

ANSYS INC
Form 10-Q
May 02, 2013

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

FORM 10-Q
(Mark One)

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

For the quarterly period ended March 31, 2013

OR

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

Commission File Number: 0-20853

ANSYS, Inc.

(Exact name of registrant as specified in its charter)

Delaware

04-3219960

(State or other jurisdiction of incorporation or
organization)

(I.R.S. Employer Identification No.)

275 Technology Drive, Canonsburg, PA

15317

(Address of principal executive offices)

(Zip Code)

724-746-3304

(Registrant's telephone number, including area code)

Indicate by 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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by a check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Exchange Act Rule 12b-2). (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares of the Registrant's Common Stock, par value \$.01 per share, outstanding as of April 26, 2013 was 93,207,026 shares.

ANSYS, INC. AND SUBSIDIARIES
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PART I – UNAUDITED FINANCIAL INFORMATION

Item 1. Financial Statements:

ANSYS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

| | March 31, 2013 (Unaudited) | December 31, 2012 (Audited) |
|--|----------------------------------|-----------------------------------|
| (in thousands, except share and per share data) | | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$650,993 | \$576,703 |
| Short-term investments | 488 | 452 |
| Accounts receivable, less allowance for doubtful accounts of \$4,800 | 80,291 | 96,598 |
| Other receivables and current assets | 183,806 | 216,268 |
| Deferred income taxes | 16,030 | 23,338 |
| Total current assets | 931,608 | 913,359 |
| Property and equipment, net | 50,822 | 52,253 |
| Goodwill | 1,250,038 | 1,251,247 |
| Other intangible assets, net | 331,938 | 351,173 |
| Other long-term assets | 19,594 | 24,393 |
| Deferred income taxes | 15,700 | 14,992 |
| Total assets | \$2,599,700 | \$2,607,417 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current portion of long-term debt | \$26,574 | \$53,149 |
| Accounts payable | 3,387 | 4,924 |
| Accrued bonuses and commissions | 15,984 | 42,601 |
| Accrued income taxes | 6,674 | 8,182 |
| Deferred income taxes | 727 | 1,409 |
| Other accrued expenses and liabilities | 59,159 | 61,329 |
| Deferred revenue | 306,801 | 305,793 |
| Total current liabilities | 419,306 | 477,387 |
| Long-term liabilities: | | |
| Deferred income taxes | 83,652 | 92,822 |
| Other long-term liabilities | 90,854 | 96,917 |
| Total long-term liabilities | 174,506 | 189,739 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, \$.01 par value; 2,000,000 shares authorized; zero shares issued or outstanding | — | — |
| Common stock, \$.01 par value; 300,000,000 shares authorized; 93,201,905 shares issued | 932 | 932 |
| Additional paid-in capital | 916,336 | 927,368 |
| Retained earnings | 1,090,514 | 1,039,491 |
| Treasury stock, at cost: 24,251 and 536,231 shares, respectively | (1,620 |) (36,151 |
| Accumulated other comprehensive (loss) income | (274 |) 8,651 |
| Total stockholders' equity | 2,005,888 | 1,940,291 |
| Total liabilities and stockholders' equity | \$2,599,700 | \$2,607,417 |

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

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ANSYS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 (Unaudited)

| (in thousands, except per share data) | Three Months Ended | | |
|---------------------------------------|--------------------|-------------------|---|
| | March 31, 2013 | March 31, 2012 | |
| Revenue: | | | |
| Software licenses | \$118,875 | \$113,554 | |
| Maintenance and service | 78,857 | 71,791 | |
| Total revenue | 197,732 | 185,345 | |
| Cost of sales: | | | |
| Software licenses | 6,965 | 5,996 | |
| Amortization | 9,874 | 10,214 | |
| Maintenance and service | 19,395 | 18,132 | |
| Total cost of sales | 36,234 | 34,342 | |
| Gross profit | 161,498 | 151,003 | |
| Operating expenses: | | | |
| Selling, general and administrative | 50,013 | 45,249 | |
| Research and development | 36,007 | 31,501 | |
| Amortization | 5,929 | 6,425 | |
| Total operating expenses | 91,949 | 83,175 | |
| Operating income | 69,549 | 67,828 | |
| Interest expense | (371 |) (818 |) |
| Interest income | 732 | 901 | |
| Other expense, net | (321 |) (616 |) |
| Income before income tax provision | 69,589 | 67,295 | |
| Income tax provision | 18,566 | 21,756 | |
| Net income | \$51,023 | \$45,539 | |
| Earnings per share – basic: | | | |
| Basic earnings per share | \$0.55 | \$0.49 | |
| Weighted average shares – basic | 92,908 | 92,817 | |
| Earnings per share – diluted: | | | |
| Diluted earnings per share | \$0.54 | \$0.48 | |
| Weighted average shares – diluted | 95,166 | 95,190 | |

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

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ANSYS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited)

| (in thousands) | Three Months Ended | |
|--|--------------------|-------------------|
| | March 31, 2013 | March 31, 2012 |
| Net income | \$51,023 | \$45,539 |
| Other comprehensive loss, net of tax: | | |
| Foreign currency translation adjustments | (8,925 |) (72 |
| Comprehensive income | \$42,098 | \$45,467 |

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

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

| (in thousands) | Three Months Ended | |
|---|--------------------|-------------------|
| | March 31, 2013 | March 31, 2012 |
| Cash flows from operating activities: | | |
| Net income | \$51,023 | \$45,539 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 20,683 | 20,712 |
| Deferred income tax (benefit) expense | (885) |) 1,789 |
| Provision for bad debts | 290 | 3 |
| Stock-based compensation expense | 8,787 | 7,802 |
| Excess tax benefits from stock options | (4,767) |) (3,872) |
| Other | 39 | 13 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 15,140 | 5,632 |
| Other receivables and current assets | (7,166) |) (14,129) |
| Other long-term assets | 139 | 5,365 |
| Accounts payable, accrued expenses and current liabilities | (28,408) |) (22,054) |
| Accrued income taxes | 3,418 | 6,955 |
| Deferred revenue | 34,691 | 28,916 |
| Other long-term liabilities | 2,450 | 926 |
| Net cash provided by operating activities | 95,434 | 83,597 |
| Cash flows from investing activities: | | |
| Capital expenditures | (4,087) |) (4,743) |
| Purchases of short-term investments | (46) |) (69) |
| Maturities of short-term investments | 16 | 68 |
| Net cash used in investing activities | (4,117) |) (4,744) |
| Cash flows from financing activities: | | |
| Principal payments on long-term debt | (26,575) |) (10,630) |
| Principal payments on capital leases | — |) (9) |
| Restricted stock withholding taxes paid in lieu of issued shares | (4,269) |) — |
| Proceeds from issuance of common stock under Employee Stock Purchase Plan | 1,274 | 1,116 |
| Proceeds from exercise of stock options | 12,920 | 8,053 |
| Excess tax benefits from stock options | 4,767 | 3,872 |
| Net cash (used in) provided by financing activities | (11,883) |) 2,402 |
| Effect of exchange rate fluctuations on cash and cash equivalents | (5,144) |) 4,763 |
| Net increase in cash and cash equivalents | 74,290 | 86,018 |
| Cash and cash equivalents, beginning of period | 576,703 | 471,828 |
| Cash and cash equivalents, end of period | \$650,993 | \$557,846 |
| Supplemental disclosures of cash flow information: | | |
| Income taxes paid | \$4,911 | \$13,023 |
| Interest paid | 140 | 452 |

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

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ANSYS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2013

(Unaudited)

1. Organization

ANSYS, Inc. (hereafter the "Company" or "ANSYS") develops and globally markets engineering simulation software and technologies widely used by engineers, designers, researchers and students across a broad spectrum of industries and academia, including aerospace, automotive, manufacturing, electronics, biomedical, energy and defense.

In connection with its acquisitions of Esterel Technologies, S.A. ("Esterel") and Apache Design, Inc. ("Apache") on August 1, 2012 and 2011, respectively, the Company has reviewed the accounting guidance issued for disclosures about segments of an enterprise. As defined by the accounting guidance, the Company operates as three segments.

However, the Company determined that its three operating segments are sufficiently similar and should be aggregated under the criteria provided in the related accounting guidance.

Given the integrated approach to the multi-discipline problem-solving needs of the Company's customers, a single sale of software may contain components from multiple product areas and include combined technologies. The Company also has a multi-year product and integration strategy that will result in new combined products or changes to the historical product offerings. As a result, it is impracticable for the Company to provide accurate historical or current reporting among its various product lines.

2. Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by ANSYS in accordance with accounting principles generally accepted in the United States for interim financial information for commercial and industrial companies and the instructions to the Quarterly Report on Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, the accompanying statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The accompanying condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements (and notes thereto) included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012. The condensed consolidated December 31, 2012 balance sheet presented is derived from the audited December 31, 2012 balance sheet included in the most recent Annual Report on Form 10-K. In the opinion of management, all adjustments considered necessary for a fair presentation of the financial statements have been included, and all adjustments are of a normal and recurring nature. Operating results for the three months ended March 31, 2013 are not necessarily indicative of the results that may be expected for any future period.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of highly liquid investments such as deposits held at major banks and money market mutual funds. Cash equivalents are carried at cost, which approximates fair value. The Company's cash and cash equivalent balances comprise the following:

| (in thousands, except percentages) | March 31, 2013 | | December 31, 2012 | |
|------------------------------------|----------------|------------|-------------------|------------|
| | Amount | % of Total | Amount | % of Total |
| Cash accounts | \$396,816 | 61.0 | \$369,724 | 64.1 |
| Money market mutual funds | 254,177 | 39.0 | 206,979 | 35.9 |
| Total | \$650,993 | | \$576,703 | |

The Company held 98% of its money market mutual fund balances in various funds of a single issuer as of both March 31, 2013 and December 31, 2012.

