1996, no common stock had been issued under the Purchase Plan.

12. Leases:

In January 1996 the Company entered into a lease agreement with an unrelated third party for a new corporate office facility, which the Company occupied in February 1997. The lease agreement is for ten years, with an option for five additional years, and includes a rental acceleration at the end of the fifth and tenth years. The Company incurred lease rental expense related to this facility lease of $1,022,000 in 1997. Future minimum lease payments under the facility lease are $1,227,000 per annum for 1998 through 2001.

Prior to February 1997 the Company had operated from facilities which it had leased from a joint venture held by a corporate officer. The Company incurred lease rental expense related to this lease agreement of $138,000 for the year ended December 31, 1997 and $839,000 for the years ended December 31, 1996 and 1995.

The Company has also entered into various noncancellable operating leases for equipment. Lease rental expense related to these leases totaled $1,125,000, $1,211,000 and $889,000 for the years ended December 31, 1997, 1996 and 1995, respectively. Future minimum lease payments under operating leases for equipment in effect at December 31, 1997 is $575,000 for 1998 and $178,000 for 1999.

13. Royalty Agreements:

The Company has entered into various renewable nonexclusive license agreements under which the Company has been granted access to the licensor's patent technology and the right to sell the patent technology in the Company's product line. Royalties are payable to developers of the software at various rates and amounts generally based upon unit sales or revenues. Royalty fees, which are included in cost of sales, were approximately $422,000, $450,000 and $114,000 for the years ended December 31, 1997, 1996 and 1995, respectively.

14. Related Party Transactions:

In connection with his initial employment, the Company's Chief Executive Officer purchased 626,000 restricted shares of common stock in July 1994 for a cash purchase price of $250,000 with proceeds from a loan from the Company evidenced by a promissory note bearing interest at 8.23% and maturing on July 8, 2006. The promissory note is collateralized by a pledge of the shares purchased with the proceeds of the loan. The shares purchased by the Chief Executive Officer vest on a monthly basis over a five-year period.

In addition, another senior executive of the Company purchased restricted shares of common stock with proceeds from a loan from the Company. The loan, which totaled $24,000 in 1997 and 1996, had terms similar to the promissory note described above.

15. Geographic Information:

Revenue by geographic area is as follows:

(in thousands)	United States	Canada	Germany	Other Europe	Japan	Other International	Total
Year ended December 31, 1997	$22,881	$ 771	$5,113	$11,258	$6,878	$3,646	$50,547
Year ended December 31, 1996	22,624	1,196	4,674	9,124	6,248	3,200	47,066
Year ended December 31, 1995	17,951	771	4,021	8,242	6,055	2,576	39,616

16. Commitments and Contingencies:

The Company had outstanding irrevocable standby letter of credits in the amount of $1,815,000 and $300,000 as of December 31, 1997 and 1996, respectively. These letters of credit, which expire on September 30, 1998 and November 30, 1998, were issued to either collateralize the Company's obligations to a third party for future performance requirements under a contract or as a guarantee for court-awarded damages related to litigation initiated by the Company. The fair value of the letters of credit approximates the contract value based on the nature of the fee arrangements with the issuing bank. No material losses on these commitments have been incurred, nor are any anticipated.

17. Earnings Per Share:

Basic earnings per common share (EPS) amounts are computed by dividing earnings after the deduction of preferred stock dividends by the average number of common shares outstanding. Diluted EPS amounts assume the issuance of common stock for all potentially dilutive equivalents outstanding.

