

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q

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

For The Quarterly Period Ended October 31, 2004

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

For the transition period from _____ to _____

Commission file number 000-27874

ANSOFT CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	72-1001909
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification no.)

225 West Station Square, Suite 200	15219-1119
Pittsburgh, Pennsylvania	(Zip Code)
(Address of principal executive offices)	

Registrant's telephone number, including area code: (412) 261-3200

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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the registrant's Common Stock outstanding as of the close of business on November 30, 2004 was 11,412,206.

ANSOFT CORPORATION
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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ANSOFT CORPORATION AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 (In thousands) (unaudited)

	October 31, 2004	April 30, 2004
	-----	-----
Assets		
Current assets		
Cash and cash equivalents	\$ 8,947	\$ 15,218
Accounts receivable, net	8,602	10,179
Deferred income taxes	576	343
Prepaid expenses and other assets	1,452	675
	-----	-----
Total current assets	19,577	26,415
Equipment and furniture, net		
Equipment and furniture, net	3,402	3,598
Marketable securities	24,871	25,502
Other assets	381	383
Deferred income taxes	4,973	5,158
Goodwill	1,239	1,239
Intangible assets, net	4,548	5,341
	-----	-----
Total assets	\$ 58,991	\$ 67,636
	=====	=====
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable and accrued expenses	\$ 3,818	\$ 4,015
Deferred revenue	12,802	11,935
Line of credit	5,000	--
	-----	-----
Total current liabilities	21,620	15,950
Line of credit	--	10,000
	-----	-----
Total liabilities	21,620	25,950
Stockholders' equity		
Preferred stock , par value \$0.01 per share; 1,000 shares authorized, no shares outstanding	--	--
	-----	-----
Common stock , par value \$0.01 per share; 25,000 shares authorized; issued 12,987 and 12,778 shares, respectively and outstanding 11,416 and 11,744, respectively	131	129
Additional paid-in capital	60,462	58,562
Treasury stock, 1,571 and 1,034 shares, respectively	(16,856)	(9,090)
Accumulated other comprehensive income, net	319	691
Accumulated deficit	(6,685)	(8,606)
	-----	-----
Total stockholders' equity	37,371	41,686
	-----	-----
Total liabilities and stockholders' equity	\$ 58,991	\$ 67,636
	=====	=====

See accompanying notes to the consolidated financial statements.

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ANSOFT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(unaudited)

	Three months ended October 31,		Six months ended October 31,	
	2004	2003	2004	2003
	-----	-----	-----	-----
Revenue				
License	\$ 8,661	\$ 6,893	\$ 14,830	\$ 12,234
Service and other	7,285	5,365	13,794	10,675
	-----	-----	-----	-----
Total revenue	15,946	12,258	28,624	22,909
Costs of revenue				
License	125	164	222	306
Service and other	356	272	660	520
	-----	-----	-----	-----
Total cost of revenue	481	436	882	826
	-----	-----	-----	-----
Gross profit	15,465	11,822	27,742	22,083
Operating Expenses				
Sales and marketing	7,601	6,339	15,098	12,659
Research and development	4,048	3,773	8,026	7,596
General and administrative	1,329	1,186	2,393	2,297
Amortization	384	761	793	1,618
	-----	-----	-----	-----
Total costs and expenses	13,362	12,059	26,310	24,170
	-----	-----	-----	-----
Income (loss) from operations	2,103	(237)	1,432	(2,087)
Net realized gain (loss) on sale of securities	(27)	--	732	--
Other income, net	647	207	601	468
	-----	-----	-----	-----
Income (loss) before income taxes	2,723	(30)	2,765	(1,619)
Income tax expense (benefit)	834	(8)	844	(405)
	-----	-----	-----	-----
Net income (loss)	\$ 1,889	\$ (22)	\$ 1,921	\$ (1,214)
	=====	=====	=====	=====
	-----	-----	-----	-----
Basic net income (loss) per share	\$ 0.16	\$ --	\$ 0.17	\$ (0.10)
	=====	-----	=====	-----
Diluted net income (loss) per share	\$ 0.14	\$ --	\$ 0.14	\$ (0.10)
	=====	=====	=====	=====
Weighted average shares used in calculation				
Basic	11,567	11,637	11,616	11,655
	=====	=====	-----	=====
Diluted	13,238	11,637	13,275	11,655
	=====	=====	=====	=====

See accompanying notes to the consolidated financial statements.