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3. Acquisitions

EVEN - Evolutionary Engineering AG

On April 3, 2013, the Company announced that it had acquired EVEN—Evolutionary Engineering AG ("EVEN"), a leading provider of composite analysis and optimization technology relying on cloud computing. Under the terms of the agreement, ANSYS acquired 100% of EVEN for an up-front payment of \$4.3 million in cash, plus contingent payments of up to \$4.4 million within three years of the acquisition date should EVEN reach certain technical milestones.

The operating results of EVEN will be included in the Company's consolidated financial statements from the date of acquisition and, accordingly, EVEN's operating results are not included in the financial results presented in this quarterly report on Form 10-Q.

Esterel Technologies, S.A.

On August 1, 2012, the Company completed its acquisition of Esterel. Under the terms of the agreement, ANSYS acquired 100% of Esterel for a purchase price of \$58.2 million, which included \$13.1 million in acquired cash. The agreement also includes retention provisions for key members of management and employees, which are accounted for outside of the business combination. The Company funded the transaction entirely with existing cash balances. The operating results of Esterel have been included in the Company's condensed consolidated financial statements since the date of acquisition, August 1, 2012.

In valuing deferred revenue on the Esterel balance sheet as of the acquisition date, the Company applied the fair value provisions applicable to the accounting for business combinations. Although this acquisition accounting requirement had no impact on the Company's business or cash flow, the Company's reported revenue under accounting principles generally accepted in the United States, primarily for the first 12 months post-acquisition, will be less than the sum of what would otherwise have been reported by Esterel and ANSYS absent the acquisition. Acquired deferred revenue of \$1.1 million was recorded on the opening balance sheet. This amount was approximately \$11.0 million lower than the historical carrying value. The impact on reported revenue for the three months ended March 31, 2013 was \$1.6 million. The expected impact on reported revenue is \$1.2 million and \$4.1 million for the quarter ending June 30, 2013 and for the year ending December 31, 2013, respectively.

The assets and liabilities of Esterel have been recorded based upon management's estimates of their fair market values as of the acquisition date. The following tables summarize the fair value of consideration transferred and the fair values of identified assets acquired and liabilities assumed at the acquisition date:

Fair Value of Consideration Transferred:

(in thousands)

| | |
|------|----------|
| Cash | \$58,150 |
|------|----------|

Recognized Amounts of Identifiable Assets Acquired and Liabilities Assumed:

(in thousands)

| | |
|---|----------|
| Cash | \$13,075 |
| Accounts receivable and other tangible assets | 4,737 |
| Customer relationships (12-year life) | 21,421 |
| Developed software (10-year life) | 10,717 |
| Platform trade name (indefinite life) | 2,695 |
| Accounts payable and other liabilities | (4,936) |
| Deferred revenue | (1,139) |
| Net deferred tax liabilities | (9,286) |
| Total identifiable net assets | \$37,284 |
| Goodwill | \$20,866 |

The goodwill, which is not tax-deductible, is attributed to intangible assets that do not qualify for separate recognition, including the assembled workforce of the acquired business and the synergies expected to arise as a result of the acquisition of Esterel. The fair values of the assets acquired and liabilities assumed that are listed above are based on preliminary calculations and the estimates and assumptions for these items are subject to change as additional information about what was known and knowable at the acquisition date is obtained during the measurement period

(up to one year from the acquisition date).

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4. Other Current Assets

The Company reports accounts receivable, related to the current portion of annual lease licenses and software maintenance that has not yet been recognized as revenue, as components of other receivables and current assets. These receivables totaled \$123.1 million and \$149.3 million as of March 31, 2013 and December 31, 2012, respectively. The Company reports income taxes receivable, including amounts related to overpayments and refunds, as a component of other receivables and current assets. These amounts totaled \$38.2 million and \$48.9 million as of March 31, 2013 and December 31, 2012, respectively.

5. Uncertain Tax Positions

The Company reports reserves for uncertain tax positions, including estimated penalties and interest, as a component of other long-term liabilities. These amounts totaled \$37.3 million and \$37.0 million as of March 31, 2013 and December 31, 2012, respectively.

The Company believes that it is reasonably possible that \$16.9 million of uncertain tax positions will be resolved within the next twelve months.

6. Earnings Per Share

Basic earnings per share (“EPS”) amounts are computed by dividing earnings by the weighted average number of common shares outstanding during the period. Diluted EPS amounts assume the issuance of common stock for all potentially dilutive equivalents outstanding. To the extent stock options are anti-dilutive, they are excluded from the calculation of diluted EPS.

The details of basic and diluted EPS are as follows:

| (in thousands, except per share data) | Three Months Ended | |
|---|--------------------|----------------|
| | March 31, 2013 | March 31, 2012 |
| Net income | \$51,023 | \$45,539 |
| Weighted average shares outstanding – basic | 92,908 | 92,817 |
| Dilutive effect of stock plans | 2,258 | 2,373 |
| Weighted average shares outstanding – diluted | 95,166 | 95,190 |
| Basic earnings per share | \$0.55 | \$0.49 |
| Diluted earnings per share | \$0.54 | \$0.48 |
| Anti-dilutive options | 1,118 | 1,530 |

7. Long-Term Debt

On July 31, 2008, ANSYS borrowed \$355.0 million from a syndicate of banks. The interest rate on the indebtedness provides for tiered pricing with the initial rate at the prime rate +0.50%, or the LIBOR rate +1.50%, with step downs permitted after the initial six months under the credit agreement down to a flat prime rate or the LIBOR rate +0.75%. Such tiered pricing is determined by the Company’s consolidated leverage ratio. The Company’s consolidated leverage ratio has been reduced to the lowest pricing tier in the debt agreement. During the three months ended March 31, 2013, the Company made the required quarterly principal payment of \$26.6 million. The term loan's outstanding principal balance of \$26.6 million is scheduled to be paid at maturity on July 31, 2013.

For the three months ended March 31, 2013 and 2012, the Company recorded interest expense related to the term loan at average interest rates of 1.06% and 1.33%, respectively. The interest expense on the term loan and amortization related to debt financing costs were as follows:

| (in thousands) | Three Months Ended | | | |
|-------------------------|--------------------|--------------|------------------|--------------|
| | March 31, 2013 | | March 31, 2012 | |
| | Interest Expense | Amortization | Interest Expense | Amortization |
| July 31, 2008 term loan | \$139 | \$92 | \$428 | \$204 |

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The interest rate on the outstanding term loan balance of \$26.6 million is set for the quarter ending June 30, 2013 at 1.03%, which is based on LIBOR +0.75%.

The credit agreement includes covenants related to the consolidated leverage ratio and the consolidated fixed charge coverage ratio, as well as certain restrictions on additional investments and indebtedness.

8. Goodwill and Intangible Assets

During the first quarter of 2013, the Company completed the annual impairment test for goodwill and indefinite-lived intangible assets and determined that these assets had not been impaired as of the test date, January 1, 2013. The Company performed a qualitative assessment to test goodwill and indefinite-lived intangible assets for impairment, and as of the test date, there was sufficient evidence that it was not more likely than not that the fair values of its reporting units or intangible assets were less than their carrying amounts. The application of a qualitative assessment requires the Company to assess and make judgments regarding a variety of factors which potentially impact the fair value of a reporting unit or intangible asset, including general economic conditions, industry and market-specific conditions, customer behavior, cost factors, the Company's financial performance and trends, the Company's strategies and business plans, capital requirements, management and personnel issues, and the Company's stock price, among others. The Company then considers the totality of these and other factors, placing more weight on the events and circumstances that are judged to most affect fair value of a reporting unit or intangible asset to reach a qualitative conclusion regarding whether it is more likely than not that the fair value of a reporting unit or intangible asset is less than its carrying amount. No events occurred or circumstances changed during the three months ended March 31, 2013 that would indicate that the fair values of the Company's reporting units or intangible assets are below their carrying amounts.

As of March 31, 2013 and December 31, 2012, the Company's intangible assets and estimated useful lives are classified as follows:

| (in thousands) | March 31, 2013 | | December 31, 2012 | |
|---|-----------------------|--------------------------|-----------------------|--------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| Amortized intangible assets: | | | | |
| Developed software and core technologies (7 – 10 years) | \$297,926 | \$(182,774) | \$298,802 | \$(175,988) |
| Customer lists and contract backlog (3 – 15 years) | 235,910 | (103,707) | 241,721 | (100,702) |
| Trade names (6 – 10 years) | 102,557 | (43,038) | 102,629 | (40,436) |
| Total | \$636,393 | \$(329,519) | \$643,152 | \$(317,126) |
| Unamortized intangible assets: | | | | |
| Trade names | \$25,064 | | \$25,147 | |

Amortization expense for the intangible assets reflected above was \$15.8 million and \$16.6 million for the three months ended March 31, 2013 and 2012, respectively.