The details of basic and diluted earnings per common share are as follows:

(in thousands, except per share data)	1997	1996	1995
Net income (loss)	$ 7,400	$ 1,304	$(1,580)
Redeemable preferred stock dividends	-	(236)	(445)
Income (loss) available to common stockholders	$ 7,400	$ 1,068	$(2,025)
Weighted average shares outstanding - basic	15,742	14,000	11,354
Net income (loss) per basic earnings per share after extraordinary item	$ 0.47	$ 0.08	$ (0.18)
Effect of dilutive securities:			
Shares issuable upon exercise of dilutive outstanding restricted stock and stock options	776	906	850
Weighted average shares outstanding - diluted	16,518	14,906	12,204
Net income (loss) per diluted earnings per share after extraordinary item	$ 0.45	$ 0.07	$ (0.17)
Anti-dilutive shares/options	642	720	-

18. Litigation:

The Company is currently the plaintiff in litigation related to the expiration of an ASD distribution agreement. However, the action has not progressed sufficiently for the Company to estimate a range of possible gain, if any, should it prevail in its pursuit of damages related to this action.

19. Recently Issued Accounting Pronouncements:

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No.130, "Reporting Comprehensive Income," which establishes standards for reporting and displaying comprehensive income and its components in a full set of general-purpose financial statements. This Statement, which is effective for financial statements issued for fiscal years beginning after December 15, 1997, requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The Company will adopt SFAS No.130 for its fiscal year ending December 31, 1998.

Additionally, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No.131, "Disclosures about Segments of an Enterprise and Related Information," which establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. This Statement, which is effective for financial statements for periods beginning after December 15, 1997, also establishes standards for related disclosures about products and services, geographic areas and major customers. Management is currently evaluating the implication of this Statement from both an operations and financial reporting perspective.

Quarterly Financial Information, (Unaudited)

(in thousands, except per share data)	Fiscal Quarter Ended December 31, 1997	September 30, 1997	June 30, 1997	March 31, 1997
Revenue	$14,487	$11,489	$12,557	$12,014
Gross profit	13,070	10,225	11,231	10,822
Operating income	3,993	2,504	3,335	890
Net income	2,748	1,719	2,274	659
Net income per basic share (3)	.17	.11	.15	.04
Net income per diluted share (3)	.17	.10	.14	.04
Common stock price per share (2) (3):				
High	11.00	11.25	9.25	13.25
Low	6.31	7.00	5.38	7.63

(in thousands, except per share data)	Fiscal Quarter Ended December 31, 1996	September 30, 1996	June 30, 1996	March 31, 1996
Revenue	$12,332	$12,661	$11,340	$10,733
Gross profit	11,082	11,258	9,800	9,538
Operating income	1,257	1,295	652	470
Net income (loss) after extraordinary item	823	1,066	(384)	(201)
Net income (loss) per basic share after extraordinary items (3)	.05	.07	(.04)	(.03)
Net income (loss) per diluted share after extraordinary items (3)	.05	.07	(.04)	(.02)
Common stock price per share (1) (2):				
High	15.50	13.63	13.38	-
Low	11.00	10.25	11.75	-

(1) The Company's common stock trades on the Nasdaq National Market tier of The Nasdaq Stock Market under the symbol: ANSS.

The common stock prices shown are based on the Nasdaq daily closing stock price.

(2) Effective June 20, 1996, the Company completed its Initial Public Offering of 3,500,000 shares of common stock at $13.00 per share.

(3) The Company has adopted Statement of Financial Accounting Standards No. 128, "Earnings per Share", issued in February 1997. This Statement requires the disclosure of basic and diluted earnings per share and revises the method to calculate these amounts. Earnings per share data for periods prior to 1997 have been restated to reflect adoption of this Statement.

The Company has not paid cash dividends on its common stock as it has retained earnings for use in its business. The Company intends to review its policy with respect to the payment of dividends from time to time, however, there can be no assurance that any dividends will be paid in the future.

On February 19, 1998, there were 366 shareholders of record and approximately 2,749 beneficial shareholders of the Company's common stock.

