



## **Aspen Technology Announces Financial Results for Fourth-Quarter Fiscal Year 2006 and Completion of Stock Option Review and Restatement**

September 28, 2006

CAMBRIDGE, Mass.--(BUSINESS WIRE)--Sept. 28, 2006--Aspen Technology, Inc. (Nasdaq: AZPN), a leading provider of software and services to the process industries, today announced financial results for its quarter and fiscal year ended June 30, 2006.

"Our fourth quarter financial results demonstrate that we finished fiscal 2006 with strong revenue, profitability and cash flow," stated Mark Fusco, chief executive officer of AspenTech. "We were pleased that we were able to complete our internal stock option review and related restatement process and to file our Annual Report on Form 10-K with the SEC today, as previously anticipated. We remain focused on executing against our growth strategies, bringing our aspenONE solutions to market and delivering value to our customers."

### **Fourth Quarter Fiscal 2006 Results**

For the quarter ended June 30, 2006, AspenTech reported total revenue of \$79.2 million, an increase of 10% from the prior year period. Top line results were driven by license revenue of \$44.4 million, which increased 20% from the prior year period. Services revenue was even with the prior year period at \$34.8 million.

For the quarter ended June 30, 2006, AspenTech's income from operations, determined in accordance with generally accepted accounting principles (GAAP), was \$8.3 million, or an operating margin of 11%. GAAP operating expenses in the fourth quarter fiscal 2006 included \$1.7 million of non-cash stock-based compensation, \$1.5 million of payroll tax-related charges resulting from the stock option review, \$1.7 million of non-cash amortization of intangibles associated with previous acquisitions and \$0.7 million of restructuring charges and loss on sales and disposals of assets, all of which combined to reduce the company's GAAP operating margin by approximately 700 basis points.

For the quarter ended June 30, 2005, the company reported a GAAP loss from operations of \$22.8 million. GAAP operating expenses in the fourth quarter fiscal 2005 included \$0.7 million of non-cash stock-based compensation, \$1.8 million of non-cash amortization of intangibles associated with previous acquisitions and \$17.9 million of restructuring charges and loss on sales and disposals of assets.

GAAP income applicable to common shareholders was \$2.9 million in the fourth quarter of fiscal 2006, compared to a loss of \$30.0 million in the same period last year. GAAP income applicable to common shareholders included the impact of \$3.9 million of accretion of preferred stock dividend and discount in the fourth quarter of fiscal 2006, and \$3.7 million in the prior year period.

GAAP diluted income per share applicable to common shareholders was \$0.05 for the quarter ended June 30, 2006, compared with a diluted loss per share applicable to common shareholders of \$0.70 in the same period last year. Of note, fourth quarter fiscal 2006 GAAP earnings per share were adversely impacted by \$0.03 due to payroll tax-related charges resulting from the stock option review.

As previously reported, AspenTech had cash and cash equivalents of \$86.3 million at June 30, 2006, an increase of 23% compared to the end of the prior quarter, and the company remains essentially debt-free. The increase in cash was primarily the result of strong cash flow from operations during the quarter.

### **Full Year Fiscal 2006 Results**

For the fiscal year ended June 30, 2006, AspenTech reported total revenue of \$293.3 million, an increase of 9% from the prior fiscal year. Top line growth was driven by license revenue of \$152.7 million, which increased 18% from the prior fiscal year. Services revenue was even with the prior fiscal year at \$140.6 million.

For the fiscal year ended June 30, 2006, AspenTech's GAAP income from operations was \$21.9 million, or an operating margin of 7%. GAAP operating expenses in fiscal 2006 included \$6.9 million of non-cash stock-based compensation, \$2.3 million of payroll tax-related charges resulting from the stock option review, \$7.1 million of non-cash, amortization of intangibles associated with previous acquisitions, and \$4.9 million of restructuring charges and loss on sales and disposals of assets - all of which combined to reduce the company's operating margin by approximately 700 basis points.

For the fiscal year ended June 30, 2005, AspenTech's GAAP loss from operations was \$68.8 million. GAAP operating expenses in fiscal 2005 included \$1.5 million of non-cash stock-based compensation, \$0.2 million of payroll tax-related charges resulting from the stock option review, \$7.1 million of non-cash, amortization of intangibles associated with previous acquisitions, and \$39.3 million of restructuring charges and loss on sales and disposals of assets.