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As of March 31, 2013, estimated future amortization expense for the intangible assets reflected above is as follows:
(in thousands)

| | |
|---|-----------|
| Remainder of 2013 | \$43,698 |
| 2014 | 53,328 |
| 2015 | 49,768 |
| 2016 | 42,762 |
| 2017 | 39,162 |
| 2018 | 25,846 |
| Thereafter | 52,310 |
| Total intangible assets subject to amortization | 306,874 |
| Indefinite-lived trade names | 25,064 |
| Other intangible assets, net | \$331,938 |

The change in goodwill during the three months ended March 31, 2013 was as follows:

| | |
|-------------------------------------|-------------|
| (in thousands) | |
| Beginning balance – January 1, 2013 | \$1,251,247 |
| Currency translation and other | (1,209) |
| Ending balance – March 31, 2013 | \$1,250,038 |

9. Fair Value Measurement

The valuation hierarchy for disclosure of assets and liabilities reported at fair value prioritizes the inputs for such valuations into three broad levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument; or

Level 3: unobservable inputs based on the Company's own assumptions used to measure assets and liabilities at fair value.

A financial asset's or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following tables provide the assets and liabilities carried at fair value and measured on a recurring basis:

| (in thousands) | March 31, 2013 | Fair Value Measurements at Reporting Date Using: | | |
|--------------------------|-------------------|---|--|--|
| | | Quoted Prices in Active Markets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets | | | | |
| Cash equivalents | \$254,177 | \$254,177 | \$ — | \$ — |
| Short-term investments | \$488 | \$ — | \$ 488 | \$ — |
| Foreign currency future | \$168 | \$ — | \$ 168 | \$ — |
| Liabilities | | | | |
| Contingent consideration | \$(6,467) | \$ — | \$ — | \$(6,467) |
| Deferred compensation | \$(1,400) | \$ — | \$ — | \$(1,400) |

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| (in thousands) | December 31, 2012 | Fair Value Measurements at Reporting Date Using: | | |
|--------------------------|----------------------|---|--|---|
| | | Quoted Prices in Active Markets (Level 1) | Significant Observable Inputs (Level 2) | Other Significant Unobservable Inputs (Level 3) |
| Assets | | | | |
| Cash equivalents | \$206,979 | \$206,979 | \$ — | \$ — |
| Short-term investments | \$452 | \$ — | \$ 452 | \$ — |
| Liabilities | | | | |
| Contingent consideration | \$(6,436) | \$ — | \$ — | \$(6,436) |
| Deferred compensation | \$(1,394) | \$ — | \$ — | \$(1,394) |
| Foreign currency future | \$(240) | \$ — | \$ (240) | \$ — |

The cash equivalents in the preceding tables represent money market mutual funds.

The short-term investments in the preceding tables represent deposits held by certain foreign subsidiaries of the Company. The deposits have fixed interest rates with maturity dates ranging from three months to one year.

In August 2012, the Company entered into a foreign currency futures contract with a third-party U.S. financial institution, which will be settled in July 2013. The purpose of this contract is to mitigate the Company's exposure to foreign exchange risk arising from intercompany receivables from a British subsidiary. As of March 31, 2013, the Company's foreign exchange future is in an asset position of \$168,000. The foreign exchange future is measured at fair value each reporting period, with gains or losses recognized in other expense in the Company's condensed consolidated statements of income.

On August 1, 2011, the Company completed its acquisition of Apache, a leading simulation software provider for advanced, low-power solutions in the electronics industry. The merger agreement includes a contingent consideration arrangement that requires additional payments of up to \$12.0 million to be paid by the Company in equal installments to the Apache stockholders and holders of vested Apache options on each of the first three anniversaries of the closing of the acquisition. To receive these payments, a key member of Apache's management must remain an employee of ANSYS on each of the first three anniversaries of the acquisition closing date. Management estimated that it was probable that all three payments would be made, and recorded the fair value of the contingent payments as a liability on the date of acquisition. The portion of contingent payments attributable to the key member of Apache management was determined to be deferred compensation, and is accounted for outside of the business combination. The Company paid the first \$4.0 million installment of these contingent payments on August 1, 2012. A liability of \$1.4 million for deferred compensation was recorded as of March 31, 2013 based on the net present value of the expected remaining payments. The portion of the contingent payments attributable to other shareholders was determined to be contingent purchase price consideration and was estimated to be \$6.5 million based on the net present value of the expected remaining payments as of March 31, 2013. The net present value calculations for the deferred compensation and contingent consideration include a significant unobservable input in the assumption that the two remaining payments will be made, and therefore the liabilities were classified as Level 3 in the fair value hierarchy.

The following table presents the changes during the three months ended March 31, 2013 in the Company's Level 3 liabilities for contingent consideration and deferred compensation that are measured at fair value on a recurring basis:

| (in thousands) | Fair Value Measurement Using Significant Unobservable Inputs | |
|---------------------------------------|---|--------------------------|
| | Contingent Consideration | Deferred Compensation |
| Balance as of January 1, 2013 | \$6,436 | \$1,394 |
| Interest expense included in earnings | 31 | 6 |
| Balance as of March 31, 2013 | \$6,467 | \$1,400 |

The Company had no transfers of amounts in or out of Level 1 or Level 2 fair value measurements during the three months ended March 31, 2013.

The carrying values of cash, accounts receivable, accounts payable, accrued expenses, other accrued liabilities and short-term obligations approximate their fair values because of their short-term nature. The carrying value of debt approximates its fair value due to the variable interest rate underlying the Company's credit facility.

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10. Geographic Information

Revenue to external customers is attributed to individual countries based upon the location of the customer. Revenue by geographic area is as follows:

| (in thousands) | Three Months Ended | |
|---------------------|--------------------|-------------------|
| | March 31, 2013 | March 31, 2012 |
| United States | \$67,068 | \$63,595 |
| Japan | 28,615 | 29,555 |
| Germany | 22,588 | 20,541 |
| Canada | 3,204 | 3,138 |
| Other European | 44,760 | 41,856 |
| Other international | 31,497 | 26,660 |
| Total revenue | \$197,732 | \$185,345 |

Property and equipment by geographic area is as follows:

| (in thousands) | March 31, | December 31, |
|------------------------------|-----------|--------------|
| | 2013 | 2012 |
| United States | \$36,316 | \$36,716 |
| India | 3,352 | 3,392 |
| United Kingdom | 3,214 | 3,532 |
| France | 2,189 | 2,378 |
| Germany | 2,107 | 2,087 |
| Japan | 1,035 | 1,253 |
| Canada | 658 | 753 |
| Other European | 1,040 | 1,173 |
| Other international | 911 | 969 |
| Total property and equipment | \$50,822 | \$52,253 |

11. Stock-based Compensation

Total stock-based compensation expense and its net impact on basic and diluted earnings per share are as follows:

| (in thousands, except per share data) | Three Months Ended | |
|--|--------------------|-------------------|
| | March 31, 2013 | March 31, 2012 |
| Cost of sales: | | |
| Software licenses | \$343 | \$368 |
| Maintenance and service | 584 | 559 |
| Operating expenses: | | |
| Selling, general and administrative | 4,196 | 3,639 |
| Research and development | 3,664 | 3,236 |
| Stock-based compensation expense before taxes | 8,787 | 7,802 |
| Related income tax benefits | (3,396) | (2,245) |
| Stock-based compensation expense, net of taxes | \$5,391 | \$5,557 |
| Net impact on earnings per share | | |
| Basic earnings per share | \$(0.06) | \$(0.06) |
| Diluted earnings per share | \$(0.06) | \$(0.06) |

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12. Contingencies and Commitments

The Company is subject to various investigations, claims and legal proceedings that arise in the ordinary course of business, including alleged infringement of intellectual property rights, commercial disputes, labor and employment matters, tax audits and other matters. In the opinion of the Company, the resolution of pending matters is not expected to have a material, adverse effect on the Company's consolidated results of operations, cash flows or financial position. However, each of these matters is subject to various uncertainties and it is possible that an unfavorable resolution of one or more of these proceedings could materially affect the Company's results of operations, cash flows or financial position.

An Indian subsidiary of the Company received a formal inquiry after a service tax audit. The service tax issues raised in the Company's notice are very similar to the case, M/s Microsoft Corporation (I) (P) Ltd. Vs Commissions of Service Tax, currently being appealed to the Delhi Customs, Excise and Service Tax Appellate Tribunal (CESTAT). If the ruling is in favor of Microsoft, the Company expects a similar outcome for its audit case. If the ruling is unfavorable in the case of Microsoft, the Company could incur tax charges and related liabilities, including those related to the service tax audit case, of approximately \$6 million. Of the two judicial members assigned to the Microsoft appeal, one member has ruled in favor of Microsoft and one has ruled in favor of the Commission. A third deciding judge will be appointed for a final decision. The Company can provide no assurances as to the outcome of the Microsoft appeal or to the impact of the Microsoft appeal on the Company's audit case. The Company is uncertain as to when the service tax audit will be completed.