ANSOFT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Six months ended October 31,	
	2004	2003
	-----	-----
Cash flows from operating activities		
Net income (loss)	\$ 1,921	\$ (1,214)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation	717	771
Amortization	934	1,689
Deferred taxes	--	(435)
Net realized gain on sale of securities	(732)	--
Changes in assets and liabilities		
Accounts receivable	1,865	4,300
Prepaid expenses and other assets	(745)	(104)
Other long-term assets	2	21
Accounts payable and accrued expenses	133	(632)
Deferred revenue	527	(977)
	-----	-----
Net cash provided by operating activities	4,622	3,419
	-----	-----
Cash flows from investing activities		
Purchases of equipment and furniture	(500)	(665)
Proceeds from the sale of marketable securities	14,085	6,813
Purchase of marketable securities	(13,291)	(9,060)
	-----	-----
Net cash provided by (used in) investing activities	294	(2,912)
	-----	-----
Cash flows from financing activities		
Proceeds from (repayment of) line of credit, net	(5,000)	--
Purchase of treasury stock	(7,766)	(1,702)
Proceeds from the issuance of common stock, net	1,323	657
	-----	-----
Net cash used in financing activities	(11,443)	(1,045)
	-----	-----
Net decrease in cash and cash equivalents	(6,527)	(538)
Effect of exchange rate changes	256	251
Cash and cash equivalents at beginning of period	15,218	7,173
	-----	-----
Cash and cash equivalents at end of period	\$ 8,947	\$ 6,886
	=====	=====
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ 44	\$ 121
	=====	=====
Cash paid for income taxes	\$ 290	\$ 30
	=====	=====

See accompanying notes to the consolidated financial statements.

ANSOFT CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (unaudited)

(1) Basis of Presentation

The unaudited consolidated financial statements include the accounts of Ansoft Corporation ("Ansoft" or the "Company") and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of financial position and results of operations have been made. Operating results for interim periods are not necessarily indicative of results which may be expected for a full year. The information included in this Form 10-Q should be read in conjunction with the April 30, 2004 consolidated financial statements and notes thereto included in Ansoft's annual report on Form 10-K filed with the Securities and Exchange Commission.

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying consolidated financial statements are based on management's evaluation of the relevant facts and circumstances as of the date of the consolidated financial statements. Actual results may differ from those estimates.

(2) Comprehensive income (loss)

"Comprehensive income (loss)" includes foreign currency translation gains and losses and other unrealized gains and losses, net of tax. A summary of comprehensive income (loss) follows:

	Three months ended		Six months ended	
	October 31,		October 31,	
	2004	2003	2004	2003
	-----	-----	-----	-----
Net income (loss)	\$ 1,889	\$ (22)	\$ 1,921	\$(1,214)
Unrealized gain on marketable securities	365	392	193	363
Reclassification adjustment for (gain)/loss on sale of marketable securities included in net income	27	--	(732)	--
Foreign currency translation adjustments	233	256	167	251
	-----	-----	-----	-----
Comprehensive income (loss)	\$ 2,514	\$ 626	\$ 1,549	\$ (600)
	=====	=====	=====	=====

(3) Net income per share

Basic net income per share is calculated using the weighted-average number of common shares outstanding during the period. The weighted-average basic shares were 11,567 and 11,616 for the three and six month periods ended October 31, 2004, respectively. Diluted net income per share is computed using the weighted-average number of common shares and potentially dilutive common shares outstanding during the period. The weighted-average dilutive shares were 13,238 and 13,275 for the three and six month periods ended October 31, 2004, respectively. Potentially dilutive common shares consist of the incremental common shares issuable upon the exercise of employee stock options, and are

computed using the treasury stock method. Potentially dilutive common shares are excluded from the calculation if their effect is antidilutive.

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(4) Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with the Financial Accounting Standards Board's ("FASB") SFAS No. 123 "Accounting for Stock-Based Compensation." This statement permits a company to choose either a fair value based method of accounting for its stock-based compensation arrangements or to comply with the Accounting Principles Board ("APB") Opinion No. 25 intrinsic value based method, adding pro forma disclosures of net income and earnings per share computed as if the fair value based method had been applied in the financial statements. The Company has adopted SFAS No. 123 by retaining the APB Opinion No. 25 method of accounting for stock-based compensation with pro forma disclosures of net income and earnings per share. The pro forma effects of stock options on the Company's net income (loss) for those periods may not be representative of the pro forma effect for future periods due to the impact of vesting and potential awards.

The Company's pro forma information follows:

	Three months ended		Six months ended	
	October 31,		October 31,	
	2004	2003	2004	2003
	-----	-----	-----	-----
Net income (loss) as reported	\$ 1,889	\$ (22)	\$ 1,921	\$(1,214)
Deduct: Total stock-based employee compensation expense determined under fair value based method, net of tax	633	807	1,238	1,607
	-----	-----	-----	-----
Pro forma net income (loss)	\$ 1,256	\$ (829)	\$ 683	\$(2,281)
	=====	=====	=====	=====
Pro forma net income (loss) per basic common share	\$ 0.11	\$ (0.07)	\$ 0.06	\$ (0.24)
	=====	=====	=====	=====
Pro forma net income (loss) per diluted common share	\$ 0.09	\$ (0.07)	\$ 0.05	\$ (0.24)
	=====	=====	=====	=====

(5) Line of Credit

On October 21, 2004, the Company entered into a one year secured credit facility, with an aggregate commitment of up to \$30 million, with a domestic financial institution (the "Bank"). The facility replaced the Company's \$20 million secured facility closed during the first quarter. Borrowings under the credit facility bear interest at the Company's option, at the Bank's prime lending rate or the LIBOR rate plus a margin of 50 basis points. The facility is secured by the Company's marketable securities.