Corporate Information

Headquarters
ansysinfo@ansys.com
T 724.746.3304
F 724.514.9494
Toll Free USA and Canada:
1.800.WE.R.FEA.1
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F 248.585.5730

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T 724.514.3086
F 724.514.3115

Europe
brian.butcher@ansys.com
T 44.118.9880229
F 44.118.9880925

http://www.ansys.com

Officers and Senior Management

Peter J. Smith
Chairman of the Board of Directors, President and Chief Executive Officer

Dr. John A. Swanson
Chief Technologist

James E. Cashman III
Senior Vice President, Operations

Paul A. Johnson
Senior Vice President, Product Development

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

Dr. Joseph S. Solecki
Corporate Fellow

Dr. Shah M. Yunus
Corporate Fellow

Brian Butcher
Managing Director, European Operations

Paul A. Chilensky
Vice President, Customer Service

David Conover
Manager, Product Development

Karen C. Harker
Director, Human Resources

Mark C. Imgrund
Vice President, Corporate Quality

David S. Secunda
Corporate Counsel

James C. Tung
Vice President, International Operations

Leonard Zera
Vice President, North American Sales

Shareholder Information

Requests for information about the Company should be directed to: Investor Relations, ANSYS, Inc., Southpointe, 275 Technology Drive, Canonsburg, PA 15317.
Telephone: 724.514.1782.

Report on Form 10-K
Stockholders may obtain additional financial information about ANSYS, Inc. from the Company's Report on Form 10-K filed with the Securities and Exchange Commission. Copies are available from the Company without charge upon written request.

Stock Listing
Nasdaq National Market Symbol: ANSS

Counsel
Goodwin, Procter, & Hoar L.L.P., Boston, MA

Buchanan Ingersoll Professional Corporation L.L.P.,
Pittsburgh, PA

Annual Meeting
The Annual Meeting of Stockholders will be held on May 6, 1998 at 2:00 p.m. at the law offices of Buchanan Ingersoll,
One Oxford Centre, 301 Grant Street, Pittsburgh, PA 15219.

Transfer Agent
Chase Mellon Shareholder Services, Ridgefield Park, NJ

Independent Accountants
Coopers & Lybrand L.L.P., Pittsburgh, PA

ANSYS, Inc. is an Equal Opportunity Employer. As such, it is the Company's policy to promote equal employment opportunity and to prohibit discrimination on the basis of race, color, religion, sex, age, national origin, disability, or status as a veteran in all aspects of employment including recruiting, hiring, training, or promoting personnel. In fulfilling this commitment, the Company shall comply with the letter and spirit of the laws, regulations, and Executive Orders governing equal opportunity in employment; including the Civil Rights Act of 1964, Executive Order 11246, Revised Order Number 4 and amendments thereto.

EXHIBIT 21

Subsidiaries of the Registrant
- ------------------------------

ANSYS Operating Corporation, a Delaware corporation

SAS IP, Inc., a Wyoming corporation

ASN Systems Limited, a UK subsidiary

EXHIBIT 23.1

Report of Independent Accountants

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

Our report on the consolidated financial statements of ANSYS, Inc. and Subsidiaries has been incorporated by reference in this Form 10-K from page 18 of the 1997 Annual Report to Stockholders of ANSYS, Inc. and Subsidiaries. In connection with our audits of such financial statements, we have also audited the related financial statement schedule listed in Item 14(a)(2) on page of this Form 10-K.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

/S/ Coopers & Lybrand L.L.P.
- ----------------------------
Coopers & Lybrand L.L.P.
Pittsburgh, Pennsylvania
January 29, 1998

EXHIBIT 23.2

Consent of Independent Accountants

We consent to the incorporation by reference in the Registration Statement of ANSYS, Inc. and Subsidiaries on Form S-8 (File No. 333-4278) of our reports dated January 29, 1998, on our audit of the consolidated financial statements and financial statement schedule of ANSYS, Inc. and Subsidiaries as of December 31, 1997 and 1996 and for each of the three years in the period ended December 31, 1997, which reports are included or incorporated by reference in this Annual Report on Form 10-K.