The Company sells software licenses and services to its customers under proprietary software license agreements. Each license agreement contains the relevant terms of the contractual arrangement with the customer, and generally includes certain provisions for indemnifying the customer against losses, expenses and liabilities from damages that are incurred by or awarded against the customer in the event the Company's software or services are found to infringe upon a patent, copyright or other proprietary right of a third party. To date, the Company has not had to reimburse any of its customers for any losses related to these indemnification provisions and no material claims asserted under these indemnification provisions are outstanding as of March 31, 2013. For several reasons, including the lack of prior material indemnification claims, the Company cannot determine the maximum amount of potential future payments, if any, related to such indemnification provisions.

13. New Accounting Guidance

Testing Indefinite-Lived Intangible Assets for Impairment: In July 2012, new accounting guidance was issued regarding the requirement to test indefinite-lived intangible assets for impairment. Previous guidance required an entity to test indefinite-lived intangible assets for impairment, on at least an annual basis, by comparing the fair value of the asset with its carrying amount. If the carrying amount of the intangible asset exceeds its fair value, an entity should recognize an impairment loss in the amount of that excess. Under the new guidance, an entity will have an option not to calculate annually the fair value of an indefinite-lived intangible asset if the entity determines that it is not more likely than not that the asset is impaired. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the asset is impaired, then performing the quantitative test is unnecessary. However, if an entity concludes otherwise, then it is required to perform the quantitative test and record any impairment if necessary. This guidance was adopted by the Company effective January 1, 2013, and it did not have any impact on the Company's financial position, results of operations or cash flows.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Canonsburg, Pennsylvania

We have reviewed the accompanying condensed consolidated balance sheet of ANSYS, Inc. and subsidiaries (the “Company”) as of March 31, 2013, and the related condensed consolidated statements of income, comprehensive income and cash flows for the three-month periods ended March 31, 2013 and 2012. These interim financial statements are the responsibility of the Company’s management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole.

Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of ANSYS, Inc. and subsidiaries as of December 31, 2012, and the related consolidated statements of income, comprehensive income, stockholders’ equity, and cash flows for the year then ended (not presented herein); and in our report dated February 28, 2013, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2012 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Deloitte & Touche LLP

Pittsburgh, Pennsylvania

May 2, 2013

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview:

ANSYS, Inc.'s results for the three months ended March 31, 2013 reflect growth in revenues of 6.7%, operating income of 2.5% and diluted earnings per share of 12.5% as compared to the three months ended March 31, 2012. The Company experienced higher revenues in 2013 from growth in both license and maintenance revenue, and from the acquisition of Esterel. Revenue was adversely impacted by the overall strengthening of the U.S. Dollar against the Company's primary foreign currencies. The net overall strengthening decreased revenue by \$4.7 million for the three months ended March 31, 2013, as compared to the same period in 2012. The growth in revenue was partially offset by increased operating expenses, including expenses related to the August 2012 acquisition of Esterel. The net overall strengthening of the U.S. Dollar reduced operating income during the three months ended March 31, 2013 by \$3.2 million as compared to the same period in 2012.

The Company's non-GAAP results for the three months ended March 31, 2013 reflect increases in revenue of 6.4%, operating income of 1.8% and diluted earnings per share of 7.6% as compared to the three months ended March 31, 2012. The non-GAAP results exclude the income statement effects of the acquisition accounting adjustment to deferred revenue, stock-based compensation, acquisition-related amortization of intangible assets and transaction costs related to business combinations. For further disclosure regarding non-GAAP results, see the section titled "Non-GAAP Results" immediately preceding the section titled "Liquidity and Capital Resources".

The Company's financial position includes \$651.5 million in cash and short-term investments, and working capital of \$512.3 million as of March 31, 2013. The Company has outstanding borrowings under its term loan of \$26.6 million, which are scheduled to be paid at maturity on July 31, 2013.

ANSYS develops and globally markets engineering simulation software and services widely used by engineers, designers, researchers and students across a broad spectrum of industries and academia, including aerospace, automotive, manufacturing, electronics, biomedical, energy and defense. Headquartered south of Pittsburgh, Pennsylvania, the Company and its subsidiaries employed approximately 2,500 people as of March 31, 2013 and focus on the development of open and flexible solutions that enable users to analyze designs directly on the desktop, providing a common platform for fast, efficient and cost-conscious product development, from design concept to final-stage testing and validation. The Company distributes its ANSYS suite of simulation technologies through a global network of independent channel partners and direct sales offices in strategic, global locations. It is the Company's intention to continue to maintain this hybrid sales and distribution model.

The Company licenses its technology to businesses, educational institutions and governmental agencies. Growth in the Company's revenue is affected by the strength of global economies, general business conditions, currency exchange rate fluctuations, customer budgetary constraints and the competitive position of the Company's products. The Company believes that the features, functionality and integrated multiphysics capabilities of its software products are as strong as they have ever been. However, the software business is generally characterized by long sales cycles. These long sales cycles increase the difficulty of predicting sales for any particular quarter. The Company makes many operational and strategic decisions based upon short- and long-term sales forecasts that are impacted not only by these long sales cycles but by current global economic conditions. As a result, the Company believes that its overall performance is best measured by fiscal year results rather than by quarterly results.

The Company's management considers the competition and price pressure that it faces in the short- and long-term by focusing on expanding the breadth, depth, ease of use and quality of the technologies, features, functionality and integrated multiphysics capabilities of its software products as compared to its competitors; investing in research and development to develop new and innovative products and increase the capabilities of its existing products; supplying new products and services; focusing on customer needs, training, consulting and support; and enhancing its distribution channels. From time to time, the Company also considers acquisitions to supplement its global engineering talent, product offerings and distribution channels.

Geographic Trends:

During the quarter ended March 31, 2013, North America continued to experience ongoing cautious customer sentiment in many sectors. North America had relative sales strength in automotive, industrial equipment and electronics, while there was notable softness in oil and gas. The sales pipelines have been strengthening and customer

engagement activities in North America are building as the Company sees innovation and competitive pressures continuing to drive simulation investments.

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Despite the ongoing macroeconomic concerns in Europe, the Company saw solid growth in constant currency for the region when compared to the prior-year first quarter, most notably in the United Kingdom. While volatility and prolonged customer procurement processes continued to impact the closing of new business, the overall renewal rates were in line with those of the first quarter of 2012 and customer engagements in Europe remained intact, albeit extended. The services business in Europe was also weaker than planned as customers delayed projects due to concerns in their own businesses.

With the exception of India, the Company's General International Area, which includes all geographies other than North America and Europe, showed progress when compared to the prior-year first quarter. Particularly notable was the growth in China and South Korea, as well as improvement in Japan. Consistent with the Company's experience in fiscal year 2012, the Japan economy continued to struggle with ongoing macroeconomic issues, and the weakening of the Yen impacted our reported results. The Company is focused on hiring in marketplaces where it still sees opportunity for additional growth. The sales teams are also seeking new and complementary ways to better address the market opportunities in local geographies and to increase overall sales productivity.

Industry Highlights:

During the quarter ended March 31, 2013, the Company experienced growth from a combination of large domestic accounts, multi-nationals, emerging markets and industry verticals with time-sensitive, complex, multi-physics challenges. The Company's revenue is derived from customers in many different industries, with no industry accounting for more than 20% of the Company's sales. Although customers from all industries contributed to the 2013 first quarter results, there were a few sectors where the activity was more notable than the others, as explained below.

Automotive

A variety of factors are positively affecting the automotive sector from a simulation perspective, including fuel economy and emissions regulations; demand for an enhanced passenger experience; competition for emerging market share; warranty reductions; avoidance of catastrophic failures; and manufacturing innovation for cost and quality. The implications of these drivers are resulting in increased vehicle electrification and renewed research and development in traditional technologies such as the development of internal combustion powertrains, reduced weight specifications, and improved aerodynamics. In the race to capture fast-growing markets in developing countries, automotive companies are challenged with balancing globalized product development, product and electronics proliferation and complying with various market rules and regulations, all of which are areas requiring the breadth and depth of the Company's product portfolio.

Electronics and Semiconductors

The Company has seen some recovery in the electronics and semiconductor sectors, with a variety of market trends and drivers that are changing the way that high-tech products are being developed. Specific drivers include transistor miniaturization and 3-D integrated circuit designs, improved power consumption, higher signal speed and bandwidth, mobility and platform integration, the proliferation of electronics and embedded software across industries, and governmental regulations and environmental issues. These trends are resulting in more complex and integrated chip-package-system designs; the need for a systems engineering approach to optimize product requirements by using simulation earlier in the design cycle; reduced error margins in power delivery and timing; improved package reliability; the need to address structural, thermal and electro-migration challenges; as well as the need to update existing design and manufacturing processes that can take into consideration the changes in material properties and manufacturing processes. Wireless and mobile devices continue to transform how people consume information and communicate, thus increasing the need for the Company's best-of-breed electronics and power products.

