SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Quarter ended March 31, 2000.

or

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Commission File Number: 000-24786

ASPEN TECHNOLOGY, INC.
(exact name of registrant as specified in its charter)

DELAWARE	04-2739697
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

TEN CANAL PARK, CAMBRIDGE, MASSACHUSETTS 02141
(Address of principal executive office and zip code)

Registrant's telephone number, including area code: (617) 949-1000

Indicate by check mark whether the registrant: (1) has filed reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes [X] No [ ]

As of March 31, 2000, there were 26,096,113 shares of the Registrant's common stock (par value $.10 per share) outstanding.

ASPEN TECHNOLOGY, INC.

QUARTERLY REPORT ON FORM 10-Q

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Aspen Technology, Inc.
Consolidated Condensed Balance Sheets
(In thousands)

	MARCH 31, 2000 (UNAUDITED)	JUNE 30, 1999
Current Assets:		
Cash and cash equivalents	$ 37,913	$ 33,456
Short-term investments	69,514	63,512
Accounts receivable, net	82,264	73,858
Unbilled services	20,113	16,634
Current portion of long-term installments receivable, net	21,111	25,344
Deferred tax asset	2,752	2,752
Prepaid expenses and other current assets	13,638	12,157
Total current assets	247,305	227,713
Long-term installments receivable, net	25,971	31,231
Property and leasehold improvements, at cost	88,393	82,615
Accumulated depreciation and amortization	(54,067)	(45,775)
	34,326	36,840
Computer software development costs, net	6,590	6,011
Intangible assets, net	7,343	9,143
Deferred tax asset	4,757	4,757
Other assets	10,871	6,547
	$ 337,163	$ 322,242
Current Liabilities:		
Current portion of long-term debt	$ 843	$ 2,360
Accounts payable and accrued expenses	41,615	42,612
Unearned revenue	15,365	10,116
Deferred revenue	22,066	20,482
Total current liabilities	79,889	75,570
Long-term debt, less current maturities	2,508	3,155
5 1/4% Convertible subordinated debentures	86,250	86,250
Deferred revenue, less current portion	12,192	13,528
Other liabilities	513	513
Stockholders' Equity:		
Common stock	2,632	2,517
Additional paid-in capital	165,335	154,480
Accumulated deficit	(9,447)	(11,257)
Accumulated other comprehensive loss	(2,207)	(2,012)
Treasury stock, at cost	(502)	(502)
Total stockholders' equity	155,811	143,226
	$ 337,163	$ 322,242

Aspen Technology, Inc.
Consolidated Condensed Statements of Operations
(Unaudited and in thousands, except per share data)

	THREE MONTHS ENDED MARCH 31,		NINE MONTHS ENDED MARCH 31,	
	2000	1999	2000	1999
Software licenses	$ 34,155	$ 22,191	$ 84,643	$ 66,868
Service and other	33,601	32,001	97,834	95,688
Total revenues	67,756	54,192	182,477	162,556
Cost of software licenses	2,452	2,149	6,696	5,759
Cost of service and other	21,259	21,204	61,793	62,217
Selling and marketing	22,303	22,207	61,942	62,961
Research and development	12,489	12,297	35,425	35,838
General and administrative	5,805	6,235	16,797	17,335
Total costs and expenses	64,308	64,092	182,653	184,110
Income (loss) from operations	3,448	(9,900)	(176)	(21,554)
Other income (expense), net	(97)	(115)	(114)	131
Interest income, net	1,080	1,005	3,034	3,369
Income (loss) before provision (benefit from) income taxes	4,431	(9,010)	2,744	(18,054)
Provision for (benefit from) income taxes	1,507	(3,153)	934	(6,318)
Net income (loss)	$ 2,924	$ (5,857)	$ 1,810	$ (11,736)
Diluted earnings (loss) per share	$ 0.10	$ (0.23)	$ 0.07	$ (0.47)
Weighted average shares outstanding-diluted	29,543	24,925	27,737	24,954
Basic earnings (loss) per share	$ 0.11	$ (0.23)	$ 0.07	$ (0.47)
Weighted average shares outstanding-basic	25,828	24,925	25,386	24,954

Aspen Technology, Inc.
Consolidated Condensed Statements of Cash Flows
(Unaudited and in thousands)

