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

FORM 10-Q

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

For the quarterly period ended June 30, 1999

OR

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

Commission file number: 0-20853

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

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

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

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

Indicate by a check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No
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The number of shares of the Registrant's Common Stock, par value $.01 per share, outstanding as of August 5, 1999 was 16,558,114 shares.

ANSYS, INC. AND SUBSIDIARIES

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

PART I - FINANCIAL INFORMATION

Item 1. - Financial Statements:

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

	June 30, 1999	Dec. 31, 1998
ASSETS	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 17,668	$ 6,589
Short-term investments	33,722	36,138
Accounts receivable, less allowance for doubtful accounts of $1,940 in 1999 and $1,900 in 1998	8,202	8,943
Other current assets	3,500	1,848
Deferred income taxes	162	162
Total current assets	63,254	53,680
Securities available for sale	182	182
Property and equipment, net	3,861	3,748
Capitalized software costs, net	617	426
Goodwill, net	421	424
Other intangibles, net	1,671	1,866
Deferred income taxes	7,086	7,672
Total assets	$ 77,092	$ 67,998
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 86	$ 205
Accrued bonuses	1,557	2,449
Other accrued expenses and liabilities	3,363	3,437
Customer prepayments	157	168
Deferred revenue	11,843	9,372
Total current liabilities	17,006	15,631
Stockholders' equity:		
Preferred stock, $.01 par value, 2,000,000 shares authorized	-	-
Common stock, $.01 par value; 50,000,000 shares authorized; 16,513,788 and 16,395,938 shares issued in 1999 and 1998	165	164
Additional paid-in capital	37,115	36,657
Retained earnings	22,936	15,676
Accumulated other comprehensive income	120	120
Note receivable from stockholder	(250)	(250)

Total stockholders' equity	60,086	52,367
Total liabilities and stockholders'equity	$ 77,092	$ 67,998

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

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

	Three months ended		Six months ended	
	June 30, 1999	June 30, 1998	June 30, 1999	June 30, 1998
Revenue:				
Software licenses	$ 8,982	$ 8,478	$ 19,019	$ 17,777
Maintenance and service	6,412	5,084	12,243	10,012
Total revenue	15,394	13,562	31,262	27,789
Cost of sales:				
Software licenses	922	843	1,770	1,734
Maintenance and service	727	640	1,504	1,290
Total cost of sales	1,649	1,483	3,274	3,024
Gross profit	13,745	12,079	27,988	24,765
Operating expenses:				
Selling and marketing	4,084	3,174	7,647	6,223
Research and development	3,189	2,938	6,634	6,031
Amortization	181	222	401	443
General and administrative	2,408	2,193	4,849	4,681
Total operating expenses	9,862	8,527	19,531	17,378
Operating income	3,883	3,552	8,457	7,387
Other income	602	508	1,152	865
Income before income tax provision	4,485	4,060	9,609	8,252
Income tax provision	942	1,340	2,349	2,765
Net income	3,543	2,720	7,260	5,487
Other comprehensive income (loss), net of tax:				
Unrealized loss on securities	-	(70)	-	-
Other comprehensive income (loss)	-	(70)	-	-
Comprehensive income	$ 3,543	$ 2,650	$ 7,260	$ 5,487
Net income per basic common share:				
Basic earnings per share	$ 0.22	$ 0.17	$ 0.45	$ 0.34
Weighted average shares - basic	16,366	15,986	16,321	15,969
Net income per diluted common share:				
Diluted earnings per share	$ 0.21	$ 0.16	$ 0.43	$ 0.33
Weighted average shares - diluted	16,805	16,793	16,753	16,727

