Aspen Technology Delivers Thirteen Percent Software License Revenue Growth as Key Process Industry Markets Remain Strong

August 4, 2004

Company announces initiatives designed to generate higher operating margins

CAMBRIDGE, Mass.--(BUSINESS WIRE)--Aug. 4, 2004-- Aspen Technology, Inc. (NASDAQ: AZPN) today reported financial results for its fiscal 2004 fourth quarter and fiscal year ended June 30, 2004.

Total revenues for the fourth quarter totaled $87.6 million, with software license revenues growing by thirteen percent to $43.5 million and services revenues totaling $44.0 million. Management had previously estimated that total revenues for the fiscal fourth quarter would be in the range of $81 to $83 million and that software license revenues would be in the range of $37 to $39 million. On a Generally Accepted Accounting Principles (GAAP) basis, the company reported a fourth quarter net loss of $41.4 million, or $1.00 per diluted share, which includes one-time charges of $42.8 million. On a pro forma (non-GAAP) basis, excluding these charges, amortization of intangibles, and the preferred stock dividend and discount accretion, the company reported fiscal 2004 fourth quarter net income of $6.6 million, or $0.08 per diluted share.

The company initiated several actions in the fourth quarter that are expected to lower its quarterly expense run rate to approximately $69 million for the quarter ending September 30, 2004. These actions include the redeployment and reduction of personnel, scaling back investments in certain products, and eliminating certain lease obligations. The company expects to direct a portion of these savings toward additional sales and marketing resources that will be focused on its newer products. Management believes its lower expense base and sharpened focus will position the company to achieve double-digit operating margins for fiscal 2005.

"The fundamentals of our business continue to remain solid. We delivered our fifth straight quarter of software license growth and, for the first time since June 1998, generated pro forma (non-GAAP) operating margins for the quarter in the double-digits," said David McQuillin, President and CEO of AspenTech. "Our sales were balanced by both industry and product mix, as we experienced strength from each of the chemicals, petroleum, and oil & gas markets. Additionally, our manufacturing/supply chain product line had its strongest performance in the past two years.

"With the potential approval of the Federal Trade Commission (FTC) settlement, we would remove a major external issue that has distracted us from focusing on our business over the past two years. Our attention has now turned to building on our momentum and increasing our operating margins for fiscal 2005. We indicated at the beginning of this year that we would continue to focus our efforts on bringing all of our products together to provide an integrated solution for the Enterprise Operations Management market. The execution of this integration strategy has enabled us to streamline many of our internal processes to drive costs out of the business, as well as curtail our investment in certain products. These changes will enable us to increase our productivity and efficiency, while driving earnings growth in fiscal 2005."

During the fourth quarter, the company signed significant software license transactions with Shell Oil, Procter & Gamble, Dupont, Nova Chemicals, INVISTA, Sasol, Jacobs Engineering and BASF.

Fiscal 2004 Results

Total revenues for the fiscal year ending June 30, 2004 were $325.7 million, with software license revenues growing by approximately nine percent year-over-year to $152.3 million and services revenue totaling $173.4 million. On a GAAP basis, the company reported a net loss of $35.0 million, or $0.86 per diluted share, as compared to a net loss of $170.0 million, or ($4.42) per diluted share, for fiscal 2003. On a pro forma (non-GAAP) basis, the company reported fiscal 2004 net income of $24.8 million, or $0.31 per diluted share.

"During fiscal 2004 we increased our pro forma (non-GAAP) operating income to $27.0 million from $2.5 million in fiscal 2003, reduced our debt by over $100 million, and generated $41 million in cash flow from operations," said Charles Kane, Sr. VP & CFO of AspenTech. "This improvement has been the result of software license revenue growth of nine percent, the reduction of total recurring expenses by more than $21 million, and lowering our DSOs for billed receivables in the fourth quarter to 54 days, a 31 day year-over-year improvement. We are extremely pleased with this performance and anticipate that over the next twelve months we will generate significantly higher operating margins and have a debt-free balance sheet by the end of fiscal 2005."

"I am proud of the dramatic improvements we have made in the financial performance of the company for fiscal 2004," McQuillin said. "As we approach AspenWorld, the process industry conference we host every two years, we are excited about our opportunity to showcase how our new, integrated solutions can help customers improve their business processes and capture significant economic value."

FTC Settlement

On July 15, 2004, the company announced that Federal Trade Commission (FTC) commissioners had accepted a Proposed Consent Decree for public comment to settle proceedings regarding its acquisition of Hyprotech. Under the terms of the agreement, AspenTech would agree to sell rights to the Hyprotech product line together with its operator training business to an FTC-approved buyer, but would otherwise retain the rights to continue selling and developing all of the engineering software products it acquired from Hyprotech, excluding the AXSYS product line. Additionally, AspenTech sold its AXSYS product line to Bentley Systems on July 21, 2004.

The revenue impact from the sale of the operator training business and AXSYS product line is expected to be approximately $20 million, of which approximately $2 million is related to software license revenue. The fiscal 2004 operating income contribution from these businesses was approximately $1.5 million.

