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, 1996

[ ] 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)

412-746-3304
(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 21, 1997 as reported on the Nasdaq National Market, was approximately $49,367,664. 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 21, 1997 was 16,183,744 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to Stockholders for the fiscal year ended December 31, 1996 are incorporated by reference into Parts I, II and IV. Portions of the Proxy Statement for the Registrant's 1997 Annual Meeting of Stockholders to be held on May 7, 1997 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 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 recent securities legislation, 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 14 through 19 of the Company's 1996 Annual Report to Stockholders.

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, ranging from basic consumer goods to satellite tracking systems. The ANSYS product family features open, flexible architecture that permits easy integration into its customers' enterprise-wide engineering systems and facilitates effective implementation of process-centric engineering.

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 long-standing 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 AutoFEA(TM), a computer-aided design ("CAD")-integrated design optimization product 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 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 70 offices in 28 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 1996, the Company achieved the following with respect to major product development activities and releases:

- The release of ANSYS 5.3, a new version of the Company's flagship multiphysics product, and all component products. Major enhancements in this release included two new solvers, improved meshing facilities, explicit dynamics solution capability and enhanced graphics and animation functions.

- 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 the commercial versions of AutoFEA(TM) 3D and AutoFEA(TM) 3D 2.0. These products are based on ANSYS DesignSpace(TM), a C++ object-oriented product development environment evolved from existing ANSYS technology. The product is integrated into Autodesk's Mechanical Desktop(TM) for quick accessibility and engineering flexibility 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 $9.8 million, $8.3 million and $6.8 million in 1996, 1995 and 1994, or 20.8%, 21.0% and 20.6% of total revenue, respectively. As of December 31, 1996, the Company's product development staff consisted of 103 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 1996, 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. During 1996, the ISO certification was also 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, developed over the last decade, provides the Company with a cost-effective, highly specialized channel of distribution and technical support. Approximately 96% of the Company's revenue in 1996 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, 1996, the ASD network consists of 36 distributors in 70 locations in 28 countries, including 15 in North America, nine in Europe, eleven in the Asia Pacific Region and one in Brazil. The ASDs sell ANSYS 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 structure 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, 1996, the Company's sales management organization consisted of a North American Vice President of Sales, supported by four Regional Sales Directors and two Major Account Representatives, and an International Vice President of Sales, supported by a European Managing Director and three Regional Sales Directors.

During 1996, the Company continued its efforts to expand the dealer channel for its CAD integrated products because these products are sold primarily to design engineers rather than engineering analysts. This dealer channel compliments the ASD network by establishing a broader user base for its CAD integrated products. As of December 31, 1996, the Company had signed agreements with 80 dealers. All dealers are required to meet the Company's standards for sales and customer support by ensuring they have trained appropriate marketing and technical personnel.

The Company's products have an estimated installed base of 36,000 seats at commercial sites and approximately 69,000 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 7.8% of the Company's revenue in fiscal 1996.

Information with respect to foreign and domestic revenues may be found in Note 17 to the Consolidated Financial Statements of the Annual Report to Stockholders for the year ended December 31. 1996 ("1996 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.

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, which was released in the second half of 1996.

The Company has technical and marketing relationships with leading CAD vendors, such as Parametric Technology, Autodesk, Computervision, Intergraph, EDS/Unigraphics, SolidWorks and Dassault Systeme, 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, Silicon Graphics/Cray, Sun Microsystems, Intergraph, Digital, 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 to 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 client obtains a site license for the client's 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 AutoFEA(TM) 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, 1996, the Company had 215 full time employees. At that date, there were also approximately 20 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 1996.

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 34 and the section captioned "Corporate Information" appearing in the Company's 1996 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 1996 Annual Report to Stockholders.

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

The information required by Item is incorporated by reference to pages 14 through 19 of the Company's 1996 Annual Report to Stockholders.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is incorporated by reference to pages 20 through 33 of the Company's 1996 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 1997 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 1997 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 1997 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 1997 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 20 through 33 of the Registrant's 1996 Annual Report to Stockholders:

   - Report of Coopers & Lybrand L.L.P., Independent Accountants
   - Consolidated Balance Sheets as of December 31, 1996 and 1995
   - Consolidated Statements of Operations for the years ended December 31, 1996, 1995 and for the period from March 14, 1994 through December 31, 1994
   - Consolidated Statements of Cash Flows for the years ended December 31, 1996, 1995 and for the period from March 14, 1994 through December 31, 1994
   - Consolidated Statements of Stockholders' Equity for the years ended December 31, 1996, 1995 and for the period from March 14, 1994 through December 31, 1994
   - 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 pages 10 and 11 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 26, 1997 By: /S/ Peter J. Smith

Peter J. Smith
Chairman, President and Chief Executive Officer

Date: March 26, 1997 By: /S/ John M. Sherbin II

John M. Sherbin II
Chief Financial Officer, 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 26, 1997
/S/ John M. Sherbin II John M. Sherbin II	Chief Financial Officer, Vice President, Finance and Administration; Secretary (Principal Financial Officer and Accounting Officer)	March 26, 1997
/S/ Dr. John A. Swanson Dr. John A. Swanson	Chief Technologist and Director	March 26, 1997
/S/ Jacqueline C. Morby Jacqueline C. Morby	Director	March 26, 1997
/S/ Roger B. Kafker Roger B. Kafker	Director	March 26, 1997
/S/ Gary B. Eichhorn Gary B. Eichhorn	Director	March 26, 1997
/S/ Roger J. Heinen, Jr. Roger J. Heinen, Jr.	Director	March 26, 1997
/S/ John F. Smith John F. Smith	Director	March 26, 1997

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 (filed as Exhibit 10.15 to the Company's Registration Statement on Form S-1 (File No. 333-4278) and incorporated herein by reference). *
10.15	Incentive Option Agreement between the Registrant and Peter J. Smith dated February 29, 1996 (filed as Exhibit 10.16 to the Company's Registration Statement on Form S-1 (File No. 333-4278) and incorporated herein by reference). *
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 new 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, 1996 (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.
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, 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
Period ended December 31, 1994 Allowance for doubtful accounts	$750,000	$ -0-	$100,000	$650,000