The ability of the Company to borrow under the credit facility is subject to our ongoing compliance with certain financial and other covenants, including a covenant as to our tangible net worth. As of October 31, 2004, the Company was in compliance with all debt covenants.

As of October 31, 2004, the Company had borrowed \$5 million under the credit facility.

(6) Commitments and Contingencies

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, expense and liabilities from damages that may be 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.

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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 October 31, 2004. For several reasons, including the lack of prior indemnification claims, the Company cannot determine the maximum amount of potential future payments, if any, related to such indemnification provisions.

(7) Recent Accounting Pronouncements

On March 31, 2004, the FASB issued an exposure draft, "Share-Based Payment, an Amendment of FASB Statements No. 123 and 95." The proposed change in accounting would replace existing requirements under SFAS No. 123 and APB Opinion No. 25 and cover a wide range of equity-based compensation arrangements. Under the proposal, all forms of share-based payments to employees, including stock options, would be treated as other forms of compensation by recognizing the related cost in the statement of operations. The expense of the award would generally be measured at fair value at the grant date. Final rules are expected to be issued in late 2004. The standard would be effective for interim and annual periods beginning after June 15, 2005. The Company will evaluate the impact of the final rules on its financial position and operations when issued.

(8) Intangible Assets

The following is a list of Intangible Assets as of October 31, 2004:

Purchased Technology	\$ 2,230
Non-Compete	2,500
Trademark	212
Customer list	18,488

TOTAL	\$ 23,430
	=====

Total accumulated amortization as of October 31, 2004 was \$18,882.

(9) Stockholders' Equity

The Company has consistently purchased its common stock in public market transactions over the past several years. In the current fiscal year as of October 31, 2004, the Company purchased a total of 537 shares of common stock at an average price of \$14.46. The Company utilized \$7.8 million in cash from operations to effect these common stock purchases. The Company may choose to continue purchases of common stock in the future.

On October 7, 2004, the Company's Board of Directors increased the authorized share repurchase amount by 1.0 million shares to 3.0 million (increase in authorization was publicly announced October 12, 2004).

The Company currently has two stock option plans (1988 Plan and 1995 Plan). Under the terms of both plans, options to purchase common stock are granted at no less than the stock's estimated fair market value at the date of the grant and may be exercised during the specified future periods as determined by the Board of Directors. Both plans provide that the options shall expire no more than ten years after the date of the grant. During the first six months of the fiscal year 2005, 78 shares were granted at an average price of \$12.56. At October 31, 2004 options to purchase 2,238 shares of common stock were exercisable at an average price of \$6.92.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains certain forward-looking statements that involve substantial risks and uncertainties. When used in this Form 10-Q, the words "anticipate," "plan," "believe," "estimate," "expect" and similar expressions as they relate to Ansoft or its management are intended to identify such forward-looking statements. Ansoft's actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements. Factors that could cause or contribute to such differences include (1) the degree and rate of growth of the markets in which Ansoft competes and the accompanying demand for Ansoft's products, (2) the level of product and price competition, (3) the ability of Ansoft to develop and market new products and to control costs, (4) the ability to expand its direct sales force, and (5) the ability to attract and retain key personnel.

Overview

Ansoft is a developer of electronic design automation ("EDA") software used in high technology products and industries. Ansoft's software is used by electrical engineers in the design of state of the art technology products, such as cellular phones, internet networking, satellite communications systems, computer chips and circuit boards, and electronic sensors and motors. Engineers use our software to maximize product performance, eliminate physical prototypes, and reduce time-to-market.

During the second quarter of fiscal 2005, revenues increased by 30% from the previous fiscal year's second quarter. New license revenue increased by 26% and maintenance revenue increased 36%. The Company experienced growth in both product lines and in our domestic and international markets for the quarter.

Net income for the quarter was \$1.9 million compared to a \$22,000 loss during the second fiscal quarter of 2004.