Business Outlook

For fiscal 2005, the company anticipates that it will generate pro forma (non-GAAP) earnings per share between $0.31 and $0.40 and that it will deliver double-digit operating margins for the full fiscal year. Due to the sale of its operator training business, which consists primarily of implementation services, the company believes that software license revenues will represent a higher percentage of its total revenues in fiscal 2005.

Conference Call and Webcast

The company will hold a conference call and webcast to discuss its financial results, business outlook, and related corporate and financial matters, including the previously announced Proposed Consent Decree with the Federal Trade Commission, at 5:00 p.m. eastern time on Wednesday, August 4, 2004. Interested parties may listen to a live webcast of the call by logging on to AspenTech's website: http://www.aspentech.com and clicking on the "Webcast" link under the Investor Relations section of the site. A replay of the call will be archived on AspenTech's website for the next twelve months and will also be available for forty-eight hours via telephone, beginning at 8:00 p.m. eastern time on August 4, 2004, by dialing (800) 642-1687 and entering in confirmation code: 9142321.

Pro Forma (non-GAAP) Results

AspenTech reports pro forma financial results, which exclude certain non-operational, non-cash and other specified charges that management generally does not consider in evaluating the Company's ongoing operations. These results are provided as a complement to results provided in accordance with accounting principles generally accepted in the United States (known as "GAAP"). Management believes this pro forma measure helps indicate underlying trends in the Company's business, and uses this pro forma measure to establish budgets and operational goals that are communicated internally and externally, to manage the Company's business and to evaluate its performance. A reconciliation of pro forma to GAAP is included in the attached condensed consolidated financial statements.

About AspenTech

Aspen Technology, Inc. provides industry-leading software and implementation services that enable process companies to increase efficiency and profitability. AspenTech's engineering product line is used to design and improve plants and processes, maximizing returns throughout an asset's operating life. Its manufacturing/supply chain product line allows companies to increase margins in their plants and supply chains, by managing customer demand, optimizing production, and streamlining the delivery of finished products. These two offerings are combined to create solutions for enterprise operations management (EOM), integrated enterprise-wide systems that provide process manufacturers with the capability to dramatically improve their operating performance. Over 1,500 leading companies already rely on AspenTech's software, including Aventis, Bayer, BASF, BP, ChevronTexaco, Dow Chemical, DuPont, ExxonMobil, Fluor, Foster Wheeler, GlaxoSmithKline, Shell, and Total. For more information, visit www.aspentech.com.

The second, third, fourth, fifth, ninth and tenth paragraphs of this press release contains forward-looking statements for purposes of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. For this purpose, any statement using the term "will," "should," "could," "anticipates," "believes" or a comparable term is a forward-looking statement. Actual results may vary significantly from AspenTech's expectations based on a number of risks and uncertainties, including: AspenTech's lengthy sales cycle which makes it difficult to predict quarterly operating results; the FTC proceeding challenging AspenTech's acquisition of Hyprotech; fluctuations in AspenTech's quarterly operating results; AspenTech's dependence on customers in the cyclical chemicals, petrochemicals and petroleum industries; AspenTech's ability to raise additional capital as required; AspenTech's ability to integrate the operations of acquired companies; intense competition; AspenTech's need to develop and market products successfully; reliance on relationships with strategic partners; and other risk factors described from time to time in AspenTech's periodic reports and registration statements filed with the Securities and Exchange Commission. AspenTech cannot guarantee any future results, levels of activity, performance, or achievements. Moreover, neither AspenTech nor anyone else assumes responsibility for the accuracy and completeness of any forward-looking statements. AspenTech undertakes no obligation to update any of the forward-looking statements after the date of this press release.

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ASPEN TECHNOLOGY, INC.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Year Ended June 30, 2004	Year Ended June 30, 2003
REVENUES:				
Software licenses	$43,534	$38,549	$152,270	$139,859
Service and other	44,029	44,220	173,426	182,862
Total revenues	87,563	82,769	325,696	322,721
COST OF REVENUES:				
Cost of software licenses	3,780	4,179	15,566	13,916
Cost of service and other	25,210	26,292	99,433	106,868
Amortization of technology related intangible assets	1,790	1,822	7,270	8,219
Impairment of technology related intangible and computer software development				