EXHIBIT 13.1

1996 ANNUAL REPORT TO STOCKHOLDERS

FINANCIAL Highlights

(in thousands, except per share data)	The Company 1996	The Company 1995	Pro Forma Combined/(1)/ 1994	Predecessor Company 1993	Predecessor Company 1992
	Year Ended December 31,				
Revenue	$47,066	$ 39,616	$32,823	$31,604	$30,458
Operating income	3,674	1,360	2,307	7,648	9,703
Net income (loss)	1,304	(1,580)	257	8,120	10,472
Net income (loss) per share after extraordinary item	.07	(.17)	--	--	--
Weighted average number of common and common equivalent shares outstanding	15,087	12,262	--	--	--
Total assets	$43,431	$ 42,921	$44,669	$26,205	$32,719
Working capital	14,691	3,196	1,822	16,135	13,999
Long-term obligations	--	33,204	37,696	3,401	2,694
Redeemable preferred stock	--	4,892	4,447	--	--
Stockholders' equity	32,974	(10,028)	(7,985)	19,515	25,919

/(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 between the years presented.

[GRAPH]

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 1992, 1993, 1994, 1995 and 1996 (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.

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 ANSYS/AutoFEA(TM) product through its global network of ASDs as well as a network of independent distributors and dealers (value-added resellers or "VARs") who support sales of ANSYS/AutoFEA(TM) to end users throughout the world. The following discussion should be read in conjunction with the audited consolidated financial statements and notes thereto included elsewhere in this report.

On March 14, 1994, the Company acquired substantially all of the assets of Swanson Analysis Systems, Inc. ("Swanson Analysis") for approximately $48.0 million in cash (the "1994 Acquisition"). The 1994 Acquisition was funded through the incurrence of $28.0 million of senior secured indebtedness (the "1994 Loan") and $15.0 million of Subordinated Notes (the "Subordinated Notes") and the issuance of $4.0 million of 10% Redeemable Preferred Stock (the "Redeemable Preferred Stock") and approximately $1.0 million of Common Stock. The indebtedness and preferred stock issued to finance the 1994 Acquisition were repaid and redeemed with a portion of the net proceeds from the Company's initial public offering, which was effective June 20, 1996.

For purposes of the following discussions and analysis, the results of operations of Swanson Analysis 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 between the results for 1996, 1995 and 1994.

(in thousands)	The Company 1996	The Company 1995	Pro Forma Combined 1994
	Year Ended December 31,		
Revenue:			
Software licenses	$37,013	$32,604	$28,294
Maintenance and service	10,053	7,012	4,529
Total revenue	47,066	39,616	32,823
Cost of sales:			
Software licenses	3,051	3,331	3,795
Maintenance and service	2,337	1,572	893
Total cost of sales	5,388	4,903	4,688
Gross profit	41,678	34,713	28,135
Operating expenses:			
Selling and marketing	9,722	7,526	4,509
Research and development	9,796	8,329	6,759
Amortization	10,774	10,641	8,720
General and administrative	7,712	6,857	5,840
Total operating expenses	38,004	33,353	25,828
Operating income	3,674	1,360	2,307
Interest expense	(1,669)	(3,983)	(3,153)
Other income	611	250	186
Income (loss) before income taxes	2,616	(2,373)	(660)
Income tax provision (benefit)	969	(793)	(917)
Net income (loss) before extraordinary item	1,647	(1,580)	257
Extraordinary item, net	(343)	--	--
Net income (loss)	$ 1,304	$(1,580)	$ 257

Results of Operations

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 believes that large contracts of this type may reflect an increasing demand for enterprise-wide software solutions from certain of the Company's customers, which, if continued, may increase the volatility of the Company's revenues and profit from period to period. The Company also experienced a 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(TM) product, costs associated with quality assurance and additional depreciation expense related to equipment purchases made to implement and enhance a multi-platform development environment.

Amortization. Amortization expense was $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 are being amortized from the date of the 1994 Acquisition, March 14, 1994. The unamortized portion of the goodwill and capitalized software acquired in connection with the 1994 Acquisition will be fully amortized in the first quarter of 1997.

General and Administrative. General and administrative expenses increased 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 is 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 1994 Loan and the Subordinated Notes with the net proceeds from the 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 of approximately 39.0% due primarily to the utilization of research and experimentation credits.

Net Income (Loss). The Company's net income before extraordinary item in 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. Net income per share increased to $.07 in 1996 as compared to a net loss per share of ($.17) in 1995. The increase in net income per share is attributable to the increase in net income, as well as the elimination of the preferred stock dividends due to the redemption of the Redeemable Preferred Stock, which occurred at the time of the Company's initial public offering in June 1996. The weighted average common and common equivalent shares used in computing per common shares amounts have increased to 15,087,000 in 1996 from 12,262,000 in 1995, primarily as a result of the initial public offering.

Year Ended December 31, 1995 Compared to Pro Forma Combined Year Ended December 31, 1994

Revenue. The Company's revenue increased 20.7% for 1995 to $39.6 million from $32.8 million for 1994. This increase was attributable principally to increased domestic and international sales of paid-up licenses, offset partially by lower sales of lease licenses, and to increased maintenance and service revenue. These increases resulted primarily from the Company's increased marketing emphasis, market acceptance of new product releases and related 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 15.2% for 1995 to $32.6 million from $28.3 million for 1994. Revenue from sales of paid-up licenses increased 52.6% for 1995 to $14.5 million from $9.5 million for 1994, while lease license revenue declined 3.7% for 1995 to $18.1 million from $18.8 million for 1994. A portion of the growth in revenue from paid-up licenses was due to a reduction in the warranty period, effective in the second half of 1995. This reduction in the warranty period resulted in a lesser amount of the initial paid-up license fees being deferred to future periods. Maintenance and service revenue increased 54.8% for 1995 to $7.0 million from $4.5 million for 1994, 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. A substantial portion of this increase was due to increased maintenance revenue.