GAAP income applicable to common shareholders was \$3.0 million in fiscal 2006, compared to a loss of \$85.2 million in the prior fiscal year. GAAP income applicable to common shareholders includes the impact of \$15.4 million for the accretion of preferred stock dividend and discount in fiscal 2006, and \$14.5 million in the prior fiscal year.

GAAP diluted income per share applicable to common shareholders was \$0.06 for the fiscal year ended June 30, 2006, compared with a diluted loss per share applicable to common shareholders of \$2.01 in the prior fiscal year.

### **Restatement of certain prior period financials completed**

As previously disclosed, in connection with the preparation of AspenTech's financial statements for the fiscal year ended June 30, 2006, a subcommittee of independent directors reviewed the company's accounting treatment for stock option grants since its initial public offering in fiscal

1995. Based upon the subcommittee's review, the Audit Committee and company management determined that certain option grants during fiscal years 1995 through 2004 were accounted for improperly, and concluded that stock-based compensation associated with the grants was misstated in fiscal years 1995 through 2005 and in the nine months ended March 31, 2006.

The restatement effects of stock-based compensation charges resulted in charges totaling \$1.0 million for the nine months ended March 31, 2006, \$0.5 million for the year ended June 30, 2005, and \$7.2 million for the year ended June 30, 2004. The restatement also resulted in \$50.1 million of charges for periods prior to fiscal 2004, which is reflected in the July 1, 2003 beginning accumulated deficit.

As previously disclosed, the restated financial statements also reflect the correction of errors relating to prior periods that were not previously recorded because the company believed they were not material either individually or in the aggregate. These adjustments increased net income by approximately \$2.5 million for the first three quarters of fiscal 2006, while increasing net loss by an aggregate of \$1.9 million in fiscal years 2003, 2004 and 2005.

The effects of the restatement of financial results for prior fiscal periods are described in further detail in the company's annual report on Form 10-K filed with the SEC earlier today.

#### Conference Call and Webcast

AspenTech will host a conference call and webcast today, September 28, 2006, at 6:00 pm (EDT) to discuss the company's financial results, business outlook, and related corporate and financial matters. The live dial-in number is 877-239-3024, conference ID code 7759540. Interested parties may also listen to a live webcast of the call by logging on to the Investor Relations section of AspenTech's website, <http://www.aspentech.com/corporate/investor.cfm>, and clicking on the "webcast" link. A replay of the call will be archived on AspenTech's website and will also be available via telephone at 800-642-1687 or 706-645-9291, conference ID code 7759540, through October 5, 2006.

#### About AspenTech

Aspen Technology, Inc. provides industry-leading software and professional services that help process companies improve efficiency and profitability by enabling them to model, manage and control their operations. The new generation of integrated aspenONE solutions is aligned with the key industry business processes, providing manufacturers the capabilities they need to optimize operational performance, make real-time decisions and synchronize the plant and supply chain. Over 1,500 leading companies already rely on AspenTech's software, including Bayer, BASF, BP, Chevron Corporation, DuPont, ExxonMobil, Fluor, GlaxoSmithKline, Sanofi-Aventis, Shell and Total. For more information, visit [www.aspentech.com](http://www.aspentech.com).