	NINE MONTHS ENDED MARCH 31,	
	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET INCOME (LOSS)	$ 1,810	$(11,736)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities (net of acquisition-related activity disclosed below):		
Depreciation and amortization	12,791	13,329
Foreign exchange loss	--	(310)
Deferred income taxes	--	2
(Increase) decrease in accounts receivable	(8,511)	9,275
Increase in unbilled services	(3,510)	(1,658)
Decrease (increase) in installments receivable	9,493	(2,500)
Increase in prepaid expenses and other current assets	(1,510)	(1,557)
Decrease in accounts payable and accrued expenses	(955)	(12,407)
Increase in unearned revenue	5,272	1,268
Decrease in deferred revenue	236	404
Net cash provided by (used in) operating activities	15,116	(5,890)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and leasehold improvements	(5,804)	(8,535)
Purchase of investment securities	(6,205)	(27,244)
(Increase) decrease in other long-term assets	(4,735)	737
Increase in computer software development costs	(2,864)	(2,207)
Decrease in other long-term liabilities	--	(374)
Cash used in the purchase of business, net of cash acquired	--	(1,200)
Net cash used in investing activities	(19,608)	(38,823)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock under employee stock purchase plans	3,850	4,474
Exercise of stock options	7,120	940
Payments of long-term debt and capital lease obligations	(2,176)	(1,313)
Net cash provided by financing activities	8,794	4,101
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	155	(270)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,457	(40,882)
CASH AND CASH EQUIVALENTS, beginning of period	33,456	78,694
CASH AND CASH EQUIVALENTS, end of period	$ 37,913	$ 37,812

During the nine months ended March 31, 1999, the Company acquired a company in a purchase transaction. This acquisition is summarized as follows:

Fair value of assets acquired, excluding cash	$ 1,290

Payments in connection with the acquisitions, net of cash acquired	(1,200)
Liabilities assumed	$ 90

ASPEN TECHNOLOGY, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
March 31, 2000
(unaudited)

1. BASIS OF PRESENTATION

In the opinion of management, the accompanying consolidated condensed financial statements have been prepared in conformity with generally accepted accounting principles and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation. The results of operations for the three and nine month periods ended March 31, 2000 are not necessarily indicative of the results to be expected for the full year. It is suggested that these interim consolidated condensed financial statements be read in conjunction with the audited consolidated financial statements for the year ended June 30, 1999, which are contained in the Company's Form 10-K, as previously filed with the Securities and Exchange Commission.

2. ACCOUNTING POLICIES

(a) Revenue Recognition

Effective July 1, 1998, the Company adopted Statement of Position (SOP) No. 97-2, "Software Revenue Recognition". SOP 97-2 was issued by the American Institute of Certified Public Accountants in October 1997 in order to provide guidance on applying generally accepted accounting principles in recognizing revenue on software transactions. The adoption of SOP 97-2 did not have a material impact on the Company's financial position, results of operations or cash flows. License revenue, including license renewals, consists principally of revenue earned under fixed-term and perpetual software license agreements and is generally recognized upon shipment of the software if collection of the resulting receivable is probable, the fee is fixed or determinable, and vendor-specific objective evidence exists to allocate the total fee to all delivered and undelivered elements of the arrangement. The Company uses installment contracts as a standard business practice and has a history of successfully collecting under the original payment terms without making concessions on payments, products or services.

Service revenues from fixed-price contracts are recognized using the percentage-of-completion method, measured by the percentage of costs (primarily labor) incurred to date as compared to the estimated total costs (primarily labor) for each contract. When a loss is anticipated on a contract, the full amount thereof is provided currently. Service revenues from time and expense contracts and consulting and training revenue are recognized as the related services are performed. Services that have been performed but for which billings have not been made are recorded as unbilled services, and billings that have been recorded before the services have been performed are recorded as unearned revenue in the accompanying consolidated condensed balance sheets.

Installments receivable represent the present value of future payments related to the financing of noncancelable term and perpetual license agreements that provide for payment in installments over a one- to five-year period. A portion of each installment agreement is recognized as interest income in the accompanying consolidated condensed statements of operations. The interest rate utilized for the three month period ended March 31, 2000 was 9.0% and for the nine month period ended March 31, 2000 was 8.5% to 9.0%. In the three and nine month periods ended March 31, 1999, the rate utilized was 8.5%. At March 31, 2000, the Company had long-term installments receivable of approximately $6.3 million denominated in foreign currencies. The March 2000 foreign installments receivable mature through July 2004 and have been hedged with specific foreign currency contracts. There have been no material gains or losses recorded relating to hedge contracts for the periods presented. The Company does not use derivative financial instruments for speculative or trading purposes.