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Industrial Equipment

Industrial equipment plays a backstage role to the materials and goods that make modern life possible. Industrial robots keep the automotive industry moving; lathes and milling machines produce machine tools and parts; rotary separators help make mining more productive; paper machines are the foundation for newsprint production; heavy machinery makes modern road and building construction possible; and rolling machines transform steel into custom materials. Turbomachinery, such as compressors and turbines, plays a vital role in virtually all industries, including power generation, oil and gas, and transportation. Modern machines are electronics heavy, packed with features made possible by the recent rapid advances in electronics and computing. Competitive economics and consumer demand require high production rates while discerning businesses and consumers require high-quality products with tight tolerances. Factory machines must be precisely controlled while operating at high speeds. Such speed generates high inertial loads, requiring precise consideration of dynamics and resulting stresses. Many machines operate over a large range of operating conditions, requiring designers to consider thermal effects and their interaction with the machine's structural aspects. Modern machines often require expensive, high-performance engineering — so key design parameters include small size and low weight, but high strength and reliability. Today's machine designer faces a wide range of physical processes, demanding operational specifications and time-to-market pressures while customer expectations have never been higher. In some cases, energy efficiency is an important requirement, and this is particularly important to turbomachinery. During the first quarter of 2013, the Company saw strength in the turbomachinery business in North America (oil and gas, aircraft engines, turbochargers, etc.), coupled with high-performance computing ("HPC") demand, as the need for large-scale simulations continued to increase within this industry.

Biomedical & Healthcare

While the biomedical and healthcare industry is a smaller contributor to the Company's revenue today, companies within this segment are increasingly adopting simulation amid sharper global competition, tighter regulations and lower sales, leading to potential growth in this area. As the FDA process is becoming increasingly more difficult and lengthy, major companies are entering more attractive markets with more favorable approval processes (e.g. India and China), and are expanding their research and development centers and global footprint. This, in turn, is increasing the competitive pressure to release more new products at a faster pace, requiring the need for accelerated product throughput. At the same time, increased regulations and sanctions, the rising cost of health care, aging populations and the need for more accessible health care are all changing the way medical device products are being developed. As a result, the Company's initiatives in this area, including a formal marketing campaign and partnering with several organizations in the healthcare standards arena, produced promising growth in this segment during the first quarter of 2013. This growth is influenced by more market awareness of the need for innovative solutions, the introduction of new European regulations and the trend towards more patient-specific medicine.

The following discussion should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and notes thereto for the three months ended March 31, 2013, and with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2012 filed on the Annual Report on Form 10-K with the Securities and Exchange Commission. The Company's discussion and analysis of its financial condition and results of operations are based upon the Company's condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates, including those related to fair value of stock awards, bad debts, contract revenue, valuation of goodwill, valuation of intangible assets, contingent consideration, deferred compensation, income taxes, and contingencies and litigation. The Company bases its estimates on historical experience, market experience, estimated future cash flows and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including, but not limited to, the

following statements, as well as statements that contain such words as "anticipates," "intends," "believes," "plans" and other similar expressions:

The Company's expectation that it will continue to make targeted investments in its global sales and marketing organization and its global business infrastructure to enhance major account sales activities and to support its worldwide sales distribution and marketing strategies, and the business in general.

The Company's intentions related to investments in research and development, particularly as it relates to expanding the capabilities of its flagship products and other products within its broad portfolio of simulation software, evolution of its ANSYS® Workbench™ platform, HPC capabilities, robust design and ongoing integration.

The Company's plans related to future capital spending.

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- The Company's intentions regarding its hybrid sales and distribution model.
 - The sufficiency of existing cash and cash equivalent balances to meet future working capital, capital expenditure and debt service requirements.
 - The Company's assessment of the ultimate liabilities arising from various investigations, claims and legal proceedings.
 - The Company's statement regarding the competitive position and strength of its software products.
 - The Company's statement regarding increased exposure to volatility of foreign exchange rates.
 - The Company's intentions related to investments in complementary companies, products, services and technologies.
 - The Company's expectations regarding the impact of the merger of its Japan subsidiaries on future income tax expense and cash flows from operations.
 - The Company's estimates regarding the expected impact on reported revenue related to the acquisition accounting treatment of deferred revenue.
 - The Company's estimation that it is probable the key member of Apache's management will remain an employee of ANSYS on each of the first three anniversaries of the acquisition closing date.
 - The Company's belief that there is potential growth in simulation sales to the biomedical and healthcare industries.
- Forward-looking statements should not be unduly relied upon because they involve known and unknown risks, uncertainties and other factors, some of which are beyond the Company's control. The Company's actual results could differ materially from those set forth in forward-looking statements. Certain factors, among others, that might cause such a difference include risks and uncertainties disclosed in the Company's most recent Annual Report on Form 10-K, Part I, Item 1A. Information regarding new risk factors or material changes to these risk factors have been included within Part II, Item 1A of this Quarterly Report on Form 10-Q.

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Results of Operations

Three Months Ended March 31, 2013 Compared to Three Months Ended March 31, 2012

Revenue:

| (in thousands, except percentages) | Three Months Ended March 31, | | Change | |
|------------------------------------|------------------------------|-----------|----------|-------|
| | 2013 | 2012 | Amount | % |
| Revenue: | | | | |
| Lease licenses | \$72,911 | \$66,783 | \$6,128 | 9.2 |
| Perpetual licenses | 45,964 | 46,771 | (807) | (1.7) |
| Software licenses | 118,875 | 113,554 | 5,321 | 4.7 |
| Maintenance | 73,644 | 66,116 | 7,528 | 11.4 |
| Service | 5,213 | 5,675 | (462) | (8.1) |
| Maintenance and service | 78,857 | 71,791 | 7,066 | 9.8 |
| Total revenue | \$197,732 | \$185,345 | \$12,387 | 6.7 |

The Company's revenue in the quarter ended March 31, 2013 increased 6.7% as compared to the quarter ended March 31, 2012. The growth was partially influenced by benefits from the Company's continued investment in its global sales and marketing organization and \$3.7 million in Esterel-related revenue. Revenue from lease licenses increased 9.2% as compared to the quarter ended March 31, 2012 due primarily to growth in sales of Apache lease licenses. Annual maintenance contracts that were sold with new perpetual licenses, along with maintenance contracts sold with new perpetual licenses in previous quarters, contributed to maintenance revenue growth of 11.4%. Also contributing to this growth was the addition of Esterel-related maintenance revenue of \$1.7 million. Perpetual license revenue, which is derived entirely from new sales during the quarter, decreased 1.7% as compared to the prior year quarter. Service revenue decreased 8.1% as compared to the prior year.

With respect to revenue, on average for the quarter ended March 31, 2013, the U.S. Dollar was approximately 4.6% stronger, when measured against the Company's primary foreign currencies, than for the quarter ended March 31, 2012. The net overall strengthening resulted in decreased revenue and operating income of approximately \$4.7 million and \$3.2 million, respectively, during the quarter ended March 31, 2013, as compared with the same quarter of 2012. A substantial portion of the Company's license and maintenance revenue is derived from annual lease and maintenance contracts. These contracts are generally renewed on an annual basis and typically have a high rate of customer renewal. In addition to the recurring revenue base associated with these contracts, a majority of customers purchasing new perpetual licenses also purchase related annual maintenance contracts. As a result of the significant recurring revenue base, the Company's license and maintenance revenue growth rate in any period does not necessarily correlate to the growth rate of new license and maintenance contracts sold during that period. To the extent the rate of customer renewal for lease and maintenance contracts is high, incremental lease contracts, and maintenance contracts sold with new perpetual licenses, will result in license and maintenance revenue growth. Conversely, if the rate of renewal for these contracts is adversely affected by economic or other factors, the Company's license and maintenance growth will be adversely affected over the term that the revenue for those contracts would have otherwise been recognized. International and domestic revenues, as a percentage of total revenue, were 66.1% and 33.9%, respectively, during the quarter ended March 31, 2013, and 65.7% and 34.3%, respectively, during the quarter ended March 31, 2012. The Company derived 24.7% and 25.8% of its total revenue through the indirect sales channel for the quarters ended March 31, 2013 and 2012, respectively.

In valuing deferred revenue on the Esterel and Apache balance sheets as of their respective acquisition dates, the Company applied the fair value provisions applicable to the accounting for business combinations. The impact on reported revenue for the three months ended March 31, 2013 was \$1.8 million.

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Deferred Revenue and Backlog:

The deferred revenue on the Company's condensed consolidated balance sheets does not represent the total value of annual or multi-year, noncancellable lease license or maintenance agreements. Deferred revenue consists of billings made or payments received in advance of revenue recognition from lease license and maintenance agreements. The Company's backlog represents installment billings for periods beyond the current quarterly billing cycle or customer orders received but not invoiced. The Company's deferred revenue and backlog as of March 31, 2013 consisted of the following:

| (in thousands) | Balance at March 31, 2013 | | |
|------------------|---------------------------|-----------|-----------|
| | Total | Current | Long-Term |
| Deferred revenue | \$317,483 | \$306,801 | \$10,682 |
| Backlog | 81,219 | 33,428 | 47,791 |
| Total | \$398,702 | \$340,229 | \$58,473 |

Revenue associated with deferred revenue and backlog that is expected to be recognized in the next twelve months is classified as current in the table above.