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

|   | Three Months Ended |           | Year Ended |           |
|---|--------------------|-----------|------------|-----------|
|   | June 30,           | June 30,  | June 30,   | June 30,  |
|   | 2006               | 2005      | 2006       | 2005      |
|   | -----              |           |            |           |
|   | (Unaudited) □      |           |            |           |
| REVENUES: □   |                    |           |            |           |
| Software licenses                                       | \$ 44,387          | \$ 36,995 | \$152,686  | \$129,621 |
| Service and other                                       | 34,776             | 34,802    | 140,564    | 140,373   |
|   | -----              | -----     | -----      | -----     |
| Total revenues  | 79,163             | 71,797    | 293,250    | 269,994   |
|   | -----              | -----     | -----      | -----     |
| COST OF REVENUES:                                       |                    |           |            |           |
| Cost of software licenses                               | 4,168              | 4,157     | 16,805     | 16,864    |
| Cost of service and other                               | 18,794             | 19,357    | 72,492     | 82,744    |
| Amortization of technology<br>related intangible assets | 1,739              | 1,782     | 7,070      | 7,112     |
|   | -----              | -----     | -----      | -----     |
| Total cost of revenues                                  | 24,701             | 25,296    | 96,367     | 106,720   |
|   | -----              | -----     | -----      | -----     |
| Gross profit  | 54,462             | 46,501    | 196,883    | 163,274   |
| OPERATING COSTS:  |                    |           |            |           |
| Selling and marketing                                   | 23,178             | 26,128    | 84,010     | 96,275    |
| Research and development                                | 10,245             | 11,933    | 44,139     | 47,276    |
| General and administrative                              | 12,019             | 13,303    | 41,916     | 49,277    |
| Restructuring charges                                   | 265                | 3,330     | 3,993      | 24,960    |
| Loss on sales and disposals<br>of assets                | 418                | 14,590    | 898        | 14,314    |
|   | -----              | -----     | -----      | -----     |
| Total operating costs                                   | 46,125             | 69,284    | 174,956    | 232,102   |

|   |          |             |          |             |
|---|----------|-------------|----------|-------------|
|   | -----    | -----       | -----    | -----       |
| Income (loss) from operations                                       | 8,337    | (22,783)    | 21,927   | (68,828)    |
| Other income (expense), net   | (79)     | (396)       | 1,076    | (481)       |
| Interest income, net  | 1,422    | 219         | 4,049    | 2,034       |
|   | -----    | -----       | -----    | -----       |
| Income (loss) before income tax provision                           | 9,680    | (22,960)    | 27,052   | (67,275)    |
| Income tax provision  | (2,865)  | (3,292)     | (8,706)  | (3,499)     |
|   | -----    | -----       | -----    | -----       |
| Net income (loss)   | 6,815    | (26,252)    | 18,346   | (70,774)    |
| Accretion of preferred stock discount and dividend                  | (3,874)  | (3,703)     | (15,383) | (14,450)    |
|   | -----    | -----       | -----    | -----       |
| Income (loss) applicable to common shareholders                     | \$ 2,941 | \$ (29,955) | \$ 2,963 | \$ (85,224) |
|   | =====    | =====       | =====    | =====       |
| EARNINGS PER SHARE:   |          |             |          |             |
| Income (loss) per share applicable to common shareholders - Basic   | \$ 0.06  | \$ (0.70)   | \$ 0.07  | \$ (2.01)   |
|   | =====    | =====       | =====    | =====       |
| Income (loss) per share applicable to common shareholders - Diluted | \$ 0.05  | \$ (0.70)   | \$ 0.06  | \$ (2.01)   |
|   | =====    | =====       | =====    | =====       |
| Weighted average shares outstanding - Basic                         | 46,989   | 42,942      | 44,627   | 42,381      |
|   | =====    | =====       | =====    | =====       |
| Weighted average shares outstanding - Diluted                       | 58,646   | 42,942      | 53,771   | 42,381      |
|   | =====    | =====       | =====    | =====       |

Supplemental information -

|  | Three Months Ended |          | Year Ended |          |
|--|--------------------|----------|------------|----------|
|  | June 30,           | June 30, | June 30,   | June 30, |
|  | 2006               | 2005     | 2006       | 2005     |
|  | -----              | -----    | -----      | -----    |
|  | (Unaudited) □      |          |            |          |

Stock-based compensation costs included in the Statements of Operations □

Effective July 1, 2005, AspenTech adopted SFAS 123R, "Share-Based Payment," and uses the modified prospective method to value its share-based payments. Accordingly, for the three months and year ended June 30, 2006, stock-based compensation was accounted for under SFAS 123R while for the three months and year ended June 30, 2005, stock-based compensation was accounted for under APB 25, "Accounting for Stock Issued to Employees," as permitted by SFAS 123. The amounts in the attached Statements of Operations include stock-based compensation as follows:

|                           |        |       |          |        |
|---------------------------|--------|-------|----------|--------|
| Cost of service and other | \$ 339 | \$ 27 | \$ 1,244 | \$ 128 |
| Selling and marketing     | 566    | 20    | 2,126    | 94     |

|                                |          |        |          |          |
|--------------------------------|----------|--------|----------|----------|
| Research and development       | 342      | 13     | 1,056    | 61       |
| General and administrative     | 408      | 650    | 2,449    | 1,241    |
|                                | -----    | -----  | -----    | -----    |
| Total stock-based compensation | \$ 1,655 | \$ 710 | \$ 6,875 | \$ 1,524 |
|                                | =====    | =====  | =====    | =====    |