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

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

	Six months ended	
	June 30, 1999	June 30, 1998
Cash flows from operating activities:		
Net income	$ 7,260	$ 5,487
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,402	1,342
Deferred income tax provision	586	375
Provision for bad debts	125	295
Change in operating assets and liabilities:		
Accounts receivable	616	1,667
Other current assets	(1,652)	149
Accounts payable, accrued expenses and liabilities and customer prepayments	(1,096)	(1,032)
Deferred revenue	2,471	1,188
Net cash provided by operating activities	9,712	9,471
Cash flows from investing activities:		
Capital expenditures	(1,176)	(554)
Capitalization of internally developed software costs	(332)	-
Purchase of short-term investments	(4,295)	(22,853)
Maturities of short-term investments	6,711	5,247
Net cash provided by (used in) investing activities	908	(18,160)
Cash flows from financing activities:		
Proceeds from issuance of common stock under Employee Stock Purchase Plan	76	94
Proceeds from issuance of treasury stock	9	176
Purchase of treasury stock	(6)	-
Proceeds from exercise of stock options	380	-
Net cash provided by financing activities	459	270
Net increase(decrease) in cash and cash equivalents	11,079	(8,419)
Cash and cash equivalents, beginning of period	6,589	13,990
Cash and cash equivalents, end of period	$ 17,668	$ 5,571
Supplemental disclosures of cash flow Information:		
Cash paid during the period for:		
Income taxes	$ 3,479	$ 2,455

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

ANSYS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1999
(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements included herein have been prepared by ANSYS, Inc. (the "Company") in accordance with generally accepted accounting principles for interim financial information for commercial and industrial companies and the instructions to Form 10-Q and Rule

10-01 of Regulation S-X. The financial statements as of and for the three and six months ended June 30, 1999 should be read in conjunction with the Company's consolidated financial statements (and notes thereto) included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998. Accordingly, the accompanying statements do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation of the financial statements have been included, and all adjustments are of a normal and recurring nature. Operating results for the three months and six months ended June 30, 1999 are not necessarily indicative of the results that may be expected for the year ending December 31, 1999.

2. ACCUMULATED OTHER COMPREHENSIVE INCOME

As of June 30, 1999 and 1998, accumulated other comprehensive income, as reflected on the condensed consolidated balance sheets, was comprised of unrealized gains on securities available for sale.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

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

We have reviewed the condensed consolidated balance sheet of ANSYS, Inc. and Subsidiaries as of June 30, 1999, and the related condensed consolidated statements of income and comprehensive income for the three month and six month periods ended June 30, 1999 and 1998, and condensed consolidated cash flows for the six month periods ended June 30, 1999 and 1998. These financial statements are the responsibility of the Company's management.

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

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

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of ANSYS, Inc. and Subsidiaries as of December 31, 1998, and the related consolidated statements of income, stockholders' equity and of cash flows for the year then ended (not presented herein). In our report dated January 28, 1999, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 1998, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP
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Pittsburgh, Pennsylvania
July 20, 1999

Item 2.

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

ANSYS, Inc. (the "Company") is a leading international supplier of analysis and engineering software for optimizing the design of new products. The Company is committed to providing the most open and flexible analysis solutions to suit customer requirements for engineering software in today's competitive marketplace. In addition, the Company partners with leading design software suppliers to develop state-of-the-art computer-aided design ("CAD") integrated products. Sales, support and training for customers are provided primarily through the Company's global network of independent ANSYS Support Distributors ("ASDs"). The Company distributes and supports its ANSYS(r) and DesignSpace(r) product lines through its ASDs, certain direct sales offices, as well as a network of independent resellers and dealers (value-added resellers or "VARs"). The following discussion should be read in conjunction with the attached unaudited condensed consolidated financial statements and notes thereto for the three-month and six-month periods ended June 30, 1999 and June 30, 1998 and with the Company's audited financial statements and notes thereto for the fiscal year ended December 31, 1998.

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements below concerning future trends related to paid-up and monthly lease revenue, expectations of sales growth in the Company's DesignSpace and ANSYS/Professional products, the Company's intentions related to continued investments in research and development, plans related to future capital spending, the sufficiency of existing cash and cash equivalent balances to meet future working capital and capital expenditure requirements and comments regarding the effective tax rate in future quarters, as well as statements which contain such words as "anticipates", "intends", "believes", "plans" and other similar expressions. The Company's actual results could differ materially from those set forth in forward-looking statements. Certain factors that might cause such a difference include risks and uncertainties detailed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section in the 1998 Annual Report to Shareholders and in "Certain Factors Regarding Future Results" included herein as Exhibit 99 to this Form 10-Q.

Results of Operations

Three Months Ended June 30, 1999 Compared to Three Months Ended June 30, 1998

Revenue. The Company's total revenue increased 13.5% for the 1999 quarter to $15.4 million from $13.6 million for the 1998 quarter. This increase primarily resulted from an increase in revenue from paid-up licenses associated with increased sales of new paid-up licenses during the quarter, and to a much lesser extent, the conversion of existing leases to paid-up licenses. Higher maintenance and service revenue, resulting from broader customer usage of such services and the Company's continued emphasis on marketing these services, also contributed to the overall increase.