RESULTS OF OPERATIONS

	Three months ended October 31,			Six months ended October 31,		
	2004	2003	Percentage Change	2004	2003	Percentage Change
Revenue	\$15,946	\$12,258	30.1%	\$28,624	\$ 22,909	24.9%
Cost of revenue	481	436	10.3%	882	826	6.8%
Gross profit	15,465	11,822	30.8%	27,742	22,083	25.6%
Sales and marketing	7,601	6,339	19.9%	15,098	12,659	19.3%
Research and development	4,048	3,773	7.3%	8,026	7,596	5.7%
General and administrative	1,329	1,186	12.1%	2,393	2,297	4.2%
Amortization	384	761	(49.5%)	793	1,618	(51.0%)
Total operating expenses	13,362	12,059	10.8%	26,310	24,170	8.9%
Income (loss) from operations	2,103	(237)	987.3%	1,432	(2,087)	168.6%
Net realized gain (loss) on sale of securities	(27)	-	N/A	732	-	N/A
Other income, net	647	207	212.6%	601	468	28.4%
Income (loss) before income taxes	2,723	(30)	9,176.7%	2,765	(1,619)	270.8%
Income tax expense (benefit)	834	(8)	10,525.0%	844	(405)	308.4%
Net income (loss)	\$ 1,889	\$ (22)	8,686.4%	\$ 1,921	\$ (1,214)	258.2%

Comparison of the Three and Six Months Ended October 31, 2004 and 2003

REVENUE. Total revenue in the three and six-month period ended October 31, 2004 increased 30.1% and 24.9% to \$15.9 million and \$28.6 million, respectively. License revenue during the three-month period ended October 31, 2004 increased 25.6% to \$8.7 million from \$6.9 million during the comparable period in the prior fiscal year. License revenue during the six-month period ended October 31, 2004 increased 21.2% to \$14.8 million from \$12.2 million during the comparable period in the prior fiscal year. The increase is attributed to an improving economy, particularly an improvement in the technology sectors resulting in an increased demand for our software products worldwide. Growth occurred in both our high frequency and EM product lines. Service and other revenue in the three and six-month periods ended October 31, 2004 increased 35.8% and 29.2% due to the continued growth of the installed base of customers under annual maintenance agreements. This increase is primarily attributed to an increase in our international annual maintenance agreements.

International revenue accounted for 60% and 50% of the Company's total product revenue in the three-month periods ended October 31, 2004 and 2003, respectively. International revenue accounted for 60% and 55% of the Company's total product revenue in the six-month periods ended October 31, 2004 and 2003, respectively. Generally, the Company believes international sales are subject to additional risks associated with international operations, including currency exchange fluctuations, tariff regulations and requirements for export.

Exchange rates will fluctuate throughout the fiscal year. When comparing the percentage of international revenues to total revenues for the three and six-month periods, using current year exchange rates for the prior year revenues, the international revenue would increase by 2% in the prior year resulting in 52% and 57% of total revenue for the three and six-month periods ended October 31, 2003.

COST OF REVENUE. Cost of revenue consists primarily of software materials, personnel and other expenses related to providing maintenance and post-contract customer support and amortization of acquired technology. Cost of revenue for the three-month period ended October 31, 2004 increased 10.3% to \$481,000 from the comparable period in the prior fiscal year. Cost of revenue for the six-month period ended October 31, 2004 increased 6.8% to \$882,000 from the comparable period in the prior fiscal year. The increase was primarily attributed to an increase in annual maintenance agreements from the previous fiscal year.

SALES AND MARKETING EXPENSES. Sales and marketing expenses consist of salaries, commissions paid to internal sales and marketing personnel, promotional costs and related operating expenses. Sales and marketing expenses in the three and six-month period ended October 31, 2004 increased 19.9% and 19.3% to \$7.6 million and \$15.1 million due to the increased sales volume. Sales and marketing expenses represented 48% and 52% of total revenue in the three-month periods ended October 31, 2004 and 2003, respectively. Sales and marketing expenses represented 53% and 55% of total revenue in the six-month periods ended October 31, 2004 and 2003, respectively.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses include all costs associated with the development of new products and enhancements to existing products. Total research and development expenses for the three and six-month period ended October 31, 2004 increased 7.3% and 5.7% to \$4 million and \$8 million, respectively. Total research and development increased primarily due to the additional personnel to meet software development requirements. Research and development expenses represented 25% and 31% of total revenue in the three-month periods ended October 31, 2004 and 2003, respectively. Research and development expenses represented 28% and 33% of total revenue in the six-month periods ended October 31, 2004 and 2003, respectively.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses for the three and six-month periods ended October 31, 2004 increased 12.1% and 4.2% to \$1.3 million and \$2.4 million, respectively. The increase is due to general operating costs related to the increase in personnel. General and administrative expenses represented 8% and 10% of total revenue in the three and six-month periods ended October 31, 2004 and 2003, respectively.

AMORTIZATION EXPENSE. Amortization expense for the three and six-month periods ended October 31, 2004 decreased 49.5% and 51% to \$384,000 and \$793,000, respectively. The decrease is due to various intangible assets being fully amortized in the prior fiscal year.

NET REALIZED GAIN (LOSS) ON SALE OF SECURITIES. Net realized loss for the three-month period ended October 31, 2004 was \$(27,000) compared to \$0 for the same period in the previous fiscal year. Net realized gain for the six-month period ended October 31, 2004 was \$732,000 compared to \$0 for the same period in the previous fiscal year. There were no sales of securities for the three and six month periods ending October 31, 2003.