Payroll tax-related charges resulting from the stock option review included in the Statements of Operations

As a result of the completion of the stock option review conducted by the subcommittee of independent directors, AspenTech has incurred certain payroll withholding and other tax charges. The amounts in the attached Statements of Operations include payroll and other tax charges related to the stock option review, as follows:

|   |          |       |          |        |
|---|----------|-------|----------|--------|
| Cost of service and other   | \$ 556   | \$ 11 | \$ 840   | \$ 61  |
| Selling and marketing   | 397      | 8     | 600      | 42     |
| Research and development  | 262      | 5     | 395      | 27     |
| General and administrative  | 287      | 6     | 433      | 31     |
|   | -----    | ----- | -----    | -----  |
| Total payroll and other tax costs associated with the stock option review | \$ 1,502 | \$ 30 | \$ 2,268 | \$ 161 |
|   | =====    | ===== | =====    | =====  |

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

|   | June 30,<br>2006 | June 30,<br>2005 |
|---|------------------|------------------|
|   | -----            | -----            |
| ASSETS  |                  |                  |
| Current assets:   |                  | (Unaudited)      |
| Cash and cash equivalents                                 | \$ 86,272        | \$ 68,149        |
| Accounts receivable, net                                  | 55,654           | 52,102           |
| Unbilled services   | 8,518            | 9,826            |
| Current portion of long-term installments receivable, net | 12,123           | 5,355            |
| Deferred tax asset  | -                | 692              |
| Prepaid expenses and other current assets                 | 8,813            | 11,299           |
|   | -----            | -----            |
| Total current assets                                      | 171,380          | 147,423          |
|   | -----            | -----            |
| Long-term installments receivable, net                    | 35,681           | 18,445           |
| Retained interest in sold receivables, net                | 19,010           | 16,667           |
| Equipment and leasehold improvements, net                 | 8,351            | 10,956           |
| Computer software development costs, net                  | 15,456           | 17,411           |
| Intangible assets, net                                    | 20,048           | 26,852           |
| Purchased intellectual property, net                      | 165              | 730              |
| Deferred tax asset  | 1,595            | 1,354            |
| Other assets  | 2,552            | 2,656            |
|   | -----            | -----            |
| Total assets  | \$274,238        | \$242,494        |
|   | =====            | =====            |

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Current liabilities:

|                                       |         |          |
|---------------------------------------|---------|----------|
| Current portion of long-term debt     | \$ 247  | \$ 1,042 |
| Accounts payable and accrued expenses | 81,646  | 85,679   |
| Deferred revenue                      | 64,238  | 57,846   |
|                                       | -----   | -----    |
| Total current liabilities             | 146,131 | 144,567  |
|                                       | -----   | -----    |

|   |        |        |
|---|--------|--------|
| Long-term debt, less current maturities | 149    | 338    |
| Deferred revenue, less current portion  | 2,609  | 2,093  |
| Deferred tax liability                  | 1,309  | 2,760  |
| Other liabilities                       | 20,446 | 23,143 |

|                            |         |         |
|----------------------------|---------|---------|
| Redeemable preferred stock | 125,475 | 121,210 |
|----------------------------|---------|---------|

|                                      |          |          |
|--------------------------------------|----------|----------|
| Total stockholders' equity (deficit) | (21,881) | (51,617) |
|                                      | -----    | -----    |

|   |           |           |
|---|-----------|-----------|
| Total liabilities and stockholders' equity<br>(deficit) | \$274,238 | \$242,494 |
|   | =====     | =====     |

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SOURCE: Aspen Technology, Inc.