(b) Computer Software Development Costs

Certain computer software development costs are capitalized in the accompanying consolidated condensed balance sheets. Capitalization of computer software development costs begins upon the establishment of technological feasibility. Amortization of capitalized computer software development costs is included in cost of software license revenues and is provided on a product-by-product basis using the straight-line method, beginning upon commercial release of the product

and continuing over the remaining estimated economic life of the product, not to exceed three years. Total amortization expense

charged to operations in the three and nine month periods ended March 31, 2000 was approximately $0.8 and $2.3 million, respectively, as compared to the three and nine month periods ended March 31, 1999 which was $0.6 and $1.9 million, respectively.

(c) Net Income (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share reflect the dilution of potentially dilutive securities, primarily stock options, based on the treasury stock method.

The calculations of basic and diluted weighted average shares outstanding are as follows (in thousands):

	THREE MONTHS ENDED MARCH 31,		NINE MONTHS ENDED MARCH 31,	
	2000	1999	2000	1999
Basic weighted average common shares outstanding	25,828	24,925	25,386	24,954
Weighted average potential common shares	3,715	--	2,351	--
Diluted weighted average shares outstanding	29,543	24,925	27,737	24,954

The following potential common shares were excluded from the calculation of diluted weighted average shares outstanding as their effect would be anti-dilutive (in thousands):

	THREE MONTHS ENDED MARCH 31,		NINE MONTHS ENDED MARCH 31,	
	2000	1999	2000	1999
Options and Warrants	--	530	--	1,139
Convertible Debt	406	401	1,227	1,222
Total	406	931	1,227	2,361

(d) Investments

Securities purchased to be held for indefinite periods of time, and not intended at the time of purchase to be held until maturity, are classified as available-for-sale securities. Securities classified as available-for-sale are required to be recorded at market value in the financial statements. Unrealized gains and losses have been accounted for as a separate component of stockholders' equity and accumulated other comprehensive loss. Investments held as of March 31, 2000 consist of $62.5 million in U.S. Corporate Bonds and $7.0 million in U.S. Government Bonds. The Company does not use derivative financial instruments in its investment portfolio.

3. SALE OF INSTALLMENTS RECEIVABLE

The Company sold, with limited recourse, certain of its installment contracts to two financial institutions for approximately $5.9 and $23.2 million during the three and nine month periods ended March 31, 2000, respectively. The financial institutions have partial recourse to the Company only upon non-payment by the customer under the installments receivable. The amount of recourse is determined pursuant to the provisions of the Company's contracts with the financial institutions and varies depending upon whether the customers under the installment contracts are foreign or domestic entities. Collections of these receivables reduce the Company's recourse obligations, as defined.

At March 31, 2000 the balance of the uncollected principal portion of all contracts sold was $95.5 million. The Company's potential recourse obligation related to these contracts is approximately $4.5 million. In addition, the Company is obligated to pay additional costs to the financial institutions in the event of default by the customer.

4. COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. The components of comprehensive income (loss) for the three and nine months ended March 31, 2000 and 1999 are as follows (in thousands):

	THREE MONTHS ENDED MARCH 31,		NINE MONTHS ENDED MARCH 31,	
	2000	1999	2000	1999
Net income (loss)	$ 2,924	$(5,857)	$ 1,810	$(11,736)
Unrealized loss on investments	(23)	(105)	(203)	(85)
Foreign currency adjustment	(287)	(917)	8	(965)
Comprehensive income (loss)	$ 2,614	$(6,879)	$ 1,615	$(12,786)

5. RESTRUCTURING AND OTHER CHARGES

In the fourth quarter of fiscal 1999, the Company undertook certain actions to restructure its business. The restructuring resulted from a lower than expected level of license revenues which adversely affected fiscal year 1999 operating results. The license revenue shortfall resulted primarily from delayed decision making driven by economic difficulties among customers in certain of our core vertical markets. The restructuring plan resulted in a pre-tax restructuring charge totaling $17.9 million. The following discusses the components of the restructuring and other charges.