OTHER INCOME, NET. Other income for the three-month period ended October 31, 2004 was \$647,000, an increase from the \$207,000 reported for the same period in the previous fiscal year. Other income for the six-month period ended October 31, 2004 was \$601,000, an increase from the \$468,000 reported in the same period in the previous fiscal year. The increase is primarily due to interest on marketable securities and translation gains.

INCOME TAX EXPENSE (BENEFIT). In the three-month period ended October 31, 2004, the Company recorded tax expense of \$834,000 compared to an \$(8,000) tax benefit for the same period in the previous fiscal year. In the six-month period ended October 31, 2004, the Company recorded tax expense of \$844,000 compared to a \$(405,000) tax benefit for the same period in the previous fiscal year. Ansoft expects to be profitable for the full 2005 fiscal year resulting in an expected overall tax expense position for the full fiscal year. The forecasted effective tax rate of 30.5% has been favorably impacted by approximately 6.5% as a result of the expected research and development credit that is available to the Company.

Liquidity and Capital Resources

As of October 31, 2004, Ansoft had \$8.9 million in cash and cash equivalents and working capital of \$(2.0) million. Net cash provided by operating activities in the six-month periods ended October 31, 2004 and 2003 was \$4.6 million and \$3.4 million, respectively.

Net cash provided by (used in) investing activities in the six-month periods ended October 31, 2004 and 2003 was \$294,000 and \$(2.9) million, respectively. Capital expenditures were \$500,000 and \$665,000 in the six-month periods ended October 31, 2004 and 2003, respectively. Proceeds from the sale of marketable securities were \$14.1 million and \$6.8 million in the six-month periods ended October 31, 2004 and 2003. Purchases of marketable securities were \$13.3 million and \$9.1 million in the six-month periods ended October 31, 2004 and 2003, respectively. The increase in purchases of marketable securities was due to increased cash resulting from cash flows from operations. Cash and cash equivalents were \$15.2 million at April 30, 2004 compared to \$7.2 million at April 30, 2003.

Net cash used in financing activities was \$11.4 million and \$1.3 million in the six-month periods ended October 31, 2004 and 2003, respectively. Proceeds from the issuance of common stock were \$1.9 million and \$657,000 in the six-month periods ended October 31, 2004 and 2003, respectively. Funds used for the purchase of treasury stock were \$7.8 million and \$1.7 million in the six-month periods ended October 31, 2004 and 2003, respectively. The Company continues to purchase treasury stock under its share repurchase plan. Cash and cash equivalents were \$15.2 million at April 30, 2004 compared to \$7.2 million at April 30, 2003.

Ansoft had available a \$30.0 million secured line of credit from a domestic financial institution at an interest rate equal to LIBOR plus an applicable margin rate. The line of credit was secured in October 2004. As of October 31, 2004, the outstanding balance was \$5 million. Ansoft believes that the net cash provided by operating activities will be sufficient to meet its anticipated cash needs for working capital and capital expenditures for the foreseeable future. Thereafter, if cash generated from operations is insufficient to satisfy the Company's liquidity requirements, Ansoft may seek additional funds through

equity or debt financing. There can be no assurance that additional financing will be available or that, if available, such financing will be on terms favorable to Ansoft. Ansoft does hold marketable securities that are available for liquidation to pay on the line of credit should additional debt or equity financing not become available.

A summary of Ansoft's significant contractual obligations and commitments as of October 31, 2004 is as follows (in thousands and for fiscal year):

	Debt	Operating Leases
	-----	-----
2005	\$ -	\$ 745
2006	5,000	1,367
2007	-	806
2008	-	663
2009	-	398
2010	-	4

For fiscal year 2005, the balance of \$745 represents the remaining payments due as of October 31, 2004. For fiscal year 2010, the balance of \$4 represents the payments through October 31, 2010.

Critical Accounting Policies

Ansoft's critical accounting policies are as follows:

- o Revenue Recognition
- o Valuation of Accounts Receivable
- o Impairment of Long-Lived Assets
- o Impairment of Marketable Securities Available for Sale
- o Deferred Tax Asset Valuation Allowance

REVENUE RECOGNITION. Revenue consists of fees for licenses of software products and service and other revenue. Ansoft recognizes revenue in accordance with SOP 97-2, "Software Revenue Recognition," and related interpretations. Accordingly, revenue is recognized when all of the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred, the vendor's fee is fixed or determinable, and collectibility is probable.

License revenue. Ansoft licenses its software on a perpetual basis with no right to return or exchange the licensed software. License revenue is recognized based on the residual method.

Postcontract customer support ("PCS") for an initial three month period is bundled with the perpetual license fee. Revenue related to the three-month PCS is deferred and recognized ratably over the three-month term. Ansoft's vendor-specific objective evidence of fair value, or VSOE, for the three-month PCS is based upon the pricing for comparable transactions when the element is sold separately. Ansoft's VSOE for the three-month PCS is based upon one fourth of the customer's annual maintenance contract renewal rates.