Software license revenue increased 5.9% for the 1999 quarter to $9.0 million from $8.5 million for the 1998 quarter, resulting primarily from increased sales of paid-up licenses. Revenue from the sale of paid-up licenses increased 33.5% to $6.1 million from $4.6 million in the prior year quarter. The Company anticipates that revenue from the sales of paid-up licenses will increase as sales of its DesignSpace and ANSYS/Professional products grow. These products are priced at much lower price points compared to the traditional high-end analysis product offerings and are sold primarily as paid-up licenses. Consistent with recent quarterly trends, the increase in sales of paid-up licenses was partially offset by an $800,000 reduction in monthly lease license revenue. This decrease was principally attributable to the conversion of

existing monthly leases to either noncancelable annual lease licenses or to paid-up licenses. The Company believes that the reduction in monthly lease license revenue on a quarterly comparison basis will continue throughout the remainder of 1999 as existing monthly leases are renewed and new licenses are sold as noncancelable annual leases, or monthly leases are converted to paid-up licenses. The paid-up license revenue increase was also partially offset by a reduction in noncancellable annual lease revenue that the Company believes was principally the result of an increase in its annual lease price as compared to the prior year.

Maintenance and service revenue increased 26.1% for the second quarter of 1999 to $6.4 million from $5.1 million for the comparable 1998 quarter. The increase was a result of maintenance contracts sold in association with the new paid-up license sales discussed above, as well as a broader customer usage of support services and the Company's increased emphasis on marketing these services. These increases were partially offset by reduced revenue associated with the portion of noncancellable annual leases classified as maintenance and service revenue. This decrease resulted primarily from a refinement of management's estimate relative to the allocation of noncancellable annual lease revenue between paid-up license and maintenance and service revenue, which occurred in the first quarter of 1998 and, to a lesser extent, a reduction in noncancellable annual lease sales in the current year quarter as compared to the comparable prior year quarter.

Of the Company's total revenue for the 1999 quarter, approximately 57.9% and 42.1%, respectively, were attributable to international and domestic sales, as compared to 52.7% and 47.3%, respectively, for the 1998 quarter.

Cost of Sales and Gross Profit. The Company's total cost of sales increased 11.2% to $1.6 million, or 10.7% of total revenue, for the 1999 second quarter from $1.5 million, or 10.9% of total revenue, for the 1998 second quarter. The increase in the 1999 quarter was principally attributable to higher salaries and related expenses associated with increased headcount to support the growth in license and service sales.

As a result of the foregoing, the Company's gross profit increased 13.8% to $13.7 million for the 1999 quarter from $12.1 million for the 1998 quarter.

Selling and Marketing. Total selling and marketing expenses increased from $3.2 million, or 23.4% of total revenue in the 1998 quarter to $4.1 million, or 26.5% of total revenue in the 1999 quarter. The increase primarily resulted from additional headcount and facility costs associated with recently established strategic direct sales offices in Houston, Texas; Minneapolis, Minnesota and New England, as well as increased costs associated with the Company's expanded presence in China and a slightly revised sales model in Detroit. Higher commission costs related to direct sales to certain of the Company's major account customers in the quarter also contributed to the increase.

Research and Development. Research and development expenses totaled $3.2 million and $2.9 million for the 1999 and 1998 quarters, respectively, or 20.7% and 21.7% of total revenue in each respective quarter. The increase in the 1999 quarter as compared to the 1998 quarter was principally related to increased headcount and facility costs associated with the recent acquisition of Centric Engineering Systems, and to a lesser extent additional headcount within the corporate product creation group. The Company has traditionally invested significant resources in research and development activities and intends to continue to make significant investments through the remainder of 1999.

Amortization. Amortization expense decreased from $222,000 in the prior year quarter to $181,000 for the 1999 quarter. The reduction primarily related to certain intangible assets, including capitalized software and a non-compete agreement, becoming fully amortized.