Close-down/Consolidation of Facilities: Approximately $10.2 million of the restructuring charge relates to the termination of facility leases and other lease-related costs. The facility leases have remaining terms ranging from one month to six years. The amount accrued reflects the Company's best estimate of actual costs to buy out the leases in certain cases or the net cost to sublease the properties in other cases. Included in this amount is the write off of certain assets, primarily building and leasehold improvements and adjustments to certain obligations that relate to the closing of facilities.

Employee Severance, Benefits and Related Costs: Approximately $4.3 million of the restructuring charge relates to the reduction in workforce. The amount accrued has decreased by severance payments paid during the nine months ended March 31, 2000. The remaining accrual will be paid by the end of fiscal 2000.

The remaining accrual for the restructuring and other charge is broken down as follows (in thousands):

	ACCRUED EXPENSES, JUNE 30, 1999	LESS: FISCAL 2000 PAYMENTS	ACCRUED EXPENSES, MAR 31, 2000
Close-down/consolidation of facilities	$ 4,760	$ 808	$ 3,952
Employee severance, benefits and related	1,938	1,501	437
Other	101	97	4
	$ 6,799	$ 2,406	$ 4,393

6. SEGMENT INFORMATION

The Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," in fiscal 1999. SFAS No. 131 established standards for reporting information about operating segments in annual financial statements and requires selected information about operating segments in interim financial reports issued to stockholders. It also established standards for disclosures about products and services, and geographic areas. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker is the Chief Executive Officer of the Company.

The Company is organized geographically and by line of business. The Company has two major line of business operating segments: license and service and other. The Company also evaluates certain subsets of business segments by vertical industries as well as by product categories. While the Executive Management Committee evaluates results in a number of different ways, the line of business management structure is the primary basis for which it assesses financial performance and allocates resources.

The license line of business is engaged in the development and licensing of software. The software can be classified into three broad categories: process design software, process operation software and process management software. The service and other line of business offers implementation, advanced process control, real-time optimization and other consulting services in order to provide its customers with complete solutions.

The accounting policies of the line of business operating segments are the same as those described in the summary of significant accounting policies. The Company does not track assets or capital expenditures by operating segments. Consequently, it is not practical to show assets, capital expenditures, depreciation or amortization by operating segments.

The following table presents a summary of operating segments (in thousands):

	LICENSE	SERVICE AND OTHER	TOTAL
Three Months Ended March 31, 2000-			
Revenues from unaffiliated customers	$ 34,155	$ 33,601	$ 67,756
Cost of revenue	2,452	21,259	23,711
Research and development	11,241	1,248	12,489
Operating margin (1)	$ 20,462	$ 11,094	$ 31,556
Three Months Ended March 31, 1999-			
Revenues from unaffiliated customers	$ 22,191	$ 32,001	$ 54,192
Cost of revenue	2,149	21,204	23,353
Research and development	11,118	1,179	12,297
Operating margin (1)	$ 8,924	$ 9,618	$ 18,542
Nine Months Ended March 31, 2000-			
Revenues from unaffiliated customers	$ 84,643	$ 97,834	$ 182,477
Cost of revenue	6,696	61,793	68,489
Research and development	31,813	3,612	35,425
Operating margin (1)	$ 46,134	$ 32,429	$ 78,563
Nine Months Ended March 31, 1999-			
Revenues from unaffiliated customers	$ 66,868	$ 95,688	$ 162,556
Cost of revenue	5,759	62,217	67,976
Research and development	32,202	3,636	35,838
Operating margin (1)	$ 28,907	$ 29,835	$ 58,742

(1) The operating margins reported reflect only the expenses of the line of business and do not represent the actual margins for each operating segment since they do not contain an allocation for selling and marketing, general and administrative, development and other corporate expenses incurred in support of the line of business.