Service and other revenue consists primarily of PCS revenue. Following the initial three month PCS period, Ansoft offers customers one-year maintenance contracts generally at 15% of the list price of the respective software products. Ansoft recognizes all maintenance revenue ratably over the respective maintenance period. Customers typically renew maintenance agreements annually.

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

Valuation of Accounts Receivable. Management reviews accounts receivable to determine which are doubtful of collection. In making the determination of the appropriate allowance for doubtful accounts, management considers Ansoft's history of write-offs, relationships with its customers, and the overall credit worthiness of its customers. The allowance for doubtful accounts as of October 31, 2004 and 2003 was \$814,000 and \$903,000 respectively. The decrease in the allowance from the prior fiscal year was primarily due to uncollectible customer balances written off during the six month period ending October 31, 2004. We had no significant changes in our collection policies or payment terms.

Impairment of Long-Lived Assets. The Company reviews assets for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. A determination of impairment is made based on estimates of future cash flows. If such assets are considered to be impaired the amount of the impairment is based on the excess of the carrying value over the fair value of the assets.

Goodwill and purchased intangibles with indefinite lives are reviewed annually for impairment. A determination of impairment is based on the estimated fair value of the reporting entity.

Impairment of Marketable Securities Available for Sale. An impairment charge is recorded if a decline in the market value of any available for sale security below cost is deemed to be other than temporary. The impairment is charged to earnings and a new cost basis for the security is established.

Deferred Tax Asset Valuation Allowance. Deferred tax assets are recognized for deductible temporary differences, net operating loss carryforwards, and credit carryforwards. To the extent that it is more likely than not that some portion or all of the deferred tax asset will not be realized, a valuation allowance is established. The company considers projected future taxable income and tax planning strategies in making this assessment.

The judgments used in applying the above policies are based on management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from those estimates.

Additional Risk Factors that may affect Future Results

Our Future Operating Results Are Uncertain.

Ansoft has incurred net losses in three of the past five fiscal years. There can be no assurance that Ansoft's revenue and net income will grow or be sustained in future periods or that Ansoft will be profitable in any future period. Future operating results will depend on many factors, including the degree and the rate of growth of the markets in which Ansoft competes and the accompanying demand for Ansoft's products, the level of product and price competition, the ability of Ansoft to develop and market new products and to control costs, the ability of Ansoft to expand its direct sales force and the ability of Ansoft to attract and retain key personnel.

Our Quarterly Operating Results Are Difficult To Predict.

We are unable to accurately forecast our future revenues primarily because of the emerging nature of the market in which we compete. Our revenues and operating results generally depend on the size, timing and structure of significant licenses. These factors have historically been, and are likely to continue to be, difficult to forecast. In addition, our current and future expense levels are based largely on our operating plans and estimates of future revenues and are, to an extent, fixed. We may be unable to adjust spending sufficiently or quickly enough to compensate for any unexpected revenue shortfall. Accordingly, any significant shortfall in revenues in relation to our planned expenditures would seriously harm our business, financial condition and results of operations. Such shortfalls in our revenue or operating results from levels expected by public market analysts and investors could seriously harm the trading price of our common stock. Additionally, we may not learn of such revenue shortfalls, earnings shortfalls or other failure to meet market expectations until late in a fiscal quarter, which could result in an even more immediate and serious harm to the trading price of our common stock.

Our quarterly operating results have varied, and it is anticipated that our quarterly operating results will vary, substantially from period to period depending on various factors, many of which are outside our control. Due to the foregoing factors, we cannot predict with any significant degree of certainty our quarterly revenue and operating results. Further, we believe that period-to-period comparisons of our operating results are not necessarily a meaningful indication of future performance.

Our Stock Price Is Extremely Volatile.

The trading price of our common stock has fluctuated significantly in the past, and the trading price of our common stock is likely to be highly volatile and could be subject to wide fluctuations in price in response to such factors as:

- Actual or anticipated fluctuations in our operating results;
- Announcements of technological innovations and new products by us or our competitors;
- New contractual relationships with strategic partners by us or our competitors;
- Proposed acquisitions by us or our competitors; and
- Financial results that fail to meet public market analyst expectations of performance.

In addition, the stock market in general, The Nasdaq National Market and the market for technology companies in particular has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. These broad market and industry factors may seriously harm the market price of our common stock in future periods.

Businesses Or Assets We Acquire May Not Perform As Projected.

We have acquired or merged with a number of technologies, assets and companies in recent years, including the Agilent Technologies' HFSS product line within the past five years. As part of our efforts to increase revenue and expand our product and services offerings we may acquire additional companies in the future. In addition to direct costs, acquisitions pose a number of risks, including potential dilution of earnings per share, delays and other problems of integrating the acquired products and employees into our business, the failure to realize expected synergies or cost savings, the failure of acquired products to achieve projected sales, the drain on management time for acquisition-related activities, possible adverse effects on customer buying patterns due to uncertainties resulting from an acquisition, and assumption of unknown liabilities. The foregoing factors could seriously harm our business, financial condition and results of operations.