Cost of Sales and Gross Profit:

| (in thousands, except percentages) | Three Months Ended March 31, 2013 | | 2012 | | Change | |
|------------------------------------|-----------------------------------|--------------|-----------|--------------|----------|-------|
| | Amount | % of Revenue | Amount | % of Revenue | Amount | % |
| Cost of sales: | | | | | | |
| Software licenses | \$6,965 | 3.5 | \$5,996 | 3.2 | \$969 | 16.2 |
| Amortization | 9,874 | 5.0 | 10,214 | 5.5 | (340) | (3.3) |
| Maintenance and service | 19,395 | 9.8 | 18,132 | 9.8 | 1,263 | 7.0 |
| Total cost of sales | 36,234 | 18.3 | 34,342 | 18.5 | 1,892 | 5.5 |
| Gross profit | \$161,498 | 81.7 | \$151,003 | 81.5 | \$10,495 | 7.0 |

Software Licenses: The increase in software license costs was primarily due to the following:

• Increased third-party royalties of \$400,000.

• Increased salaries and other headcount-related costs of \$400,000.

Maintenance and Service: The increase in maintenance and service costs was primarily due to the following:

• Increased salaries and other headcount-related costs of \$600,000.

• Increased third-party technical support costs of \$400,000.

• Esterel-related maintenance and service costs of \$300,000.

The improvement in gross profit was a result of the increase in revenue offset by a smaller increase in related cost of sales.

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Operating Expenses:

| (in thousands, except percentages) | Three Months Ended March 31, 2013 | | 2012 | | Change | |
|-------------------------------------|-----------------------------------|--------------|----------|--------------|---------|-------|
| | Amount | % of Revenue | Amount | % of Revenue | Amount | % |
| Operating expenses: | | | | | | |
| Selling, general and administrative | \$50,013 | 25.3 | \$45,249 | 24.4 | \$4,764 | 10.5 |
| Research and development | 36,007 | 18.2 | 31,501 | 17.0 | 4,506 | 14.3 |
| Amortization | 5,929 | 3.0 | 6,425 | 3.5 | (496) | (7.7) |
| Total operating expenses | \$91,949 | 46.5 | \$83,175 | 44.9 | \$8,774 | 10.5 |

Selling, General and Administrative: The increase in selling, general and administrative costs was primarily due to the following:

• Esterel-related selling, general and administrative expenses of \$2.4 million.

• Increased salaries and other headcount-related costs of \$2.1 million.

• Increased third-party commissions of \$900,000.

• Increased stock-based compensation expense of \$600,000.

• Decreased incentive compensation of \$1.1 million.

The Company anticipates that it will continue to make targeted investments in its global sales and marketing organization and its global business infrastructure to enhance major account sales activities and to support its worldwide sales distribution and marketing strategies, and the business in general.

Research and Development: The increase in research and development costs was primarily due to the following:

• Increased salaries and other headcount-related costs of \$2.8 million.

• Esterel-related research and development expenses of \$900,000.

• Increased stock-based compensation expense of \$400,000.

The Company has traditionally invested significant resources in research and development activities and intends to continue to make investments in this area, particularly as it relates to expanding the capabilities of its flagship products and other products within its broad portfolio of simulation software, evolution of its ANSYS® Workbench™ platform, HPC capabilities, robust design and ongoing integration.

Interest Expense: The Company's interest expense consists of the following:

| (in thousands) | Three Months Ended | |
|--------------------------------------|--------------------|----------------|
| | March 31, 2013 | March 31, 2012 |
| Term loan | \$139 | \$428 |
| Amortization of debt financing costs | 92 | 204 |
| Discounted obligations | 122 | 158 |
| Other | 18 | 28 |
| Total interest expense | \$371 | \$818 |

Interest Income: Interest income for the quarter ended March 31, 2013 was \$732,000 as compared to \$901,000 during the quarter ended March 31, 2012. Interest income decreased as a result of a decrease in the average rate of return on invested cash balances.

Other Expense, net: The Company recorded other expense of \$321,000 during the three months ended March 31, 2013 as compared to other expense of \$616,000 during the three months ended March 31, 2012. The activity for both three-month periods was primarily composed of net foreign currency transaction losses.

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Income Tax Provision: The Company recorded income tax expense of \$18.6 million and had income before income taxes of \$69.6 million for the quarter ended March 31, 2013. This represents an effective tax rate of 26.7% in the first quarter of 2013. During the quarter ended March 31, 2012, the Company recorded income tax expense of \$21.8 million and had income before income taxes of \$67.3 million. The Company's effective tax rate was 32.3% in the first quarter of 2012.

When compared to the federal and state combined statutory rate, these rates were favorably impacted by lower statutory tax rates in many of the Company's foreign jurisdictions, the domestic manufacturing deduction, tax benefits associated with the merger of the Company's Japan subsidiaries in 2010, and research and experimentation credits. In the U.S., which is the largest jurisdiction where the Company receives such a tax credit, the availability of the research and development credit expired at the end of 2011. In January 2013, the U.S. Congress passed legislation that reinstated the research and development credit retroactive to 2012. The income tax provision in 2013 includes approximately \$2.3 million related to the reinstated research and development credit for 2012 activity. These rates were also impacted by charges or benefits associated with the Company's uncertain tax positions.

Net Income: The Company's net income in the first quarter of 2013 was \$51.0 million as compared to net income of \$45.5 million in the first quarter of 2012. Diluted earnings per share was \$0.54 in the first quarter of 2013 and \$0.48 in the first quarter of 2012. The weighted average shares used in computing diluted earnings per share were 95.2 million in both the first quarter of 2013 and 2012.

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Non-GAAP Results

The Company provides non-GAAP revenue, non-GAAP operating income, non-GAAP operating profit margin, non-GAAP net income and non-GAAP diluted earnings per share as supplemental measures to GAAP measures regarding the Company's operational performance. These financial measures exclude the impact of certain items and, therefore, have not been calculated in accordance with GAAP. A detailed explanation and a reconciliation of each non-GAAP financial measure to its most comparable GAAP financial measure are described below.

| (in thousands, except percentages and per share data) | Three Months Ended March 31, 2013 | | | March 31, 2012 | | |
|---|--------------------------------------|-------------|------------------|----------------|-------------|------------------|
| | As Reported | Adjustments | Non-GAAP Results | As Reported | Adjustments | Non-GAAP Results |
| Total revenue | \$197,732 | \$ 1,788 | (1) \$199,520 | \$185,345 | \$ 2,152 | (4) \$187,497 |
| Operating income | 69,549 | 26,556 | (2) 96,105 | 67,828 | 26,593 | (5) 94,421 |
| Operating profit margin | 35.2 % | | 48.2 % | 36.6 % | | 50.4 % |
| Net income | \$51,023 | \$ 16,729 | (3) \$67,752 | \$45,539 | \$ 17,396 | (6) \$62,935 |
| Earnings per share – diluted: | | | | | | |
| Diluted earnings per share | \$0.54 | | \$0.71 | \$0.48 | | \$0.66 |
| Weighted average shares – diluted | 95,166 | | 95,166 | 95,190 | | 95,190 |

(1) Amount represents the revenue not reported during the period as a result of the acquisition accounting adjustment associated with accounting for deferred revenue in business combinations.

(2) Amount represents \$15.8 million of amortization expense associated with intangible assets acquired in business combinations, \$8.8 million of stock-based compensation expense, the \$1.8 million adjustment to revenue as reflected in (1) above and \$0.2 million of acquisition-related transaction expenses.

(3) Amount represents the impact of the adjustments to operating income referred to in (2) above, adjusted for the related income tax impact of \$9.8 million.

(4) Amount represents the revenue not reported during the period as a result of the acquisition accounting adjustment associated with accounting for deferred revenue in business combinations.

(5) Amount represents \$16.6 million of amortization expense associated with intangible assets acquired in business combinations, \$7.8 million of stock-based compensation expense and the \$2.2 million adjustment to revenue as reflected in (4) above.

(6) Amount represents the impact of the adjustments to operating income referred to in (5) above, adjusted for the related income tax impact of \$9.2 million.

Non-GAAP Measures

Management uses non-GAAP financial measures (a) to evaluate the Company's historical and prospective financial performance as well as its performance relative to its competitors, (b) to set internal sales targets and spending budgets, (c) to allocate resources, (d) to measure operational profitability and the accuracy of forecasting, (e) to assess financial discipline over operational expenditures and (f) as an important factor in determining variable compensation for management and its employees. In addition, many financial analysts that follow the Company focus on and publish both historical results and future projections based on non-GAAP financial measures. The Company believes that it is in the best interest of its investors to provide this information to analysts so that they accurately report the non-GAAP financial information. Moreover, investors have historically requested and the Company has historically reported these non-GAAP financial measures as a means of providing consistent and comparable information with past reports of financial results.

While management believes that these non-GAAP financial measures provide useful supplemental information to investors, there are limitations associated with the use of these non-GAAP financial measures. These non-GAAP financial measures are not prepared in accordance with GAAP, are not reported by all of the Company's competitors and may not be directly comparable to similarly titled measures of the Company's competitors due to potential differences in the exact method of calculation. The Company compensates for these limitations by using these non-GAAP financial measures as supplements to GAAP financial measures and by reviewing the reconciliations of

the non-GAAP financial measures to their most comparable GAAP financial measures.