Profit Reconciliation (in thousands):

	THREE MONTHS ENDED MARCH 31,		NINE MONTHS ENDED MARCH 31,	
	2000	1999	2000	1999
Total operating margin for reportable segments	$ 31,556	$ 18,542	$ 78,563	$ 58,742
Selling and marketing	(22,303)	(22,207)	(61,942)	(62,961)
General and administrative	(5,805)	(6,235)	(16,797)	(17,335)
Interest and other income and expense	983	890	2,920	3,500

Income (loss) before provision for (benefit from) income taxes	$ 4,431	$ (9,010)	$ 2,744	$(18,054)

7. RELATED PARTY TRANSACTIONS

On September 30, 1999, the Company entered into a "Software License Distribution and Strategic Relationship" agreement with Extricity Software, Inc., a leading provider of business-to-business e-commerce software. The Company has partnered with Extricity Software to deliver e-commerce solutions that will enhance integration and automate the flow of information between disparate supply chain and enterprise resource planning systems and customers, suppliers and trading partners. The President and Chief Executive Officer of Extricity Software is the spouse of one of the Company's directors. In the three month period ended December 31, 1999, the Company paid $1.3 million in prepaid fees to Extricity Software. In the accompanying consolidated condensed statements of operations for the three and nine months ended March 31, 2000, the Company has recognized approximately $188,000 of these fees.

Subsequent to March 31, 2000, the Company made a $2.0 million investment in Extricity Software, Inc. This investment entitles the Company to a minority interest in Extricity Software and will be accounted for using the cost method. The Company believes that all transactions with Extricity Software are rendered at arms length.

8. INVESTMENTS

On March 13, 2000, the Company and e-Chemicals, Inc., a leader in providing end-to-end e-supply chain solutions for the chemical industry, entered into a Stock Purchase Agreement whereby the Company acquired 833,333 shares of e-Chemicals non-voting Series E Preferred Stock for $6.00 per share. This investment entitles the Company to a minority interest in e-Chemicals and will be accounted for using the cost method. This investment is included in other assets in the accompanying consolidated condensed balance sheet as of March 31, 2000. In addition, the Company and e-Chemicals formed an alliance to combine their technology solutions to optimize chemical industry supply chain connectivity.

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

Results of Operations: Comparison of Three and Nine Months Ending March 31, 2000 and 1999

TOTAL REVENUES

Revenues are derived from software licenses and maintenance and other services. Total revenues for the three months ended March 31, 2000 were $67.8 million, an increase of $13.6 million, or 25%, from $54.2 million in the comparable period of fiscal 1999. Total revenues for the nine months ended March 31, 2000 were $182.5 million, an increase of $19.9 million, or 12.3%, from $162.6 million in the comparable period of fiscal 1999.

Total revenues from customers outside the United States were $30.2 and $83.0 million, or 44.6% and 45.5%, of total revenues for the three and nine months ended March 31, 2000 respectively. The non-U.S. revenues for the comparable periods in fiscal 1999 were $30.0 and $86.7 million, or 55.4% and 53.3%, of total revenues. The geographical mix of license revenues can vary from quarter to quarter; however, for fiscal 2000, the overall mix of revenues from customers outside the United States is expected to be relatively consistent with the prior year.

SOFTWARE LICENSES

Software license revenue represented 50.4% of total revenue for the three months ended March 31, as compared to 40.9% in fiscal 1999. Revenues from software licenses for the three months ended March 31, 2000 were $34.2 million, an increase of $12.0 million, or 53.9%, from $22.2 million in fiscal 1999. Software license revenue represented 46.4% of total revenue for the nine months ended March 31, as compared to 41.1% in fiscal 1999. Revenues from software licenses for the nine months ended March 31, 2000 were $84.6 million, an increase of $17.8 million, or 26.6%, from $66.9 million in the comparable period of fiscal 1999. During the second quarter of fiscal 2000, we entered into a significant license contract with a customer to license certain of our software for the customer's worldwide operations. A portion of this license revenue was recognized in the second and third quarters of fiscal 2000 based on requested delivery dates.

SERVICE AND OTHER

Revenues from service and other consist of consulting services, post-contract support on software licenses, training and sales of documentation. Revenues from service and other for the three months ended March 31, 2000 were $33.6 million, an increase of $1.6 million, or 5.0%, from $32.0 million in the comparable period in fiscal 1999. Revenues from service and other for the nine months ended March 31, 2000 were $97.8 million, an increase of $2.1 million, or 2.2%, from $95.7 million in the comparable period in fiscal 1999. Growth in the services business has been slower than our license business as a result of (1) our decision to utilize partners to help deploy our solutions and (2) the effect on post-contract support revenues of slower license revenue growth in prior periods.