Of the Company's total revenue for 1995, approximately 47.3% and 52.7%, respectively, were attributable to domestic and international sales, as compared to 47.2% and 52.8%, respectively, for 1994.

Cost of Sales and Gross Profit. The Company's total cost of sales increased 4.6% for 1995 to $4.9 million, or 12.4% of total revenue, from $4.7 million, or 14.3% of total revenue, for 1994. The Company's cost of sales for software license revenue decreased 12.2% for 1995 to $3.3 million, or 10.2% of software license revenue, from $3.8 million, or 13.4% of software license revenue, for 1994. This decrease was primarily due to a reduction in expenses through lower headcount and cost controls and implementation of a more efficient multi-platform development environment for the Company's product releases. The Company's cost of sales for maintenance and service revenue increased 76.0% for 1995 to $1.6 million, or 22.4% of maintenance and service revenue, from $893,000, or 19.7% of maintenance and service revenue, for 1994. This increase resulted primarily from increased staffing to support anticipated demand for customer services.

As a result of the foregoing, the Company's gross profit increased 23.4% to $34.7 million for 1995 from $28.1 million for 1994.

Selling and Marketing. Selling and marketing expenses increased 66.9% for 1995 to $7.5 million, or 19.0% of total revenue, from $4.5 million, or 13.7% of total revenue, for 1994. The increase in selling and marketing expenses resulted primarily from increased personnel costs, including costs associated with increased headcount and compensation expenses related to the establishment of a sales force to support the Company's distribution network, as well as increased commissions associated with increased revenue.

Research and Development. Research and development expenses increased 23.2% for 1995 to $8.3 million, or 21.0% of total revenue, from $6.8 million, or 20.6% of total revenue, for 1994. This increase resulted primarily from employment of additional staff and independent contractors to develop and enhance the Company's products, including a dedicated team working on the development of the Company's DesignSpace(TM) product, costs associated with quality assurance and equipment costs to implement an enhanced multi-platform development environment.

Amortization. Amortization expense was $10.6 million for 1995 and $8.7 million for 1994. This amortization expense resulted from the 1994 Acquisition and relates primarily to intangible assets, including goodwill, which are being amortized from the date of the 1994 Acquisition, March 14, 1994. The unamortized portion of the goodwill and capitalized software acquired in connection with the 1994 Acquisition will be fully amortized in the first quarter of 1997.

General and Administrative. General and administrative expenses increased 17.4% for 1995 to $6.9 million, or 17.3% of total revenue, from $5.8 million, or 17.8% of total revenue, for 1994. This increase resulted primarily from the employment of additional staff as well as an increase in accounting and legal expenses in support of the Company's increased level of operations. The Company has maintained a relatively stable headcount while adding administrative support services, such as computerized order fulfillment and corporate-wide information technology systems, to support its future operations.

Interest. Interest expense increased 26.3% for 1995 to $4.0 million from $3.2 million for 1994. This increase resulted from interest on indebtedness incurred to finance the 1994 Acquisition for the full year of 1995 as compared to nine and one-half months in 1994, as well as an increase in the weighted average interest rate to 9.6% for 1995 from 8.4% for 1994.

Income Tax Benefit. The income tax benefit decreased to $793,000 for 1995 from $917,000 for 1994. For the portion of 1994 prior to the 1994 Acquisition, the Company's predecessor was taxed as an S Corporation and as such was not subject to federal or state income taxes. Excluding this period, the effective tax rates were 33.4% for 1995 and 33.9% for 1994. These percentages are less than the federal and state combined statutory rate of approximately 39.0% due primarily to the utilization of research and experimentation credits.

Net Loss. As a result of the foregoing, the Company reported a net loss of $1.6 million in 1995, compared to net income of $257,000 in 1994.

Liquidity and Capital Resources

As of December 31, 1996, the Company had cash and cash equivalents of $17.1 million and working capital of $14.7 million, as compared to cash and cash equivalents of $8.1 million and working capital of $3.2 million at December 31, 1995. The improvement in the working capital position was primarily due to the net proceeds of $41.1 million received from the Company's initial public offering on June 25, 1996. The proceeds from the offering were used to repay the 1994 Loan and the Subordinated Notes, including accrued and unpaid interest, and retire all of the Company's outstanding Redeemable Preferred Stock, including accumulated dividends. Previously, the Company also had available a $1.0 million revolving line of credit with a commercial bank under a credit facilities agreement. During the second quarter of 1996, the Company elected to terminate the line of credit.

The Company's operating activities provided cash of $13.5 million for 1996, $10.8 million for 1995 and $9.1 million for 1994. The increase in cash flow from operations in 1996 as compared to 1995 and 1994 is the result of increased earnings before the effect of depreciation and amortization, as well as improved management of working capital.

Cash used in investing activities was $2.6 million for 1996, $2.0 million for 1995 and $48.2 million for 1994. The Company's use of cash in 1996 and 1995 was substantially related to capital expenditures. The Company's use of cash in 1994 was primarily to fund the 1994 Acquisition and, to a lesser extent for capital expenditures. The Company expects to spend approximately $4.5 million for capital expenditures in 1997, principally for the acquisition of furniture and equipment for the new corporate office facility, as well as 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 used cash of $1.9 million and $5.0 million for 1996 and 1995, respectively, and provided cash of $42.6 million for 1994. Cash provided from financing activities for 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 1994 Loan and Subordinated Notes, payment of related unpaid interest and the redemption of the Redeemable Preferred Stock and accumulated dividends. Cash used for 1995 and 1994 was the result of principal repayments made on the 1994 Loan. Cash provided from financing activities for 1994 was due primarily to bank borrowings and the issuance of debt and equity securities related to the 1994 Acquisition.

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.