General and Administrative. General and administrative expenses increased from $2.2 million, or 16.2% of total revenue, in the 1998 quarter, to $2.4 million, or 15.6% of total revenue, in the 1999 quarter. The change was primarily the result of increased

consulting costs. These costs were partially offset by a reduction in bad debt expense.

Other Income. Other income increased 18.5% to $602,000 for the 1999 quarter as compared to $508,000 for the 1998 quarter. This increase was attributable to higher interest-bearing cash and short-term investment balances in 1999.

Income Tax Provision. The Company's effective rate of taxation was 21.0% for the 1999 quarter as compared to 33.0% for the 1998 quarter. The effective rate in 1999 was lower than the 1998 rate as a result of the increased utilization of both research and experimentation credits and the Company's foreign sales corporation, as well as a one-time tax benefit related to an amended prior year tax return. The research and experimentation credits and foreign sales corporation utilization favorably impacted the effective tax rates and resulted in such rates being less than the federal and state combined statutory rates for each of the second quarters in 1999 and 1998. The Company anticipates that the effective tax rate will increase in the remaining quarters of 1999 to a level more comparable to the 27.5% experienced in the 1999 first quarter.

Net Income. The Company's net income in the 1999 quarter was $3.5 million as compared to $2.7 million in the 1998 quarter. Diluted earnings per share increased to $.21 in the 1999 quarter as compared to $.16 in the 1998 quarter as a result of the increase in net income. The weighted average shares used in computing net income per diluted common share were 16.8 million in each of the 1999 and 1998 quarters.

Six Months Ended June 30, 1999 Compared to Six Months Ended June 30, 1998

Revenue. The Company's total revenue increased 12.5% for the 1999 six months to $31.3 million from $27.8 million for the 1998 six months. This increase was attributable primarily to an increase in revenue from paid-up licenses associated with increased sales of new paid-up licenses and, to a lesser extent, the conversion of existing leases to paid-up licenses. Higher maintenance and service revenue, resulting from broader customer usage of such services and the Company's continued emphasis on marketing these services, also contributed to the overall increase.

Software license revenue totaled $19.0 million for the 1999 six months as compared to $17.8 million for the 1998 six months, an increase of 7.0%. The increase resulted principally from an increase in sales of paid-up licenses. Revenue from the sale of paid-up licenses increased 35.4% for the 1999 six-month period to $11.5 million from $8.5 million in the comparable prior year period. This increase was partially offset by a 47.7% decrease in monthly lease license revenue to $1.8 million for the 1999 six months from $3.4 million for the 1998 six months. This decrease was attributable to both an increase in the renewal of existing monthly leases as noncancellable annual leases and to the conversion of certain existing monthly lease licenses to paid-up licenses.

Maintenance and service revenue increased 22.3% for the 1999 six-month period to $12.2 million from $10.0 million for the comparable 1998 period. The increase was primarily the result of maintenance contracts sold in association with the paid-up license sales discussed above, as well as broader customer usage of support services and the Company's continued emphasis on marketing these services. These increases were partially offset by reduced revenue associated with the portion of noncancellable annual leases classified as maintenance and service revenue. This decrease resulted from the refinement of management's estimate relative to the allocation of noncancellable annual lease revenue between paid-up license revenue and maintenance and service revenue, which occurred in the first quarter of 1998.

Of the Company's total revenue for the 1999 six months, approximately 56.9% and 43.1%, respectively, were attributable to international and domestic sales, as compared to 53.4% and 46.6%, respectively, for the 1998 six months.

Cost of Sales and Gross Profit. The Company's total cost of sales increased 8.3% to $3.3 million, or 10.5% of total revenue, for the 1999 six months from $3.0 million, or 10.9% of total

revenue, for the 1998 six months. The increase in the 1999 period was principally attributable to higher salaries and related expenses associated with increased headcount to support the growth in license and service sales.

As a result of the foregoing, the Company's gross profit increased 13.0% to $28.0 million for the 1999 six months from $24.8 million for the 1998 six months.

Selling and Marketing. Selling and marketing expenses increased 22.9% for the six months ended June 30, 1999 to $7.6 million, or 24.5% of total revenue, from $6.2 million, or 22.4% of total revenue, for the comparable 1998 period. The increase was primarily the result of additional headcount and facility costs associated with recently established strategic direct sales offices in Houston, Texas; Minneapolis, Minnesota and New England, as well as the Company's expanded presence in China and a slightly revised sales model in Detroit. Higher commission costs associated with several direct sales to major account customers during the second quarter also contributed to the increase.