COST OF SOFTWARE LICENSES

Cost of software licenses consist of royalties, amortization of previously capitalized software costs, costs related to the delivery of software (including disk duplication and third party software costs), printing of manuals and packaging. Cost of software licenses as a percentage of revenues from software licenses were 7.2% and 7.9% for the three and nine month periods ended March 31, 2000. This is compared to 9.7% and 8.6% for the three and nine month periods ended March 31, 1999, respectively. The decrease in these costs as a percentage of software license revenue is due primarily to a higher revenue base.

COSTS OF SERVICE AND OTHER

Costs of service and other consists of the cost of execution of application consulting services, post-contract support expenses, the cost of training services and the cost of manuals sold separately. Costs of service and other as a percentage of their revenue were 63.3% and 63.2% in the three and nine months ended March 31, 2000. The same percentages in the comparable periods of fiscal year 1999 were 66.3% and 65.0%, respectively. This percentage decrease is primarily a result of an increased revenue per hour and improved utilization rates of billable engineers in the nine month period ended March 31, 2000.

SELLING AND MARKETING EXPENSES

Selling and marketing expenses for the three and nine month periods ended March 31, 2000 were $22.3 and $61.9 million, an increase of 0.4% and a decrease of 1.6%, respectively, from $22.2 and $63.0 million in the comparable periods in fiscal year 1999. As a percentage of revenues, selling and marketing expenses

were 32.9% and 33.9%, for the three and nine month periods ended March 31, 2000, respectively. These same percentages were 41.0% and 38.7% for the comparable periods in fiscal 1999. The decrease in these percentages in fiscal 2000 is the result of relatively similar expense levels spread over a larger revenue base. A significant component

of the April 1999 restructuring included selective reduction of sales and marketing staff in certain markets and geographic locations. These selective reductions were made to correspond to the customer opportunities in certain of our core vertical markets and customer locations. We continue to selectively invest in sales personnel and regional sales offices to improve our geographic proximity to our customers, to maximize the penetration of existing accounts and to add new customers. Additional investments were made in the third quarter of fiscal 2000 in our new collaborative Internet portal site for process industry professionals, ProcessCity, and in the rebranding of our new logo.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses consist primarily of personnel and outside consultancy costs required to conduct our product development efforts. Capitalized research and development costs are amortized over the estimated remaining economic life of the relevant product, not to exceed three years. Research and development expenses during the three and nine month periods ended March 31, 2000 were $12.5 and $35.4 million, respectively, an increase of $0.2 million and a decrease of $0.4 million, or 1.6% and 1.2%, respectively, from $12.3 and $35.8 million in the comparable periods of fiscal 1999. As a percentage of revenues, research and development costs were 18.4% and 19.4% for the three and nine month periods ended March 31, 2000, respectively. The percentages for the same periods in fiscal 1999 were 22.7% and 22.0%, respectively. The decrease in these percentages in fiscal 2000 is the result of a similar expense level spread over a larger revenue base. We capitalized 8.9% and 7.5% of its total research and development costs during the three and nine month periods ended March 31, 2000, respectively. In both of the comparable periods of fiscal year 1999, we capitalized 5.9% of our total research and development costs.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consist primarily of salaries of administrative, executive, financial and legal personnel, outside professional fees, and amortization of certain intangibles. General and administrative expenses for the three and nine month periods ended March 31, 2000 were $5.8 and $16.8 million, a decrease of $0.4 and $0.5 million, or 6.9% and 3.1%, respectively, from $6.2 and $17.3 million in the comparable periods of fiscal 1999. This decrease is primarily the result of decreasing amortization expense of intangible assets, including goodwill.

INTEREST INCOME

Interest income is generated from the investment of excess cash in short-term and long-term investments and from the license of software pursuant to installment contracts for off-line modeling software. Under these installment contracts, we offer customers the option to make annual payments for its term licenses instead of a single license fee payment at the beginning of the license term. Historically, a substantial majority of the off-line modeling customers have elected to license these products through installment contracts. Included in the annual payments is an implicit interest charge based upon the interest rate established by us at the time of the license. As we sell more perpetual licenses for e-Supply Chain and Plantelligence Solutions, these new sales are being paid for in forms that are not installment contracts. If the mix of sales moves away from installment contracts the interest income in future periods will be reduced. We sell a portion of the installment contracts to unrelated financial institutions. The interest earned by us on the installment contract portfolio in any period is the result of the implicit interest established by us on installment contracts and the size of the contract portfolio. Interest income was $2.4 and $7.1 million for the three and nine months ended March 31, 2000 as compared to $2.5 and $7.6 million for the corresponding periods in fiscal 1999.