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The adjustments to these non-GAAP financial measures, and the basis for such adjustments, are outlined below:

Acquisition accounting for deferred revenue and its related tax impact. Historically, the Company has consummated acquisitions in order to support its strategic and other business objectives. In accordance with the fair value provisions applicable to the accounting for business combinations, acquired deferred revenue is often recorded on the opening balance sheet at an amount that is lower than the historical carrying value. Although this purchase accounting requirement has no impact on the Company's business or cash flow, it adversely impacts the Company's reported GAAP revenue in the reporting periods following an acquisition. In order to provide investors with financial information that facilitates comparison of both historical and future results, the Company provides non-GAAP financial measures which exclude the impact of the acquisition accounting adjustment. The Company believes that this non-GAAP financial adjustment is useful to investors because it allows investors to (a) evaluate the effectiveness of the methodology and information used by management in its financial and operational decision-making and (b) compare past and future reports of financial results of the Company as the revenue reduction related to acquired deferred revenue will not recur when related annual lease licenses and software maintenance contracts are renewed in future periods.

Amortization of intangibles from acquisitions and its related tax impact. The Company incurs amortization of intangibles, included in its GAAP presentation of amortization expense, related to various acquisitions it has made in recent years. Management excludes these expenses and their related tax impact for the purpose of calculating non-GAAP operating income, non-GAAP operating profit margin, non-GAAP net income and non-GAAP diluted earnings per share when it evaluates the continuing operational performance of the Company because these costs are fixed at the time of an acquisition, are then amortized over a period of several years after the acquisition and generally cannot be changed or influenced by management after the acquisition. Accordingly, management does not consider these expenses for purposes of evaluating the performance of the Company during the applicable time period after the acquisition, and it excludes such expenses when making decisions to allocate resources. The Company believes that these non-GAAP financial measures are useful to investors because they allow investors to (a) evaluate the effectiveness of the methodology and information used by management in its financial and operational decision-making and (b) compare past reports of financial results of the Company as the Company has historically reported these non-GAAP financial measures.

Stock-based compensation expense and its related tax impact. The Company incurs expense related to stock-based compensation included in its GAAP presentation of cost of software licenses; cost of maintenance and service; research and development expense and selling, general and administrative expense. Although stock-based compensation is an expense of the Company and viewed as a form of compensation, management excludes these expenses for the purpose of calculating non-GAAP operating income, non-GAAP operating profit margin, non-GAAP net income and non-GAAP diluted earnings per share when it evaluates the continuing operational performance of the Company. Specifically, the Company excludes stock-based compensation during its annual budgeting process and its quarterly and annual assessments of the Company's and management's performance. The annual budgeting process is the primary mechanism whereby the Company allocates resources to various initiatives and operational requirements. Additionally, the annual review by the board of directors during which it compares the Company's historical business model and profitability to the planned business model and profitability for the forthcoming year excludes the impact of stock-based compensation. In evaluating the performance of senior management and department managers, charges related to stock-based compensation are excluded from expenditure and profitability results. In fact, the Company records stock-based compensation expense into a stand-alone cost center for which no single operational manager is responsible or accountable. In this way, management is able to review, on a period-to-period basis, each manager's performance and assess financial discipline over operational expenditures without the effect of stock-based compensation. The Company believes that these non-GAAP financial measures are useful to investors because they allow investors to (a) evaluate the Company's operating results and the effectiveness of the methodology used by management to review the Company's operating results, and (b) review historical comparability in its financial reporting as well as comparability with competitors' operating results.

Transaction costs related to business combinations. The Company incurs expenses for professional services rendered in connection with business combinations, which are included in its GAAP presentation of selling, general and

administrative expense. These expenses are generally not tax-deductible. Management excludes these acquisition-related transaction costs for the purpose of calculating non-GAAP operating income, non-GAAP operating profit margin, non-GAAP net income and non-GAAP diluted earnings per share when it evaluates the continuing operational performance of the Company, as it generally would not have otherwise incurred these expenses in the periods presented as a part of its continuing operations. The Company believes that these non-GAAP financial measures are useful to investors because they allow investors to (a) evaluate the Company's operating results and the effectiveness of the methodology used by management to review the Company's operating results, and (b) review historical comparability in its financial reporting as well as comparability with competitors' operating results.

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Non-GAAP financial measures are not in accordance with, or an alternative for, GAAP. The Company's non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP financial measures, and should be read only in conjunction with the Company's consolidated financial statements prepared in accordance with GAAP.

The Company has provided a reconciliation of the non-GAAP financial measures to the most directly comparable GAAP financial measures as listed below:

| GAAP Reporting Measure | Non-GAAP Reporting Measure |
|----------------------------|-------------------------------------|
| Revenue | Non-GAAP Revenue |
| Operating Income | Non-GAAP Operating Income |
| Operating Profit Margin | Non-GAAP Operating Profit Margin |
| Net Income | Non-GAAP Net Income |
| Diluted Earnings Per Share | Non-GAAP Diluted Earnings Per Share |

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Liquidity and Capital Resources

Cash, cash equivalents and short-term investments: As of March 31, 2013, the Company had cash, cash equivalents and short-term investments totaling \$651.5 million and working capital of \$512.3 million as compared to cash, cash equivalents and short-term investments of \$577.2 million and working capital of \$436.0 million at December 31, 2012.

Cash and cash equivalents consist primarily of highly liquid investments such as money market mutual funds and deposits held at major banks. Short-term investments consist primarily of deposits held by certain foreign subsidiaries of the Company with original maturities of three months to one year. Cash, cash equivalents and short-term investments include \$184.9 million held by the Company's foreign subsidiaries as of March 31, 2013. If these foreign balances were repatriated to the U.S., they would be subject to domestic tax, resulting in a tax obligation in the period of repatriation. The amount of cash, cash equivalents and short-term investments held by these subsidiaries is subject to translation adjustments caused by changes in foreign currency exchange rates as of the end of each respective reporting period, the offset to which is recorded in accumulated other comprehensive income on the Company's condensed consolidated balance sheet.

Cash flows from operating activities: The Company's operating activities provided cash of \$95.4 million for the three months ended March 31, 2013 and \$83.6 million for the three months ended March 31, 2012. The net \$11.8 million increase in operating cash flows in the three months ended March 31, 2013 as compared to the three months ended March 31, 2012 was primarily related to:

An \$8.7 million increase in cash flows from operating assets and liabilities whereby these fluctuations produced a net cash inflow of \$20.3 million during the three months ended March 31, 2013 as compared to \$11.6 million during the three months ended March 31, 2012.

An increase in net income of \$5.5 million from \$45.5 million for the three months ended March 31, 2012 to \$51.0 million for the three months ended March 31, 2013.

A decrease in other non-cash operating adjustments of \$2.3 million from \$26.4 million for the three months ended March 31, 2012 to \$24.1 million for the three months ended March 31, 2013.

Cash flows from investing activities: The Company's investing activities used cash of \$4.1 million and \$4.7 million for the three months ended March 31, 2013 and March 31, 2012, respectively. The investing activities for both periods were primarily composed of capital spending on property and equipment. The Company currently plans capital spending of approximately \$35 million to \$45 million during fiscal year 2013 as compared to \$24.0 million of capital spending during fiscal year 2012. The planned increase is attributable to costs associated with the Company's new headquarters facility to be completed in late 2014 and the outfit of its new data center and customer training space, both in Canonsburg, Pennsylvania. However, the level of spending will be dependent upon various factors, including growth of the business and general economic conditions.

Cash flows used in financing activities: Financing activities used cash of \$11.9 million for the three months ended March 31, 2013 and provided cash of \$2.4 million for the three months ended March 31, 2012. This change of \$14.3 million was primarily the result of a \$15.9 million increase in the scheduled principal payments on long-term debt during the 2013 period as compared to the 2012 period.

The Company's term loan includes covenants related to the consolidated leverage ratio and the consolidated fixed charge coverage ratio, as well as certain restrictions on additional investments and indebtedness. As of March 31, 2013, the Company is in compliance with all financial covenants as stated in the credit agreement. The Company is scheduled to make its final debt payment on July 31, 2013.

The Company believes that existing cash and cash equivalent balances of \$651.0 million, together with cash generated from operations, will be sufficient to meet the Company's working capital, capital expenditure and debt service requirements through the next twelve months. The Company's cash requirements in the future may also be financed through additional equity or debt financings. There can be no assurance that such financings can be obtained on favorable terms, if at all.

As of March 31, 2013, 3.0 million shares remain authorized for repurchase under the Company's stock repurchase program.

The Company continues to generate positive cash flows from operating activities and believes that the best use of its excess cash is to repay its long-term debt, to invest in the business and, under certain favorable conditions, to repurchase stock. Additionally, the Company has in the past, and expects in the future, to acquire or make investments in complementary companies, products, services and technologies. Any future acquisitions may be funded by available cash and investments, cash generated from operations, existing or additional credit facilities, or from the issuance of additional securities.

Off-Balance Sheet Arrangements

The Company does not have any special purpose entities or off-balance sheet financing.

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Contractual Obligations

There were no material changes to the Company's significant contractual obligations during the three months ended March 31, 2013 as compared to those previously reported in "Management's Discussion and Analysis of Financial Condition and Results of Operations" within the Company's most recent Annual Report on Form 10-K.