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 large contracts; software errors or other product quality problems; competition and pricing; customer order deferrals in anticipation of new products or product enhancements; reduction in demand for the Company's products; changes in operating expenses; mix of software license and maintenance and service revenue; personnel changes and general economic conditions. A substantial portion of the Company's operating expenses is related to personnel, facilities and marketing programs. The level of personnel and personnel expenses cannot be adjusted quickly and is based, in significant part, on the Company's expectation for future revenues. The Company does not typically experience significant order backlog. Further, the Company has often recognized a substantial portion of its revenue in the last month of a quarter, with this revenue frequently concentrated in the last weeks or days of a quarter. 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 institutional investors. Consequently, actions with respect to the Company's common stock by certain of these institutional investors could have a significant impact on the market price for the stock.

Rapidly Changing Technology; New Products; Risk of Product Defects. The markets for the Company's products are generally characterized by rapidly changing technology and frequent new product introductions that can render existing products obsolete or unmarketable. A major factor in the Company's future success will be its ability to anticipate technological changes and to develop and introduce in a timely manner enhancements to its existing products and new products to meet those changes. If the Company is unable to introduce new products and respond to industry changes on a timely basis, its business, financial condition and results of operations could be materially adversely affected. The introduction and marketing of new or enhanced products require the Company to manage the transition from existing products in order to minimize disruption in customer purchasing patterns. There can be no assurance that the Company will be successful in developing and marketing, on a timely basis, new products or product enhancements, that its new products will adequately address the changing needs of the marketplace, or that it will successfully manage the transition from existing products. Software products as complex as those offered by the Company may contain undetected errors or failures when first introduced or as new versions are released, and the likelihood of errors is increased as a result of the Company's commitment to accelerating the frequency of its product releases. There can be no assurance that errors will not be found in new or enhanced products after commencement of commercial shipments. Any of these problems may result in the loss of or delay in market acceptance, diversion of development resources, damage to the Company's reputation, or increased service or warranty costs, any of which could have a materially adverse effect upon the Company's business, financial condition and results of operations.

Dependence on Distributors. The Company distributes its products principally through its global network of 36 independent, regional ASDs. The ASDs sell ANSYS products and other noncompeting products to new and existing customers, expand installations within their existing customer base, offer consulting services and provide the first line of ANSYS technical support. The ASDs have more immediate contact with most customers who use ANSYS software than does the Company. Consequently, the Company is highly dependent on the efforts of the ASDs. Difficulties in ongoing relationships with ASDs, such as delays in collecting accounts receivable, ASDs' failure to meet performance criteria or to promote the Company's products as aggressively as the Company expects, and differences in the handling of customer relationships, could adversely affect the Company's performance. Additionally, the loss of any major ASD for any reason, including an ASD's decision to sell competing products rather than ANSYS products, could have a materially adverse effect on the Company. Moreover, the Company's future success will depend substantially on the ability and willingness of its ASDs to continue to dedicate the resources necessary to promote the Company's products and to support a larger installed base of the Company's products. If the ASDs are unable or unwilling to do so, the Company may be unable to sustain revenue growth.

Competition. The CAD, 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. Recently, the Company has experienced an increase in customer preference for perpetual licenses that involve payment of a single up-front fee and that are more typical in the computer software industry. Although lease license revenue currently represents a significant portion of the Company's software license fee revenue, to the extent that perpetual license revenue increases as a percent of total software license fee revenue, the Company's revenue in any period will increasingly depend on sales completed during that period.

REPORT OF INDEPENDENT ACCOUNTANTS

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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, 1996 and 1995, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years ended December 31, 1996 and 1995 and for the period from March 14, 1994 (date of acquisition) through December 31, 1994. 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, 1996 and 1995, and the consolidated results of their operations and their cash flows for the years ended December 31, 1996 and 1995 and for the period from March 14, 1994 (date of acquisition) through December 31, 1994, in conformity with generally accepted accounting principles.

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

Pittsburgh, Pennsylvania
February 7, 1997

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)	December 31, 1996	December 31, 1995
ASSETS		
Current assets:		
Cash and cash equivalents	$17,069	$ 8,091
Accounts receivable, less allowance for doubtful accounts of $950 in 1996 and $700 in 1995	7,307	7,666
Refundable and prepaid income taxes	--	1,497
Other current assets	350	439
Deferred income taxes	422	356
Total current assets	25,148	18,049
Securities available for sale	673	--
Property and equipment, net	4,334	3,164
Capitalized software costs, net of accumulated amortization of $14,328 in 1996 and $9,179 in 1995	1,174	6,206
Goodwill, net of accumulated amortization of $13,652 in 1996 and $8,762 in 1995	1,019	5,909
Other intangibles, net	1,756	2,807
Deferred income taxes	9,327	6,786
Total assets	$43,431	$ 42,921
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 486	$ 639
Accrued bonuses	2,281	1,952
Other accrued expenses and liabilities	1,701	2,140
Accrued income taxes payable	677	--
Accrued interest payable on subordinated debt	--	1,155
Customer prepayments	1,447	972
Deferred revenue	3,865	2,995
Current portion of long-term debt	--	5,000
Total current liabilities	10,457	14,853
Long-term debt, less current portion including amounts due to related parties of $17,204 in 1995	--	33,204
Total liabilities	10,457	48,057
Redeemable preferred stock, $.01 par value, 800 shares authorized; 412 shares issued and outstanding; at liquidation value, including accrued dividends of $773 in 1995	--	4,892
Stockholders' equity (deficit):		
Preferred stock, $.01 par value; 2,000,000 shares authorized in 1996	--	--
Common stock, $.01 par value; 50,000,000 and 15,000,000 shares authorized in 1996 and 1995; 16,228,985 and 10,626,000 shares issued in 1996 and 1995	162	106
Class A common stock, $.01 par value; nonvoting, 2,000,000 shares authorized; 993,750 shares issued and outstanding in 1995	--	10
Additional paid-in capital	35,755	1,351
Adjustment for predecessor basis	--	(7,010)
Less treasury stock, at cost: 71,600 shares held in 1996 and 54,850 held in 1995	(12)	(10)
Retained earnings (deficit)	(3,073)	(4,141)
Unrealized appreciation in securities available for sale, net	444	--
Notes receivable from stockholders	(302)	(334)
Total stockholders' equity	32,974	(10,028)
Total liabilities, preferred stock and common stockholders' equity	$43,431	$ 42,921