/S/ Coopers & Lybrand L.L.P.
- -----------------------------
Coopers & Lybrand L.L.P.
Pittsburgh, Pennsylvania
March 20, 1998

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS INCLUDED IN THE FORM 10-K FOR THE FISCAL YEAR ENDED AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

1,000

12-MOS
DEC-31-1997
JAN-01-1997
DEC-31-1997
13,990
13,853
10,114
2,080
0
36,928
4,771
0
53,581
13,167
0
0
0
164
40,250
53,581
35,083
50,547
2,833
5,198
34,618
0
1
11,642
4,242
7,400
0
0
0
7,400
.47
.45

5
1,000

6-MOS
DEC-31-1996
JAN-01-1996
JUN-30-1996
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0
10,580
725
108
20,807
3,149
0
41,340
10,661
0
0
0
162
30,679
41,340
17,222
22,073
1,482
2,735
18,215
0
1,670
(392)
(150)
(242)
0
(343)
0
(585)
(.07)
(.06)

5
1,000

9-MOS
DEC-31-1996
JAN-01-1996
SEP-30-1996
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915
12,502
747
103
21,918
3,720
0
42,000
9,695
0
0
0
162
32,143
42,000
27,428
34,734
2,310
4,138
28,179
0
1,669
1,309
485
824
0
(343)
0
481
.00
.01

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
FINANCIAL STATEMENTS INCLUDED IN THE FORM 10-K FOR THE FISCAL YEAR ENDED AND IS
QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

1,000

12-MOS
DEC-31-1996
JAN-01-1996
DEC-31-1996
17,069
673
8,257
950
0
25,148
4,334
0
43,431
10,457
0
0
0
162
32,812
43,431
37,013
47,066
3,051
5,388
38,004
0
1,669
2,616
969
1,647
0
(343)
0
1,304
.08
.07

5

1,000

3-MOS

DEC-31-1997

JAN-01-1997

MAR-31-1997

19,933

643

7,928

1,145

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27,690

5,115

0

44,612

10,804

0

0

0

162

33,646

44,612

9,105

12,013

621

1,191

9,924

0

0

1,045

386

659

0

0

0

659

.04

.04

5

1,000

6-MOS

DEC-31-1997

JAN-01-1997

JUN-30-1997

17,960

4,438

8,178

1,230

0

31,036

5,186

0

47,737

11,834

0

0

0

163

35,740

47,737

17,940

24,571

1,355

2,517

17,821

0

0

4,654

1,721

2,933

0

0

0

2,933

.19

.18

5

1,000

9-MOS

DEC-31-1997

JAN-01-1997

SEP-30-1997

14,511

10,441

8,173

1,600

0

33,631

5,088

0

50,124

12,338

0

0

0

164

37,622

50,124

25,249

36,060

2,024

3,781

25,542

0

0

7,383

2,730

4,653

0

0

0

4,653

.30

.28

EXHIBIT 99

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM ll-K

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

As of January 31, 1998 and 1997
and for the periods February 1, 1997 through January 31, 1998
and August 1, 1996 through January 31, 1997

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

Commission file number: 0-20853

1996 EMPLOYEE STOCK PURCHASE PLAN
(Full title of Plan)

ANSYS, Inc.
Southpointe
275 Technology Drive
Canonsburg, PA 15317

(Name of issuer of securities held pursuant to the plan and the address of its principal executive office)

ANSYS, INC. AND SUBSIDIARIES
1996 Employee Stock Purchase Plan
Index of Financial Statements

ANSYS, INC. AND SUBSIDIARIES
1996 EMPLOYEE STOCK PURCHASE PLAN
STATEMENT OF NET ASSETS
January 31, 1998 and 1997

	1998	1997
NET ASSETS:		
Cash	$ 11,210	$ 13,809
Investments:		
ANSYS, Inc.		
Common Stock	472,998	185,098
Net assets	$484,208	$198,907