Research and Development. Research and development costs increased 10.0% for the 1999 six months to $6.6 million, or 21.2% of total revenue, from $6.0 million, or 21.7% of total revenue, for the 1998 six months. The increase in the 1999 period was substantially the result of increased headcount and facility costs related to the recent acquisition of Centric Engineering Systems, and to a lesser extent additional headcount within the corporate product creation group. These increases were partially offset by approximately $250,000 of capitalized internal labor costs related to new commercial product releases in the first six months of 1999.

Amortization. Amortization expense remained comparable at $401,000 and $443,000 in the respective 1999 and 1998 six-month periods.

General and Administrative. General and administrative expenses increased 3.6% for the 1999 six months to $4.8 million, or 15.5% of total revenue, from $4.7 million, or 16.8% of total revenue, for the 1998 six months. Higher consulting costs, as well as increased salaries and related headcount expenses from the addition of internal resources needed to support the Company's global operations and infrastructure were partially offset by a decrease in bad debt expense.

Other Income. Other income increased 33.2% to $1.2 million for the 1999 six-month period as compared to $865,000 for the 1998 six-month period. This increase was attributable to higher interest-bearing cash and short-term investment balances in 1999.

Income Tax Provision. The Company's effective rate of taxation was 24.4% for the six months ended June 30, 1999, as compared to 33.5% for the comparable 1998 period. The decrease in the 1999 rate as compared to that of the prior year period was a result of increased utilization of both research and experimentation credits and the Company's foreign sales corporation. The 1999 rate was also favorably impacted by a one-time tax benefit in the second quarter related to an amended prior year tax return. These percentages are less than the federal and state combined statutory rate due primarily to the use of a foreign sales corporation, as well as utilization of research and experimentation credits.

Net Income. The Company's net income in the first six months of 1999 totaled $7.3 million as compared to net income of $5.5 million in the first six months of 1998. As a result of the increase in net income, diluted earnings per share increased to $0.43 in the 1999 six months as compared to diluted earnings per share of $0.33 in the 1998 six months. The weighted average shares used in computing net income per diluted common share totaled 16.8 million and 16.7 million in the 1999 and 1998 six-month periods, respectively.

Liquidity and Capital Resources

As of June 30, 1999, the Company had cash, cash equivalents and short-term investments totaling $51.4 million and working capital of $46.2 million, as compared to cash, cash equivalents and short-

term investments of $42.7 million and working capital of $38.0 million at December 31, 1998. The short-term investments are generally investment grade and liquid-type, which allows the Company to minimize interest rate risk and to facilitate liquidity in the event an immediate cash need arises.

The Company's operating activities provided cash of $9.7 million for the six months ended June 30, 1999 and $9.5 million for the six months ended June 30, 1998. The increase in the Company's cash flow from operations for the 1999 six-month period as compared to the comparable 1998 period was a result of increased earnings which were partially offset by higher income tax payments. 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 1999 six-month period.

Net cash provided by investing activities totaled $908,000 for the 1999 six months as compared to $18.2 million of cash used in investing activities for the 1998 six months. The cash provided in the 1999 six-month period resulted primarily from maturities of short-term investments and was partially offset by purchases of short-term investments and capital expenditures. The use of cash in the 1998 six-month period primarily related to the purchase of short-term investments. The Company currently plans additional capital spending of approximately $1.0 million throughout the remainder of 1999; however, the level of spending will be dependent upon various factors, including growth of the business and general economic conditions.

Financing activities provided net cash of $459,000 and $270,000 for the six months ended June 30, 1999 and 1998, respectively. Cash provided from financing activities for the 1999 and 1998 six-month periods principally related to proceeds from the issuance of common stock and treasury stock under employee stock purchase and option plans.

The Company believes that existing cash and cash equivalent balances together with cash generated from operations will be sufficient to meet the Company's working capital and capital expenditure requirements through the remainder of fiscal 1999. The Company's cash requirements in the future may also be financed through additional equity or debt financings. There can be no assurance that such financings can be obtained on favorable terms, if at all.