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

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)	1996	1995	Period March 14 to December 31, 1994
Revenue:			
Software licenses	$37,013	$32,604	$22,310
Maintenance and service	10,053	7,012	3,944
Total revenue	47,066	39,616	26,254
Cost of sales:			
Software licenses	3,051	3,331	3,034
Maintenance and service	2,337	1,572	709
Total cost of sales	5,388	4,903	3,743
Gross profit	41,678	34,713	22,511
Operating expenses:			
Selling and marketing	9,722	7,526	3,836
Research and development	9,796	8,329	5,410
Amortization	10,774	10,641	8,420
General and administrative	7,712	6,857	4,606
Total operating expenses	38,004	33,353	22,272
Operating income	3,674	1,360	239
Interest expense	(1,669)	(3,983)	(3,091)
Other income	611	250	146
Income (loss) before income tax provision (benefit) and extraordinary item	2,616	(2,373)	(2,706)
Income tax provision (benefit)	969	(793)	(917)
Net income (loss) before extraordinary item	1,647	(1,580)	(1,789)
Extraordinary item, net	(343)	--	--
Net income (loss)	$ 1,304	$(1,580)	$(1,789)
Net income (loss) applicable to common stock:			
Net income (loss)	$ 1,304	$(1,580)	$(1,789)
Redeemable preferred stock dividends	(236)	(445)	(327)
	$ 1,068	$(2,025)	$(2,116)
Net income (loss) per common share:			
Net income (loss) before extraordinary item	$ .09	$ (.17)	$ (.19)
Extraordinary item	(.02)	--	--
Net income (loss)	$ .07	$ (.17)	$ (.19)
Shares used in computing per common share amounts	15,087	12,262	11,459

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	1996	1995	Period March 14 to December 31, 1994
Cash flows from operating activities:			
Net income (loss)	$ 1,304	$(1,580)	$ (1,789)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	11,911	11,458	8,606
Extraordinary item	553	--	--
Deferred income tax benefit	(2,836)	(2,115)	(1,491)
Provision for bad debts	250	50	150
Unrealized loss on foreign exchange	--	--	5
Change in operating assets and liabilities, net of effects of acquisition:			
Accounts receivable	108	(1,981)	58
Income taxes	2,174	(450)	(920)
Other current assets	89	534	1,109
Accounts payable, accrued expenses and liabilities and customer prepayments	(942)	3,816	523
Deferred revenue	870	1,034	82
Net cash provided by operating activities	13,481	10,766	6,333
Cash flows from investing activities:			
Purchase of Swanson Analysis Systems, Inc., including related acquisition costs of $273, net of cash acquired of $427	--	--	(46,846)
Capital expenditures	(2,544)	(1,937)	(795)
Capitalization of internally developed software costs	(117)	(19)	--
Other assets	--	--	(179)
Notes receivable from stockholders	32	(21)	--
Net cash used in investing activities	(2,629)	(1,977)	(47,820)
Cash flows from financing activities:			
Proceeds from long-term debt	--	--	28,000
Payments on long-term debt	(21,000)	(5,000)	(2,000)
Proceeds from issuance of restricted stock	326	12	112
Proceeds from issuance of preferred and common stock	--	--	5,150
Proceeds from exercise of stock options	119	--	--
Proceeds from issuance of subordinated notes	--	--	15,450
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	--	--
Debt issuance costs	--	--	(925)
Purchase of treasury stock	(2)	(10)	--
Net cash (used in) provided by financing activities	(1,874)	(4,998)	45,787
Net increase in cash and cash equivalents	8,978	3,791	4,300
Cash and cash equivalents, beginning of period	8,091	4,300	--
Cash and cash equivalents, end of period	$ 17,069	$ 8,091	$ 4,300
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	$ 2,848	$ 2,568	$ 1,677
Income taxes	1,636	1,826	1,545
Supplemental noncash investing and financing activities:			
Deferred interest notes issued for interest in arrears on subordinated notes	--	508	1,246
Restricted stock purchased with notes to stockholders	--	--	314
Increase in securities available for sale	673	--	--

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands)	Common Stock Shares	Common Stock Amount	Class A Common Stock Shares	Class A Common Stock Amount	Additional Paid-In Capital
Balance, March 14, 1994	--				
Initial company capitalization	10,000	$100	--	--	$ 900
Adjustment for predecessor basis	--	--	--	--	--
Issuance of Class A common stock	--	--	300	$ 3	27
Issuance of restricted stock	626	6	664	7	413
Dividends accrued on redeemable preferred stock	--	--	--	--	--
Loans to facilitate purchase of restricted stock	--	--	--	--	--
Net loss for the period	--	--	--	--	--
Balance, December 31, 1994	10,626	106	964	10	1,340
Treasury stock acquired	--	--	--	--	--
Issuance of Class A common stock	--	--	30	--	11
Dividends accrued on redeemable preferred stock	--	--	--	--	--
Loans to facilitate purchase of restricted stock	--	--	--	--	--
Net loss for the period	--	--	--	--	--
Balance, December 31, 1995	10,626	106	994	10	1,351
Treasury stock acquired	--	--	--	--	--
Issuance of restricted stock	136	1	--	--	325
Conversion of Class A shares into common stock	994	10	(994)	(10)	--
Issuance of common stock	3,500	35	--	--	40,980
Reinstatement of adjustment for predecessor basis	--	--	--	--	(7,010)
Unrealized appreciation in securities, net	--	--	--	--	--
Exercise of stock options	973	10	--	--	109
Dividends accrued on redeemable preferred stock	--	--	--	--	--
Repayment of notes receivable from stockholder	--	--	--	--	--
Net income for the period	--	--	--	--	--
Balance, December 31, 1996	16,229	$162	--	$--	$35,755