Critical Accounting Policies and Estimates

No significant changes have occurred to the Company's critical accounting policies and estimates as previously reported within "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's most recent Annual Report on Form 10-K.

During the first quarter of 2013, the Company completed the annual impairment test for goodwill and intangible assets with indefinite lives and determined that these assets had not been impaired as of the test date, January 1, 2013. As of the test date, there was sufficient evidence that it was not more likely than not that the fair values of the Company's reporting units and intangible assets were less than their carrying values. No events occurred or circumstances changed during the three months ended March 31, 2013 that would indicate that the fair values of the Company's reporting units or intangible assets are below their carrying amounts.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Income Rate Risk. Changes in the overall level of interest rates affect the interest income that is generated from the Company's cash and short-term investments. For the three months ended March 31, 2013, total interest income was \$732,000. Cash and cash equivalents consist primarily of highly liquid investments such as money market mutual funds and deposits held at major banks.

Interest Expense Rate Risk. The Company entered into a \$355.0 million term loan with variable interest rates as of July 31, 2008. The term loan is scheduled to mature on July 31, 2013 and provides for tiered pricing with the initial rate at the prime rate +0.50%, or the LIBOR rate +1.50%, with step downs permitted after the initial six months under the credit agreement down to a flat prime rate or the LIBOR rate +0.75%. Such tiered pricing is determined by the Company's consolidated leverage ratio. The Company's consolidated leverage ratio has been reduced to the lowest pricing tier in the credit agreement. The credit agreement includes quarterly financial covenants, requiring the Company to maintain certain financial ratios and, as is customary for facilities of this type, certain events of default that permit the acceleration of the loan. Borrowings outstanding under this facility totaled \$26.6 million as of March 31, 2013, and the remaining balance is scheduled to be paid at maturity on July 31, 2013.

For the three months ended March 31, 2013 and 2012, the Company recorded interest expense related to the term loan at interest rates of 1.06% and 1.33%, respectively. The interest expense on the term loan and amortization related to debt financing costs were as follows:

| (in thousands) | Three Months Ended | | March 31, 2012 | |
|-------------------------|--------------------|----------------|------------------|--------------|
| | March 31, 2013 | March 31, 2012 | Interest Expense | Amortization |
| July 31, 2008 term loan | \$139 | \$92 | \$428 | \$204 |

Based on the effective interest rates and remaining outstanding borrowings at March 31, 2013, a 0.50% increase in interest rates would not impact the Company's interest expense for the quarter ending June 30, 2013, and would minimally impact the Company's interest expense for the quarter ending September 30, 2013.

The interest rate on the outstanding term loan balance is set for the quarter ending June 30, 2013 at 1.03%, which is based on LIBOR +0.75%. As of March 31, 2013, the fair value of the debt approximated the recorded value.

Foreign Currency Transaction Risk. As the Company continues to expand its business presence in international regions, the portion of its revenue, expenses, cash, accounts receivable and payment obligations denominated in foreign currencies continues to increase. As a result, changes in currency exchange rates will affect the Company's financial position, results of operations and cash flows. The Company is most impacted by movements in and among the Euro, British Pound, Japanese Yen, Indian Rupee, Korean Won and the U.S. Dollar.

With respect to revenue, on average for the quarter ended March 31, 2013, the U.S. Dollar was approximately 4.6% stronger, when measured against the Company's primary foreign currencies, than for the quarter ended March 31, 2012. The net overall strengthening resulted in decreased revenue and operating income of approximately \$4.7 million and \$3.2 million, respectively, during the quarter ended March 31, 2013, as compared with the same quarter of 2012. The Company has foreign currency denominated intercompany payables/receivables with certain foreign subsidiaries. In order to provide a natural hedge, the Company will purchase foreign currencies and hold these currencies in cash until the intercompany payables/receivables are settled. These natural hedges mitigate a portion of the foreign currency exchange risk on the intercompany payables/receivables.

In August 2012, the Company entered into a foreign currency futures contract with a third-party U.S. financial institution, which will be settled in July 2013. The purpose of this contract is to mitigate the Company's exposure to foreign exchange risk arising from intercompany receivables from a British subsidiary. As of March 31, 2013, the Company's foreign exchange future is in an asset position of \$168,000. The foreign exchange future is measured at fair value each reporting period, with gains or losses recognized in other expense in the Company's condensed consolidated statements of income.

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The most significant currency impacts on revenue and operating income were primarily attributable to U.S. Dollar exchange rate changes against the Euro, British Pound and Japanese Yen as reflected in the charts below:

| As of | Period End Exchange Rates | | |
|-------------------|---------------------------|---------|---------|
| | EUR/USD | GBP/USD | USD/JPY |
| March 31, 2012 | 1.334 | 1.601 | 82.823 |
| December 31, 2012 | 1.320 | 1.625 | 86.730 |
| March 31, 2013 | 1.282 | 1.520 | 94.251 |

| Three Months Ended | Average Exchange Rates | | |
|--------------------|------------------------|---------|---------|
| | EUR/USD | GBP/USD | USD/JPY |
| March 31, 2012 | 1.312 | 1.572 | 79.275 |
| June 30, 2012 | 1.283 | 1.562 | 80.087 |
| September 30, 2012 | 1.252 | 1.581 | 78.600 |
| December 31, 2012 | 1.298 | 1.606 | 81.264 |
| March 31, 2013 | 1.320 | 1.550 | 92.335 |

No other material change has occurred in the Company's market risk subsequent to December 31, 2012.

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Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. As required by Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Company has evaluated, with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the period covered by this report. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that such disclosure controls and procedures are effective, as defined in Rule 13a-15(e) of the Exchange Act.

The Company has a Disclosure Review Committee to assist in the quarterly evaluation of the Company's internal disclosure controls and procedures and in the review of the Company's periodic filings under the Exchange Act. The membership of the Disclosure Review Committee consists of the Company's Chief Executive Officer, Chief Financial Officer, Apache President, Global Controller, General Counsel, Director of Investor Relations and Global Insurance, Vice President of Worldwide Sales and Support, Vice President of Human Resources, Vice President of Marketing and Business Unit General Managers. This committee is advised by external counsel, particularly on SEC-related matters. Additionally, other members of the Company's global management team advise the committee with respect to disclosure via a sub-certification process.

The Company believes, based on its knowledge, that the financial statements and other financial information included in this report fairly present, in all material respects, the financial condition, results of operations and cash flows of the Company as of and for the periods presented in this report. The Company is committed to both a sound internal control environment and to good corporate governance.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

From time to time, the Company reviews the disclosure controls and procedures and may make changes to enhance their effectiveness and to ensure that the Company's systems evolve with its business.

Changes in Internal Control. The Company is in the process of extending its internal controls to the business operations of Esterel. There were no changes in the Company's internal control over financial reporting that occurred during the three months ended March 31, 2013 that materially affected, or were reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II – OTHER INFORMATION

Item 1. Legal Proceedings

The Company is subject to various investigations, claims and legal proceedings that arise in the ordinary course of business, including alleged infringement of intellectual property rights, commercial disputes, labor and employment matters, tax audits and other matters. In the opinion of the Company, the resolution of pending matters is not expected to have a material, adverse effect on the Company's consolidated results of operations, cash flows or financial position. However, each of these matters is subject to various uncertainties and it is possible that an unfavorable resolution of one or more of these proceedings could in the future materially affect the Company's results of operations, cash flows or financial position.

Item 1A. Risk Factors

The Company cautions investors that its performance (and, therefore, any forward-looking statement) is subject to risks and uncertainties. Various important factors may cause the Company's future results to differ materially from those projected in any forward-looking statement. These factors were disclosed in, but are not limited to, the items within the Company's most recent Annual Report on Form 10-K, Part I, Item 1A. No material changes have occurred regarding the Company's risk factors subsequent to December 31, 2012.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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Item 6.Exhibits

(a) Exhibits.

Exhibit No. Exhibit

| | |
|---------|---|
| 10.1 | Form of Employee Non-Qualified Stock Option Agreement under the Fourth Amended and Restated ANSYS, Inc. 1996 Stock Option and Grant Plan.* |
| 10.2 | Form of Employee Director Non-Qualified Stock Option Agreement under the Fourth Amended and Restated ANSYS, Inc. 1996 Stock Option and Grant Plan.* |
| 10.3 | Form of Non-Employee Director Non-Qualified Stock Option Agreement under the Fourth Amended and Restated ANSYS, Inc. 1996 Stock Option and Grant Plan.* |
| 10.4 | Form of Non-Qualified Option Transfer Acknowledgment under the Fourth Amended and Restated ANSYS, Inc. 1996 Stock Option and Grant Plan.* |
| 10.5 | Form of Indemnification Agreement between ANSYS, Inc. and Non-Employee Directors (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed March 20, 2013, and incorporated herein by reference). |
| 15 | Independent Registered Public Accountant's Letter Regarding Unaudited Financial Information. |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase |

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

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SIGNATURES

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

ANSYS, Inc.

Date: May 2, 2013

By: /s/ James E. Cashman III
James E. Cashman III
President and Chief Executive Officer

Date: May 2, 2013

By: /s/ Maria T. Shields
Maria T. Shields
Chief Financial Officer