assets	3,250	496	3,250	8,533
Total cost of revenues	34,030	32,789	125,519	137,536
Gross profit	53,533	49,980	200,177	185,185
OPERATING COSTS:				
Selling and marketing	28,205	25,243	99,486	105,883
Research and development	14,561	15,617	59,095	65,086
General and administrative (includes litigation defense and settlement costs of $5,103, $0, $6,553 and $0 for the three months ended June 30, 2004 and 2003 and twelve months ended June 30, 2004 and 2003, respectively) (2)	12,189	7,222	31,714	28,462
Long lived asset impairment charges	967	-	967	106,264
Restructuring charges and FTC legal costs	18,833	18,037	20,833	41,080
Total operating costs	74,755	66,119	212,095	346,775
Income (loss) from operations	(21,222)	(16,139)	(11,918)	(161,590)
Other income (expense), net	184	154	941	(596)
Interest income, net	416	155	2,493	1,353
Income (loss) before provision for income taxes	(20,622)	(15,830)	(8,484)	(160,833)
Provision for income taxes (includes write-down of U.S. net deferred tax assets of $14,625 in the three and twelve months ended June 30, 2004) (2)	17,351	-	20,206	-
Net income (loss)	(37,973)	(15,830)	(28,690)	(160,833)
Accretion of preferred stock discount and dividend (1)	(3,458)	(2,372)	(6,358)	(9,184)
Net income (loss) applicable to common stockholders	$(41,431)	$(18,202)	$(35,048)	$(170,017)
EARNINGS PER SHARE:				
Basic and Diluted net income (loss) per common share	$(1.00)	$(0.47)	$(0.86)	$(4.42)
Weighted average shares outstanding - Basic and Diluted	41,328	39,026	40,575	38,476

PRO FORMA (NON-GAAP) EARNINGS PER SHARE:

Pro forma (non-GAAP) net income excludes Accretion of preferred stock discount and dividend, Amortization of technology related intangible assets, Impairment of technology related intangible assets and computer software development costs, Long lived asset impairment charges, Litigation defense and settlement costs, Restructuring charges and FTC legal costs and the write-down of the U.S. deferred tax assets. Pro forma (non-GAAP) weighted average shares outstanding assumes the conversion of the Series D preferred stock to common stock.

Net income	$6,595	$4,525	$24,808	$3,263
Diluted earnings (loss) per share	$0.08	$0.11	$0.31	$0.08
Weighted average shares outstanding - diluted	86,976	41,051	80,991	38,476

(1) Detail of this amount is provided on the reconciliation of net income (loss) to pro forma (non-GAAP) net income

(2) These parenthetical references will not be presented in our Form 10-K.

Supplemental information -

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Year Ended June 30, 2004	Year Ended June 30, 2003
Reconciliation of income (loss) from operations to pro forma (non-GAAP) income from operations				
Income (loss) from operations	$(21,222)	$(16,139)	$(11,918)	$(161,590)
Adjustments to income (loss) from operations				
Amortization of technology related intangible assets	1,790	1,822	7,270	8,219
Impairment of technology related intangible and computer software development assets	3,250	496	3,250	8,533
Litigation defense and settlement costs, included in General and Administrative costs	5,103	-	6,553	-
Long lived asset impairment charges	967	-	967	106,264
Restructuring charges and FTC legal costs	18,833	18,037	20,833	41,080
Pro forma (non-GAAP) income from operations	$8,721	$4,216	$26,955	$2,506

Reconciliation of net income (loss) to pro forma (non-GAAP) net income

Net income (loss) applicable to common stockholders	$(41,431)	$(18,202)	$(35,048)	$(170,017)
Adjustments to net income (loss) applicable to common stockholders:				
Net effect of adjustments to income (loss) from operations (above)	29,943	20,355	38,873	164,096
Preferred stock discount and dividend accretion	3,458	2,372	12,810	9,184
Gain on conversion of Series B redeemable preferred stock	-	-	(6,452)	-
Write-down of U.S. net deferred tax assets	14,625	-	14,625	-
Pro forma (non-GAAP) net income	$6,595	$4,525	$24,808	$3,263

ASPEN TECHNOLOGY, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(in thousands)

	June 30, 2004	June 30, 2003
ASSETS		
Current assets:		
Cash, cash equivalents and short-term investments	$107,677	$51,567
Accounts receivable, net	52,667	77,725
Unbilled services	15,518	15,279
Current portion of long-term installments receivable, net	21,475	34,720
Deferred tax asset	31	2,929
Prepaid expenses and other current assets	10,084	11,581
Total current assets	207,452	193,801
Long-term installments receivable, net	67,724	73,377
Equipment and leasehold improvements, net	18,664	31,158
Computer software development costs, net	15,933	17,728
Intangible assets, net	34,307	41,279
Purchased intellectual property, net	1,295	1,861
Deferred tax asset	2,492	13,831
Other assets	3,158	5,445
Total assets	$351,025	$378,480
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$58,595	$3,849
Amount owed to Accenture	-	8,162
Accounts payable and accrued expenses	84,584	82,094
Unearned revenue	14,783	20,492
Deferred revenue	33,025	37,266
Deferred tax liability	325	-
Total current liabilities	191,312	151,863

Long-term debt, less current maturities	1,952	89,911
Deferred revenue, less current portion	5,363	9,815
Deferred tax liability	4,220	13,258
Other liabilities	10,806	16,009
Redeemable preferred stock	106,761	57,537
Total stockholders' equity	30,611	40,087
Total liabilities and stockholders' equity	$351,025	$378,480

CONTACT:
Aspen Technology, Inc.
Joshua Young
617-949-1274
joshua.young@aspentech.com