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

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
--	--	--	--	--	--	--
--	--	--	--	--	--	$ 1,000
$(7,010)	--	--	--	--	--	(7,010)
--	--	--	--	--	--	30
--	--	--	--	--	--	426
--	--	--	$ (327)	--	--	(327)
--	--	--	--	--	$(314)	(314)
--	--	--	(1,789)	--	--	(1,789)
(7,010)	--	--	(2,116)	--	(314)	(7,984)
--	55	$(10)	--	--	--	(10)
--	--	--	--	--	--	11
--	--	--	(445)	--	--	(445)
--	--	--	--	--	(20)	(20)
--	--	--	(1,580)	--	--	(1,580)
(7,010)	55	(10)	(4,141)	--	(334)	(10,028)
--	17	(2)	--	--	--	(2)
--	--	--	--	--	--	326
--	--	--	--	--	--	--
--	--	--	--	--	--	41,015
7,010	--	--	--	--	--	--
--	--	--	--	$444	--	444
--	--	--	--	--	--	119
--	--	--	(236)	--	--	(236)
--	--	--	--	--	32	32
--	--	--	1,304	--	--	1,304
$ --	72	$(12)	$(3,073)	$444	$(302)	$ 32,974

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

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.

The accompanying financial statements present the Company's consolidated operations and cash flows from the acquisition date of March 14, 1994 through December 31, 1994 and for the years ended December 31, 1995 and 1996.

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. and ASN Systems Limited. 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 as maintenance revenue ratably over the remaining lease period. Revenue for monthly lease licenses is recognized monthly as earned because the lease license agreements can be canceled by the customers with 30 days' notice. The portion of the perpetual license and annual lease fees associated with providing the initial warranty is unbundled from the fee and deferred and recognized ratably over the warranty period. Maintenance billed separately is recognized ratably over the term of the agreement. Costs related to maintenance obligations are expensed as incurred.

Revenue from training, support and other services is recognized as the services are performed.

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.

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 which includes the allocated purchase price for the acquisition. Depreciation is computed by the straight-line method over the estimated useful lives of the various classes of assets, which range from three 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: (1) the ratio of the current year's gross revenue to the total current and anticipated future gross revenue for that product or (2) 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 a noncompete agreement, 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 is being amortized over three years, based on whether the goodwill is recoverable from expected future undiscounted operating cash flows of the related business. 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 (See Note 6). Debt issuance costs have been included in other intangibles on the consolidated balance sheets. As a result of the early repayment of the 1994 Loan with a portion of the net proceeds from its IPO, the Company has written-off the unamortized balance of the debt issuance cost, which has been 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 ASDs' financial condition and generally does not require collateral.

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. Sales by distributors comprised approximately 97% of the Company's total revenues for the period March 14, 1994 through December 31, 1994, with two distributors accounting for 18% 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 the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the amounts of revenues and expenses during the reporting periods. Actual results could differ from the estimates.

Net Income (Loss) Per Share:

Net income (loss) per share is computed using the weighted average number of common and common equivalent shares outstanding during each period. Common equivalent shares are not included in the per share calculations where their inclusion would be antidilutive, except that, in accordance with certain Securities and Exchange Commission (SEC) Staff Accounting Bulletins, common and common equivalent shares issued within 12 months of the 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). Primary and fully diluted net income (loss) per share are the same for all periods presented.

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, 1996	December 31, 1995
Equipment	$ 3,307	$1,721
Computer software	1,920	1,557
Furniture	527	266
Leasehold improvements	828	530
	6,582	4,074
Less: accumulated depreciation and amortization	(2,248)	(910)
	$ 4,334	$3,164

Depreciation expense was approximately $1,137,000 for the year ended December 31, 1996, $877,000 for the year ended December 31, 1995 and $186,000 for the period March 14, 1994 through December 31, 1994.

During January 1996, the Company approved plans to move into new corporate office facilities on or about February 20, 1997 (See Note 14). Accordingly, the Company reduced the estimated useful life of the leasehold improvements maintained on its existing facilities through the anticipated move date. This resulted in an increase in depreciation expense of $162,000 for the year ended December 31, 1996 and $108,000 for the year ended December 31, 1995.

4. Other Intangible Assets:

The components of other intangible assets were as follows:

(in thousands)	Estimated Useful Lives	December 31, 1996	December 31, 1995
Trade names	10	$ 1,824	$ 1,824
Noncompete agreement	5	1,000	1,000
Debt issuance costs	5	--	925
Other	3	--	179
		2,824	3,928
Less: accumulated amortization		(1,068)	(1,121)
		$ 1,756	$ 2,807

5. Securities Available for Sale:

Securities available for sale consisted of the following at December 31, 1996:

(in thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Gross Estimated Fair Value
Long-term:				
Marketable equity securities	$ --	$ 915	$ 242	$ 673
	$ --	$ 915	$ 242	$ 673

The marketable equity securities are subject to a one year lockup agreement, which restricts the sales of any of the securities through August 29, 1997.

6. Long-Term Debt:

Long-term debt consisted of the following at December 31, 1995:

(in thousands)	
Senior term loan	$21,000
Subordinated notes	15,450
Deferred interest notes	1,754
	38,204
Less: current portion	(5,000)
Long-term debt	$33,204

As described in Note 1, in connection with the Company's IPO, a portion of the net proceeds were used to repay all of the outstanding principal of the senior secured and subordinated indebtedness, as well as all accrued and unpaid interest.