Management's Assessment of the Year 2000

The year 2000 ("Y2K") problem refers to the inability of software to process date information later than December 31, 1999. Date codes in many software programs are abbreviated to allow only two digits for the year. Software with date-sensitive functions that is not year 2000 compliant may not be able to distinguish whether "00" means 1900 or 2000. When that happens, some software will not work at all and other software will suffer critical calculation and other processing errors. Hardware and other products with embedded chips may also experience problems.

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

The current releases of the Company's ANSYS and DesignSpace products are Y2K Compliant, as defined below. Management believes that substantially all of its 1998 and 1999 license and service revenue has been derived from the sale of Y2K Compliant products and services. The Company defines "Y2K Compliant" as the ability to meet the British Standards Institution DISC PD 2000-1: Year 2000 conformity requirements. This definition provides that Year 2000 conformity shall mean that neither performance nor functionality is affected by dates prior to, during or after the year 2000.

The Company began shipping Y2K Compliant ANSYS products beginning in 1997 with Release 5.4. The Company believes that versions of the ANSYS products shipped between 1993 and 1996 should function after December 31, 1999. However, the Company cannot make a definitive statement regarding these products because they have

not been tested for Y2K compliance on all platforms or on all versions of operating systems. Consequently, the Company has advised its customers who may still be using these older versions to (a) upgrade to later releases of the Company's software, and (b) verify that their platforms and operating systems support the transition to the year 2000. ANSYS products shipped prior to 1993 will not function after December 31, 1999 and the Company has continually advised its customers to upgrade such products to newer versions.

The Company began shipping Y2K Compliant DesignSpace products beginning in 1996 with release 2.0, with the exception that the report generator utility contained in the DesignSpace product may or may not be Y2K Compliant. The report generator extensively utilizes many Microsoft components whose Y2K compliance has not yet been determined; consequently, the DesignSpace report generator utility may or may not be Y2K Compliant.

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

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

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

[Graph of Compliance Status Established]

A bar chart entitled 'Compliance Status Established' at the bottom of page 15 of the 10-Q shows that at 6/30/99 and by 9/30/99 and 12/31/99 (shown below each bar) the Company has determined compliance status to be 100% for all periods.

[Graph of Remediation Complete]

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

[Graph of Final Certification Testing Complete]

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

Cost of Year 2000 Compliance Efforts. The Company has funded its Y2K Plan from operating cash flows and has not separately accounted for related costs in the past, partly because the responsibilities and costs are distributed throughout the organization and represent a small percentage of total operating costs. The Company's current estimate of total costs to the Company for achieving Y2K compliance is approximately $500,000 over three years (1997 - 2000), with about ninety percent of

those costs estimated to already have been incurred. Implementing the Y2K Plan has caused some delays in other planned IT initiatives; however, these delays have not had a material effect on the Company's operations. There can be no assurance, however, that there will not be a delay in the completion of the Y2K Plan. Such a delay could have a material adverse effect on future results of operations. The Company may experience unforeseen problems and costs related to Y2K compliance that could materially adversely affect the Company's business, results of operations and financial condition.

Risks and Contingencies. During the 1999 second quarter, the Company finalized a comprehensive Y2K contingency plan to address situations that may result if the Company is unable to achieve Y2K readiness of its critical systems.

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

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

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

The statements in the previous section include "Year 2000 Readiness Disclosures" within the meaning of the Year 2000 Information and Readiness Disclosure Act of 1998.

Conversion to the Euro

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

The Company is currently in the early stages of identifying and addressing issues that may result from the euro conversion such as changes to information systems to accommodate euro-denominated

transactions, long-term competitive implications and the exposure to market risk with respect to financial instruments. Although the Company's assessment of the impact of the euro conversion is not yet complete, it does not currently believe that the conversion will have a material adverse impact on the Company's financial position or results of operations.

Recently Issued Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," which defines derivatives, requires that all derivatives be carried at fair value and provides for hedge accounting when certain conditions are met. The Standard was effective for all fiscal quarters of fiscal years beginning after June 15, 1999. Recently, the FASB delayed the effective date of this Statement for one year through the issuance of Statement No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of SFAS No. 133 and an Amendment of SFAS No. 133." The Company is currently in the process of evaluating the prospective impact of Statement No. 133 on its financial position and results of operations.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 2. Changes in Securities

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

Month/Year	Number of Shares	Number of Employees	Aggregate Exercise Price
April 1999	10,500	2	$4,637.50
May 1999	85,832	3	$203,184.30
June 1999	5,312	2	$2,835.30

Item 3. Defaults upon Senior Securities

Not Applicable.