INTEREST EXPENSE

Interest expense is generated from interest charged on our 5 1/4% convertible debentures, bank line of credit, notes payable and capital lease obligations. Interest expense for the three and nine months ended March 31, 2000 was $1.3 and $4.1 million compared to $1.5 and $4.2 million in the same periods of fiscal 1999.

TAX RATE

The effective tax rate for the three and nine month periods ended March 31, 2000 was approximately 34.0% of pretax income (loss), versus 35.0% for the comparable periods of fiscal 1999. This decrease in the effective tax rate was primarily due to the increased utilization of certain tax credits.

LIQUIDITY AND CAPITAL RESOURCES

During the nine months ended March 31, 2000, our cash and cash equivalents balance increased by $4.5 million. Operations provided $15.1 million of cash during this period, primarily as a result of the decrease in long-term installments receivable and an increase in unearned revenue offset by an increase in accounts receivable and unbilled services.

We have arrangements to sell long-term contracts to two financial institutions, General Electric Capital Corporation ("GECC") and Fleet Business Credit Corporation ("FBCC", formerly Sanwa Business Credit Corporation). During the nine months ended March 31, 2000, installment contracts decreased by $9.5 million to $47.1 million, net of $23.2 million of installment contracts sold to GECC and FBCC. This decrease is related to the decline in the mix of license sales that are sold in the installment form where customers chose to finance their license purchase with us. Our arrangements with the two financial institutions provide for the sale of installment contracts up to certain limits and with certain recourse obligations. At March 31, 2000, the balance of the uncollected principal portion of the contracts sold to these two financial institutions was $95.5 million, for which we have a partial recourse obligation of approximately $4.5 million. The availability under these arrangements will increase as the financial institutions receive payment on installment contracts previously sold.

We maintain a $30.0 million bank line of credit, expiring December 31, 2000, that provides for borrowings of specified percentages of eligible accounts receivable and eligible current installment contracts. Advances under the line of credit bear interest at a rate equal to the bank's prime rate (9.00% at March 31, 2000) or, at our option, a rate equal to a defined LIBOR (6.14% at March 31, 2000) plus a specified margin. The line of credit agreement requires that we provide the bank with certain periodic financial reports and to comply with certain financial tests, including maintenance of minimum levels of consolidated net income before taxes and of the ratio of current assets to current liabilities. Additionally, the line is secured by certain of our marketable securities. At March 31, 2000, there were no outstanding borrowings under the line of credit.

In June 1998, we issued $86.3 million of 5 1/4% Convertible subordinated debentures (the Debentures). The Debentures are convertible into shares of our common stock at any time prior to June 15, 2005, unless previously redeemed or repurchased, at a conversion price of $52.97 per share, subject to adjustment in certain events. Interest on the Debentures is payable on June 15 and December 15 of each year. The Debentures are redeemable in whole or part at our option at any time on or after June 15, 2001 at various redemption prices expressed as a percentage of principal plus accrued interest through the date of redemption.

In the event of a change of control, as defined, each holder of the Debentures may require us to repurchase its Debentures, in whole or in part, for cash or, at our option, for common stock (valued at 95% of the average last reported sale prices for the 5 trading days immediately preceding the repurchase date) at a repurchase price of 100% of the principal amount of the Debentures to be repurchased, plus accrued interest to the repurchase date. The Debentures are unsecured obligations subordinate in right of payment to all of our existing and future senior debt, as defined, and effectively subordinate in right of payment to all indebtedness and other liabilities of our subsidiaries.

Item 3. Quantitative and Qualitative Market Risk Disclosures

Information relating to quantitative and qualitative disclosure about market risk is set forth under the captions "Notes to Consolidated Condensed Financial Statements," 2. (a) and (d), and below under the captions "Investment Portfolio" and "Foreign Exchange Hedging".