7. Income Taxes:

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

(in thousands)	Year Ended December 31, 1996	Year Ended December 31, 1995	Period Ended December 31, 1994
Current:			
Federal	$ 2,886	$ 680	$ 86
State	244	5	--
Foreign	675	637	488
Deferred:			
Federal	(2,836)	(2,115)	(1,491)
Total	$ 969	$ (793)	$ (917)

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

	Year Ended December 31, 1996	Year Ended December 31, 1995	Period Ended December 31, 1994
Federal statutory tax rate	34.0%	34.0%	34.0%
State income taxes, net of federal benefit	6.1	0.5	--
Research and experimentation credit	(3.1)	(1.1)	(0.1)
	37.0%	33.4%	33.9%

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

(in thousands)	December 31, 1996	December 31, 1995
Deferred tax assets:		
Goodwill	$ 4,148	$ 2,854
Capitalized software	5,172	3,884
Other intangible assets	370	320
Allowance for doubtful accounts	323	238
Accrued expenses and liabilities	234	118
	10,247	7,414

Deferred tax liability:		
Property and equipment	189	202
Other	309	70
	498	272
Net deferred tax asset	$ 9,749	$7,142

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.

8. Redeemable Preferred Stock:

As described in Note 1, in connection with the Company's IPO, a portion of the IPO proceeds were used for the full redemption and cancellation of the 412 shares of issued and outstanding redeemable preferred stock, at a liquidation value of $10,000 per share, plus accrued and unpaid dividends, which totaled approximately $1,000,000 at the time of the offering.

9. 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.

Certain holders of the Company's common stock have entered into transfer restrictions with the Company. Among other provisions, the agreements restrict the transfer of common stock and allow for repurchase of unvested shares by the Company at the original purchase price, in the event that the restricted shares are offered for sale or upon cessation of employment of the holder with the Company.

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, 1996, there were no shares of preferred stock issued or outstanding.

10. Pension and Profit-Sharing Plans:

The Company maintains both a money purchase pension plan and a profit-sharing plan for all qualifying full-time employees. The plans are noncontributory. The pension plan requires the Company to contribute 20% of each participant's compensation annually while the profit-sharing contribution is determined annually by the Board of Directors, subject to a maximum limitation of 5% of eligible compensation.

Pension expense was $1,563,000 for the year ended December 31, 1996, $1,500,000 for the year ended December 31, 1995 and $1,318,000 for the period March 14, 1994 through December 31, 1994. Additionally, profit-sharing expense was $319,000 for the year ended December 31, 1996, $346,000 for the year ended December 31, 1995 and $322,000 for the period March 14, 1994 through December 31, 1994.

11. Noncompete and Employment Agreements:

The Company has entered into noncompete 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.

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.

12. Stock Option and Grant Plans:

The Company has two stock option and grant plans u 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 as described below 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 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.

During 1994, the Company issued 1,289,750 shares of restricted common stock to certain officers, employees and a member 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. In addition, 135,860 shares of restricted stock provide for accelerated vesting in the event of a sale of the Company or the attainment of specified valuations for the Company's common stock. Upon termination of employment, the Company repurchased 16,750 and 54,850 shares of restricted stock from employees in 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 March 14, 1994 (date of acquisition)	--	--	--	--
Issued/granted	1,290	$.01-.40	960	$ .11
Exercised	--	--	--	--
Repurchased/canceled	--	--	--	--
Outstanding at December 31, 1994	1,290	.01-.40	960	.11
Issued/granted	30	.40	315	.40
Exercised	--	--	--	--
Repurchased/canceled	(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/canceled	(17)	.10	(16)	.40-10.00
Outstanding at December 31,1996	2,344	$.01-2.40	839	$ .11-11.00
Exercisable at:				
December 31, 1994	219		--	
December 31, 1995	471		--	
December 31, 1996	721		91	

(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.

1996 Stock Option and Grant Plan:

(in thousands, except for range of issue price)	Number of Options	Range of Issue Price
Issued/granted	415	$11.75-13.125
Exercised	--	--
Repurchased/canceled	(1)	11.75
Outstanding at December 31,1996	414	$11.75-13.125
Exercisable at:		
December 31, 1996	--	

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 costs 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 1996 and 1995 consistent with the provisions of SFAS No. 123, the Company's net income (loss) and net income (loss) per share would have changed as follows:

(in thousands, except per share data)	1996	1995
Net income (loss)-as reported	$1,304	$(1,580)
Net income (loss)-pro forma	927	(1,585)
Net income (loss) per share-as reported	$ 0.07	$ (0.17)
Net income (loss) per share-pro forma	0.05	(0.17)

The weighted-average fair value of options granted was $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 Bill 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.

13. 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 will commence on each February 1 and August 1 thereafter, and will 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, 1996, no common stock has been issued to date under the Purchase Plan.

14. Leases:

The Company operates from facilities it leases from a joint venture held by a corporate officer. The Company accounts for the lease, which provides for monthly rentals of approximately $69,000 through March 1997, as an operating lease.

The Company incurred lease rental expense related to this lease agreement of $839,000 for the years ended December 31, 1996 and 1995 and $628,000 for the period March 14, 1994 through December 31, 1994.

In January 1996, the Company entered into a lease agreement with an unrelated third party for a new corporate office facility. The Company anticipates moving into its new facility on or about February 20, 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. Future minimum lease payments under the facility lease are $1,227,000 per annum for 1997 through 2001.

The Company also entered into various noncancelable operating leases for equipment. Lease rental expense related to these leases totaled $1,211,000 for the year ended December 31, 1996; $889,000 for the year ended December 31, 1995 and $657,000 for the period March 14, 1994 through December 31, 1994. Future minimum lease payments under operating leases for equipment in effect at December 31, 1996 is $620,000 for 1997 with no current lease commitments beyond 1997.

15. Royalty Agreements:

The Company 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 $450,000 for the year ended December 31, 1996 and $114,000 for the year ended December 31, 1995. There were no royalty fees for the period March 14, 1994 through December 31, 1994.

16. 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, other officers of the Company purchased restricted shares of common stock with proceeds from loans from the Company. The loans, which totaled $24,000 in 1996 and $56,000 in 1995, have terms similar to the promissory note described above.