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

ANSYS, INC. AND SUBSIDIARIES
1996 EMPLOYEE STOCK PURCHASE PLAN
STATEMENT OF CHANGES IN NET ASSETS
for the periods

	February 1, 1997 through January 31, 1998	August 1, 1996 through January 31, 1997
ADDITIONS:		
Contributions:		
Employee	$269,362	$181,514
Employer	54,818	27,765
Total additions	324,180	209,279
DEDUCTIONS:		
Withdrawals by participants	38,879	10,372
Total deductions	38,879	10,372
Net increase	285,301	198,907
Net assets, beginning of period	198,907	--
Net assets, end of period	$484,208	$198,907

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

ANSYS, INC. AND SUBSIDIARIES
1996 EMPLOYEE STOCK PURCHASE PLAN
NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF PLAN:

The purpose of the 1996 Employee Stock Purchase Plan of ANSYS, Inc. and subsidiaries (the "Plan"), which became effective August 1, 1996, is to provide the eligible employee of ANSYS, Inc. and certain of its subsidiaries (the "Company") with opportunities to purchase shares of common stock upon favorable terms. The aggregate maximum number of shares for which options may be issued under the Plan is 210,000 shares of common stock, subject to adjustments for changes in the Company's capitalization. The Plan is administered by the Compensation Committee of the Board of Directors (the "Compensation Committee".)

Participation in the Plan is voluntary. Offerings under the Plan commence on each February 1 and August 1 and have a duration of six months. The Compensation Committee may establish a different period of six months or less for any offering. Generally, all employees who are employed for more than 20 hours per week as of the first day of the applicable offering period are eligible to participate in the Plan. An employee who owns or is deemed to own shares of stock representing in excess of 5% of the combined voting power of all classes of stock of the Company may not participate in the Plan.

During each offering, an eligible employee may purchase shares under the Plan by authorizing payroll deductions of up to 10% per pay period, to be deducted from such employee's total cash compensation. The maximum number of shares which may be purchased by any participating employee during any offering period is limited to 960 shares (as adjusted by the Compensation Committee from time to time). Unless the employee has previously withdrawn from the offering, such employee's accumulated payroll deductions will be used to purchase common stock on the last business day of the period at a price equal to 85% of the fair market value of the common stock on the first or last day of the offering period, whichever is lower. The Company will contribute the remaining 15% of the fair market value of the common stock. Under applicable tax rules, an employee may purchase no more than $25,000 worth of common stock in any calendar year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements have been prepared in accordance with generally accepted accounting principles. The following are the significant accounting policies followed by the Plan:

Investment Valuation:

Investments, which consist solely of ANSYS, Inc. Common Stock, are carried at fair value by reference to the closing market quotations as reported on the National Association of Securities Dealers Automated Quotations System (NASDAQ).

Income Recognition:

Purchases are recorded on a trade date basis. The Plan presents in the Statement of Changes in Net Assets the net appreciation in the fair value of its investments which consists of the realized gains or losses and the unrealized appreciation (depreciation) on these investments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Administrative Expenses:

The Company pays all expenses incident to the operation of the Plan, including the costs of record keeping, accounting fees, legal fees, the costs of delivery of stock certificates to participants and the costs of delivery of shareholder communications. The Company does not pay any expenses, broker's or other commissions or taxes incurred in connection with the purchases of Common Stock, or the sale of shares of Common Stock.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

3. INVESTMENTS:

As required under the Plan, investments at January 31, 1998 and 1997 consisted solely of ANSYS, Inc. Common Stock as follows:

	January 31, 1998	January 31, 1997
Number of Shares	51,730	19,484
Cost	$472,998	$185,098
Fair Value	$472,998	$185,098

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Board of Directors of ANSYS, Inc. has duly caused this Annual Report to be signed on behalf of the Plan by the undersigned hereunto duly authorized, on March 24, 1998.

ANSYS, INC. AND SUBSIDIARIES
1996 EMPLOYEE STOCK PURCHASE PLAN

Date: March 24, 1998 By: /S/ Peter J. Smith

Peter J. Smith
Chairman, President and Chief Executive Officer

Date: March 24, 1998 By: /S/ John M. Sherbin

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