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

At the Annual Meeting of Stockholders of the Company held on May 5, 1999, the stockholders of the Company elected John F. Smith as a Class III Director of the Company to hold office until the 2002 Annual Meeting of Stockholders and until such Director's successor is duly elected and qualified. The votes were as follows:

Votes For:	15,068,776
Votes Withheld:	377,729

Item 5. Other information

Not Applicable.

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

(a) Exhibits.

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

(b) Reports on Form 8-K.

Not Applicable.

SIGNATURES

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

ANSYS, Inc.

Date: August 9, 1999 By: /s/ Peter J. Smith
Peter J. Smith
Chairman and Chief
Executive Officer

Date: August 9, 1999 By: /s/ Maria T. Shields
Maria T. Shields
Chief Financial Officer

Item 6.

EXHIBIT INDEX

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

EXHIBIT 15

July 20, 1999

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

RE: ANSYS, Inc. and Subsidiaries

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

Ladies & Gentlemen:

We are aware that our report dated July 20, 1999 on our review of the interim financial information of ANSYS, Inc. and Subsidiaries for the three-month and six-month periods ended June 30, 1999 is incorporated by reference in the registration statement referred to above. Pursuant to Rule 436(c) under the Securities Act of 1933, this report should not be considered a part of the registration statement prepared or certified by us within the meaning of Sections 7 and 11 of that Act.

Very truly yours,

/s/ PricewaterhouseCoopers LLP
- -----------------------------

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6-MOS
DEC-31-1999
JAN-01-1999
JUN-30-1999
17,668
33,722
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19,531
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9,609
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0
0
0
7,260
.45
.43

EXHIBIT 99 Certain Factors Regarding Future Results

Information provided by the Company or its spokespersons may from time to time contain forward-looking statements concerning projected financial performance, market and industry segment growth, product development and commercialization or other aspects of future operations. Such statements will be based on the assumptions and expectations of the Company's management at the time such statements are made. The Company cautions investors that its performance (and, therefore, any forward-looking statement) is subject to risks and uncertainties. Various important factors, including but not limited to the following, may cause the Company's future results to differ materially from those projected in any forward-looking statement.

Potential Fluctuations in Operating Results. The Company may experience significant fluctuations in future quarterly operating results. Fluctuations may be caused by many factors, including the timing of new product releases or product enhancements by the Company or its competitors; the size and timing of individual orders, including a fluctuation in the demand for and the ability to complete large contracts; software errors or other product quality problems; competition and pricing; customer order deferrals in anticipation of new products or product enhancements; reduction in demand for the Company's products; changes in operating expenses; changes in the mix of software license and maintenance and service revenue; personnel changes; and general economic conditions. A substantial portion of the Company's operating expenses is related to personnel, facilities and marketing programs. The level of personnel and related expenses cannot be adjusted quickly and is based, in significant part, on the Company's expectation for future revenue. The Company does not typically experience significant order backlog. Further, the Company has often recognized a substantial portion of its revenue in the last month of a quarter, with this revenue frequently concentrated in the last weeks or days of a quarter. During certain quarterly periods, the Company has been dependent upon receiving large orders of perpetual licenses involving the payment of a single up-front fee, which could increase the volatility of the Company's revenue 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 revenue in any quarter is substantially dependent on sales completed in the latter part of that quarter, and revenue for any future quarter is not predictable with any significant degree of accuracy.

Stock Market and Stock Price Volatility. Market prices for securities of software companies have generally been volatile. In particular, the market price of the Company's common stock has been and may continue to be subject to significant fluctuations as a result of factors affecting the Company, the software industry or the securities markets in general. Such factors include, but are not limited to, declines in trading price that may be triggered by the Company's failure to meet the expectations of securities analysts and investors. The Company cannot provide assurance that in such circumstances the trading price of the Company's common stock will recover or that it will not experience a further decline. Moreover, the trading price could be

subject to additional fluctuations in response to quarter-to-quarter variations in the Company's operating results, material announcements made by the Company or its competitors, conditions in the software industry generally, or other events and factors, many of which are beyond the Company's control.