17. 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, 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
Period from March 14, 1994 through December 31, 1994	11,728	522	2,560	5,540	4,680	1,224	26,254

18. Commitments and Contingencies:

The Company had outstanding an irrevocable standby letter of credit in the amount of $300,000 as of December 31, 1996. This letter of credit, which expires September 30, 1998, collateralizes the Company's obligations to a third party for future performance requirements under a contract. The fair value of the letter of credit approximates the contract value based on the nature of the fee arrangements with the issuing bank.

QUARTERLY FINANCIAL INFORMATION, (UNAUDITED)

(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 share after extraordinary item	.05	.06	(.04)	(.02)
Common stock price per share(1)(2):				
High	15.50	13.63	13.38	--
Low	11.00	10.25	11.75	--

(in thousands, except per share data)	Fiscal Quarter Ended December 31, 1995	September 30, 1995	June 30, 1995	March 31, 1995
Revenue	$11,529	$10,523	$ 9,338	$ 8,226
Gross profit	10,272	9,455	7,989	6,997
Operating income (loss)	703	1,412	69	(824)
Net income (loss)	(134)	343	(604)	(1,185)
Net income (loss) per share	(.02)	.02	(.06)	(.11)

(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.

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 March 3, 1997, there were 300 shareholders of record and approximately 2,352 beneficial shareholders of the Company's common stock.

CORPORATE INFORMATION

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Officers and Senior Management

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

Dr. John A. Swanson
Chief Technologist

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

Paul A. Johnson
Vice President, Product Development

Dr. Shah M. Yunus
Corporate Fellow

Dr. Joseph S. Solecki
Corporate Fellow

Paul A. Chilensky
Vice President, Customer Service

David Conover
Manager, Product Development

Mark C. Imgrund
Vice President, Corporate Quality

Carol A. Michaels
Corporate Counsel

Richard C. Miller
Vice President and General Manager, DesignSpace

Scott D. Owens
Vice President, Marketing

James C. Tung
Vice President, International Sales

Leonard Zera
Vice President, North American Sales

Headquarters
ansysinfo@ansys.com
T 412.746.3304
F 412.514.9494
Toll Free USA and Canada:
1.800.WE.R.FEA.1
Toll Free Mexico:
95.800.9373321

Regional Offices
North America
len.zera@ansys.com
T 810.585.5020
F 810.585.5730
International
jim.tung@ansys.com
T 412.514.3086
F 412.514.3115
Europe
brian.butcher@ansys.com
T 44.118.9880229
F 44.118.9880925

http://www.ansys.com

Shareholder Information
Requests for information about the Company should be
directed to: Investor Relations, ANSYS, Inc., 275 Technology Drive,
Canonsburg, PA 15317. Telephone: 412.514.1782.

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 7, 1997 at 2:00 P.M. at ANSYS, Inc., 275 Technology Drive, Canonsburg, PA 15317.

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.

Design: BD&E, Inc., Pittsburgh.

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 20 of the 1996 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 8 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.
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Coopers & Lybrand L.L.P.
Pittsburgh, Pennsylvania
March 26, 1997

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 February 7, 1997, on our audit of the consolidated financial statements and financial statement schedule of ANSYS, Inc. and subsidiaries as of December 31, 1996 and 1995 and for the years ended December 31, 1996 and 1995 and for the period from March 14, 1994 (date of acquisition) through December 31, 1994, which reports are included or incorporated by reference in this Annual Report on Form 10-K.

/s/ Coopers & Lybrand L.L.P.
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Coopers & Lybrand L.L.P.
Pittsburgh, Pennsylvania
March 26, 1997

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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
.07
.07

EXHIBIT 99

1996 STOCK PURCHASE PLAN ANNUAL REPORT ON FORM 11-K

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

FORM 11-K

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

For the period 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

REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the financial statements of the 1996 Employee Stock Purchase Plan of ANSYS, Inc. and Subsidiaries as of January 31, 1997 and for the period August 1, 1996 through January 31, 1997 as listed in the accompanying index on Page 2. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the 1996 Employee Stock Purchase Plan of ANSYS, Inc. and Subsidiaries as of January 31, 1997 and changes in net asset for the period August 1, 1996 through January 31, 1997, in conformity with generally accepted accounting principles.

/S/ Coopers & Lybrand L.L.P.
- ----------------------------
Coopers & Lybrand L.L.P.
Pittsburgh, Pennsylvania
March 18, 1997

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

NET ASSETS:

Cash	$ 13,809
Investments:	
ANSYS, Inc.	
Common Stock	185,098
Net assets	$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 period
August 1, 1996 through January 31, 1997

ADDITIONS:	
Contributions:	
Employee	$181,514
Employer	27,765
Total additions	$209,279
DEDUCTIONS:	
Withdrawals by participants	10,372
Total deductions	10,372
Net increase	198,907
Net assets, beginning of period	--
Net assets, end of period	$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

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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 will 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 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.

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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, 1997 consisted solely of ANSYS, Inc. Common Stock as follows:

Number of Shares	19,484
Cost	$185,098
Fair Value	$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 26, 1997.

ANSYS, INC. AND SUBSIDIARIES
1996 EMPLOYEE STOCK PURCHASE PLAN

Date: March 26, 1997 By: /S/ Peter J. Smith

Peter J. Smith
Chairman, President and Chief
Executive Officer

Date: March 26, 1997 By: /S/ John M. Sherbin

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

EXHIBIT 1

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statement of ANSYS, Inc. and Subsidiaries on Form S-8, 1996 Employee Stock Purchase Plan (Registration No. 333-4278), of our report dated March 18, 1997, on our audit of the financial statements of ANSYS, Inc. and Subsidiaries 1996 Employee Stock Purchase Plan as of January 31, 1997, and for the period August 1, 1996 through January 31, 1997, which report is included in this Annual Report on Form 11-K.

/s/ Coopers & Lybrand L.L.P.
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Coopers & Lybrand L.L.P.
Pittsburgh, Pennsylvania
March 26, 1997