We May Lose Competitive Advantages If Our Proprietary Rights Are Inadequately Protected.

Ansoft's success depends, in part, upon its proprietary technology. We rely on a combination of trade secrets, copyrights, trademarks and contractual commitments to protect our proprietary rights in our software products. We generally enter into confidentiality or license agreements with our employees, distributors and customers, and limit access to and distribution of our software, documentation and other proprietary information. Despite these precautions, a third party may still copy or otherwise obtain and use our products or technology without authorization, or develop similar technology independently. In addition, effective patent, copyright and trade secret protection may be unavailable or limited in certain foreign countries. It is possible that we may fail to adequately protect our proprietary rights. This would seriously harm Ansoft's business, operating results and financial condition.

We May Be Unable To Attract And Retain The Key Management And Technical Personnel That We Need To Succeed.

Ansoft's future operating results depend in large part upon the continued services of its key technical and management personnel. Ansoft does not have employment contracts with any executive officer. Ansoft's future success will also depend in large part on its ability to continue to attract and retain highly skilled technical, marketing and management personnel. The competition for such personnel, as well as for qualified EDA engineers, is intense. If Ansoft is unable to attract, hire and retain qualified personnel in the future, the development of new products and the management of Ansoft's increasingly complex business would be impaired. This could seriously harm Ansoft's business, operating results and financial condition.

We Depend On International Sales for a Significant Percentage Of Our Revenue.

International revenue, principally from Asian customers, accounted for approximately 57% and 56% of our total revenue in the years ended April 30, 2004 and 2003, respectively. We expect that international license and service revenue will continue to account for a significant portion of our total revenue for the foreseeable future. Our international business activities are subject to a variety of potential risks, including:

- The impact of recessionary environments in foreign economies;
- Longer receivables collection periods and greater difficulty in accounts receivable collection;
- Difficulties in staffing and managing foreign operations;
- Political and economic instability;
- Unexpected changes in regulatory requirements;
- Reduced protection of intellectual property rights in some countries; and
- Tariffs and other trade barriers.

Currency exchange fluctuations in countries in which we license our products could also seriously harm our business, financial condition and results of operations. In addition, the laws of certain countries do not protect our products and intellectual property rights to the same extent, as do the laws of the United States. Moreover, it is possible that we may fail to sustain or increase revenue derived from international licensing and service or that the foregoing factors will seriously harm our future international license and service revenue, and, consequently, seriously harm our business, financial condition and results of operations.

We Need To Successfully Manage Our Expanding Operations.

Revenues have grown from \$8.7 million in fiscal 1996 to \$54.7 million in fiscal year 2004, and the number of employees has grown from 69 in April 1996 to 276 as of April 30, 2004. Ansoft's ability to manage growth effectively will require it to continue to improve its operational and financial systems, hire and train new employees and add additional space, both domestically and internationally. Ansoft may not be successful in addressing such risks, and the failure to do so would seriously harm Ansoft's business, financial condition and results of operations.

We Depend On The Growth Of The Communications, Semiconductor And Electronics Industries.

Ansoft is dependent upon the communications and semiconductor industry and, more generally, the electronics industry. These industries are characterized by rapid

technological change, short product life cycles, fluctuations in manufacturing capacity and pricing and gross margin pressures. Segments of these industries have from time to time experienced significant economic downturns characterized by decreased product demand, production over-capacity, price erosion, work slowdowns and layoffs. Any significant downturn could be especially severe on Ansoft. During such downturns, the number of new integrated circuit design projects often decreases. Because acquisitions of new licenses from Ansoft are largely dependent upon the commencement of new design projects, any slowdown in these industries could seriously harm Ansoft's business, financial condition and results of operations.

We Are Controlled By Our Principal Stockholders And Management Which May Limit Your Ability To Influence Stockholder Matters.

Our executive officers, directors and principal stockholders own approximately 37% of the outstanding shares of Ansoft common stock. As a result, they have the ability to effectively control us and direct our affairs, including the election of directors and approval of significant corporate transactions. This concentration of ownership also may have the effect of delaying, deferring or preventing a change in control of our company and may make some transactions more difficult or impossible without the support of these stockholders. The interests of these stockholders may conflict with those of other stockholders.

Anti-Takeover Provisions in Ansoft's Certificate Of Incorporation, Bylaws, And Under Delaware Law Could Prevent An Acquisition.

We have adopted a number of provisions that could have anti-takeover effects. The Board of Directors has the authority to issue up to 1,000,000 shares of Preferred Stock without any further vote or action by Ansoft's stockholders. This and other provisions of Ansoft's Certificate of Incorporation, Bylaws and Delaware Law may have the effect of deterring hostile takeovers or delaying or preventing changes in control or management, including transactions in which the stockholders of Ansoft might otherwise receive a premium for their shares over then current market prices.

Effects of Inflation.