In addition, a large percentage of the Company's common stock is held by 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 quickly to industry changes, its business, financial condition and results of operations could be materially adversely affected. The introduction and marketing of new or enhanced products require the Company to manage the transition from existing products in order to minimize disruption in customer purchasing patterns. There can be no assurance that the Company will be successful in developing and marketing, on a timely basis, new products or product enhancements, that its new products will adequately address the changing needs of the marketplace, or that it will successfully manage the transition from existing products. Software products as complex as those offered by the Company may contain undetected errors or failures when first introduced or as new versions are released, and the likelihood of errors is increased as a result of the Company's commitment to accelerating the frequency of its product releases. There can be no assurance that errors will not be found in new or enhanced products after commencement of commercial shipments. Any of these problems may result in the loss of or delay in market acceptance, diversion of development resources, damage to the Company's reputation, or increased service or warranty costs, any of which could have a materially adverse effect upon the Company's business, financial condition and results of operations.

Dependence on Distributors. The Company distributes its products principally through its global network of 35 independent, regional ASDs. The ASDs sell ANSYS and DesignSpace products to new and existing customers, expand installations within their existing customer base, offer consulting services and provide the first line of ANSYS technical support. The ASDs have more immediate contact with most customers who use ANSYS software than does the Company. Consequently, the Company is highly dependent on the efforts of the ASDs. Difficulties in ongoing relationships with ASDs, such as delays in collecting accounts receivable, failure to meet performance criteria or to promote the Company's products as aggressively as the Company expects, and differences in the handling of customer relationships could adversely affect the Company's performance. Additionally, the loss of any major ASD for any reason, including an ASD's decision to sell competing products rather than the Company's products, could have a materially adverse effect on the Company. Moreover, the Company's future success will depend substantially on the ability and willingness of its ASDs to continue to dedicate the resources necessary to promote the Company's

products and to support a larger installed base of the Company's products. If the ASDs are unable or unwilling to do so, the Company may be unable to sustain revenue growth.

Competition. The CAD, CAE and computer-aided manufacturing ("CAM") markets are intensely competitive. In the traditional CAE market, the Company's primary competitors include MacNeal-Schwendler Corporation and Hibbitt, Karlsson and Sorenson, Inc. The Company also faces competition from smaller vendors of specialized analysis applications in fields such as computational fluid dynamics. In addition, certain integrated CAD suppliers such as Parametric Technology Corporation, Structural Dynamics Research Corporation and Dassault Systemes provide varying levels of design analysis and optimization and verification capabilities as part of their product offerings. The entrance of new competitors would likely intensify competition in all or a portion of the overall CAD, CAE and CAM markets. Some of the Company's current and possible future competitors have greater financial, technical, marketing and other resources than the Company, and some have well established relationships with current and potential customers of the Company. It is also possible that alliances among competitors may emerge and rapidly acquire significant market share or that competition will increase as a result of software industry consolidation. Increased competition may result in price reductions, reduced profitability and loss of market share, any of which would materially adversely affect the Company's business, financial condition and results of operations.

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

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

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

Dependence on Proprietary Technology. The Company's success is highly dependent upon its proprietary technology. The Company does not have patents on any of its technology and relies on contracts and the laws of copyright and trade secrets to protect its technology. Although the Company maintains a trade secrets program, enters into confidentiality agreements with its employees and distributors and

limits access to and distribution of its software, documentation and other proprietary information, there can be no assurance that the steps taken by the Company to protect its proprietary technology will be adequate to prevent misappropriation of its technology by third parties, or that third parties will not be able to develop similar technology independently. Although the Company is not aware that any of its technology infringes upon the rights of third parties, there can be no assurance that other parties will not assert technology infringement claims against the Company, or that, if asserted, such claims will not prevail.

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

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

General Contingencies. The Company is subject to various investigations, claims and legal proceedings from time to time that arise in the ordinary course of its business activities. These proceedings include a current Internal Revenue Service examination of the Federal income tax return for the fiscal year ended December 31, 1996, as well as certain state income tax and sales and use tax examinations. Each of these matters is subject to various uncertainties, and it is possible that some of these matters may be resolved unfavorably to the Company.

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

customers or suppliers experience unanticipated delays or expenses, this could cause the actual outcome to differ materially from the projected results.