To date, inflation has not had a material impact on the Company's consolidated financial results.

Seasonal Effects.

Traditionally, sales in the first quarter will decrease from the fourth quarter of the prior fiscal year. Revenues will sequentially increase over the next three quarters of the fiscal year. The fourth quarter is typically the highest revenue quarter for the fiscal year.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

There have been no material changes in reported market risks faced by the Company since April 30, 2004. The majority of our foreign currency transactions are denominated in the yen or the euro, which are the functional currencies of Japan and Europe, respectively. As a result of transactions being denominated and settled in such functional currencies, the risks associated with currency fluctuations are primarily associated with foreign currency translation adjustments. We do not currently hedge against foreign currency translation risks and do not currently believe that foreign currency exchange risk is significant to our operations due to the short term nature of assets and liabilities denominated in foreign currency.

The average foreign exchange rates used to translate the 2004 and 2005 statements of operations were as follows:

FOREIGN CURRENCY	SIX MONTHS ENDING OCTOBER 31, 2004	SIX MONTHS ENDING OCTOBER 31, 2003
Yen	111.0	119.5
Euro	1.195	1.110

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, the Company evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q, and, based on their evaluation, the Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures are effective. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

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PART II OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table sets forth, the repurchases of common stock for the quarter ended October 31, 2004:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs (a)
Aug. 1, 2004 - Aug. 31, 2004	44,900	\$ 13.79	1,713,421	286,579
Sept. 1, 2004 - Sept. 30, 2004	48,000	\$ 15.17	1,761,421	238,579
Oct. 1, 2004 - Oct. 31, 2004	254,600	\$ 14.70	2,016,021	983,979
Total	347,500	\$ 14.65		

(a) On October 7, 2004, the Company's Board of Directors increased the authorized share repurchase amount by 1.0 million shares to 3.0 million (increase in authorization was publicly announced October 12, 2004).

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

The Company's annual meeting of stockholders was held on October 7, 2004 at which the actions below were taken:

- The stockholders elected the following five directors to the Company's Board of Directors, by the votes indicated below, to serve for the ensuing year.

Name	Shares in Favor	Shares Withheld
Nicholas Csendes	12,142,293	87,867
Zoltan J. Cendes	12,152,540	77,620
Peter Robbins	12,157,040	73,120
John N. Whelihan	12,155,940	74,220
Paul J. Quast	12,138,793	91,367

ITEM 6. EXHIBITS

(a) Exhibits.

- 3.1 Amended and Restated Certificate of Incorporation of the Company---
Incorporated by reference from Registration Statement No. 333-40189
- 3.2 Certificate of Amendment to the Company's Amended and Restated
Certificate of Incorporation---Incorporated by reference from the
Registration Statement No. 333-40189.
- 3.3 Bylaws of the Company---Incorporated by reference from Registration
Statement No. 333-1398.
- 10.1 Loan Agreement by and between Ansoft Corporation and PNC Bank,
National Association dated October 21, 2004---Exhibit 99.1 of the
October 21, 2004 Form 8-K is incorporated herein by reference.
- 31.1 Certification of the Chief Executive Officer pursuant to Rule
13a-14(a) of the Securities Exchange Act of 1934, as amended, and
Section 302 of the Sarbanes Oxley Act of 2002---Filed herewith.
- 31.2 Certification of the Chief Financial Officer pursuant to Rule
13a-14(a) of the Securities Exchange Act of 1934, as amended, and
Section 302 of the Sarbanes Oxley Act of 2002---Filed herewith.
- 32.1 Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant
to Section 906 of the Sarbanes-Oxley Act of 2002---Filed herewith.

SIGNATURES

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

Date: December 10, 2004

ANSOFT CORPORATION

By: /s/ Nicholas Csendes

Nicholas Csendes
President and Chief Executive Officer

By: /s/ Thomas A.N. Miller

Thomas A.N. Miller
Chief Financial Officer

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EXHIBIT 31.1

CERTIFICATIONS

I, Nicholas Csendes, certify that:

1. I have reviewed this report on Form 10-Q of Ansoft Corporation, the registrant;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, 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 registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal control of financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 10, 2004

By: /s/ Nicholas Csendes

Nicholas Csendes
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Thomas A.N. Miller, certify that:

1. I have reviewed this report on Form 10-Q of Ansoft Corporation, the registrant;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, 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 registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal control of financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 10, 2004

By: /s/ Thomas A.N. Miller

Thomas A.N. Miller
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Ansoft Corporation (the "Company") on Form 10-Q for the quarter ended October 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(1) The Report fully complies with requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 10, 2004

By: /s/ Nicholas Csendes

Nicholas Csendes
President and Chief Executive Officer

Date: December 10, 2004

By: /s/ Thomas A.N. Miller

Thomas A.N. Miller
Chief Financial Officer

This certification is made solely for purposes of 18 U.S.C. Section 1350, subject to the knowledge standard contained therein, and not for any other purpose.