INVESTMENT PORTFOLIO

We do not use derivative financial instruments in our investment portfolio. We place our investments in instruments that meet high credit quality standards, as specified in our investment policy guidelines; the policy also limits the amount of credit exposure to any one issuer and the types of instruments approved for investment. We do not expect any material loss with respect to our investment portfolio. The following table provides information about our investment portfolio. For investment securities, the table presents principal cash flows and related weighted average interest rates by expected maturity dates.

Principal (Notional) Amounts by Expected Maturity in U.S. Dollars (in 000s, except interest rates)

	FAIR VALUE AT 3/31/00	FY2000	FY2001	FY2002	FY2003	FY2004 & THEREAFTER
Cash Equivalents	$19,335	$19,335				
Weighted Average Interest Rate	6.12%	6.12%	--	--	--	--

Investments	$69,514	$16,136	$13,636	$20,459	$12,709	$6,574
Weighted Average Interest Rate	6.33%	6.10%	6.69%	6.33%	6.16%	6.53%
Total Portfolio	$88,849	$35,471	$13,636	$20,459	$12,709	$6,574
Weighted Average Interest Rate	6.29%	6.11%	6.69%	6.33%	6.16%	6.53%

IMPACT OF FOREIGN CURRENCY RATE CHANGES

During the first nine months of fiscal 2000, most currencies in Europe and Asia/Pacific fluctuated minimally ending the period mixed against the U.S. dollar. The translation of the parent company's intercompany receivables and foreign entities assets and liabilities did not have a material impact on our consolidated results. Foreign exchange forward contracts are only purchased to hedge certain customer accounts receivable amounts denominated in a foreign currency.

FOREIGN EXCHANGE HEDGING

We enter into foreign exchange forward contracts to reduce our exposure to currency fluctuations on customer accounts receivable amounts denominated in foreign currency. The objective of these contracts is to neutralize the impact of foreign currency exchange rate movements on our operating results. We do not use derivative financial instruments for speculative or trading purposes. We had $5.3 million of foreign exchange forward contracts denominated in British, French, Japanese, Swiss, German and Belgium currencies which represented underlying customer accounts receivable transactions at the end of the third quarter of fiscal 2000. The gains and losses on these contracts are included in earnings when the underlying foreign currency denominated transaction is recognized. Gains and loss related to these instruments for the third quarter and the first nine months of fiscal 2000 were not material to our financial position. Looking forward, we do not anticipate any material adverse effect on its consolidated financial position, results of operations, or cash flows resulting from the use of these instruments. However, there can be no assurance that these strategies will be effective or that transaction losses can be minimized or forecasted accurately.

The following table provides information about our foreign exchange forward contracts at the end of the third quarter of fiscal 2000. The table presents the value of the contracts in U.S. dollars at the contract exchange rate as of the contract maturity date. The average contract rate approximates the weighted average contractual foreign currency exchange rate and the forward position in U.S. dollars approximates the fair value of the contract at the end of the third quarter of fiscal 2000.

Forward Contracts to Sell Foreign Currencies for U.S. Dollars Related to Customer Accounts Receivable:

CURRENCY	AVERAGE CONTRACT RATE	FORWARD AMOUNT IN U.S. DOLLARS (IN THOUSANDS)	CONTRACT ORIGINATION DATE	CONTRACT MATURITY DATE
Belgian Franc	41.89	$ 17	May 00	May 00
British Pound Sterling	1.58	977	Various: Apr 98 - Mar 00	Various: May 00-Jul 02
French Franc	5.64	430	Various: Apr 98-Mar 00	Various: Apr 00-Jan 02
German Deutsche Mark	1.60	779	Various: Jan 98-Mar 00	Various: May 00-Jul 01
Japanese Yen	114.96	2,548	Various: Mar 98-Mar 00	Various: Apr 00-Aug 02
Swiss Franc	1.54	520	Various: Jan 99-Mar 00	Various: May 00-Jul 02
Total		$ 5,271		

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is a party to lawsuits in the normal course of its business. The Company believes that it has meritorious defenses in all lawsuits in which the Company or its subsidiaries is a defendant. The Company notes that (i) litigation, particularly securities litigation, can be expensive and disruptive to normal business operations and (ii) the results of complex legal proceedings can be very difficult to predict.

On October 5, 1998, a purported class action lawsuit was filed in the United States District Court for the District of Massachusetts against the Company and certain of its officers and directors, on behalf of purchasers of the Company's common stock between April 28, 1998 and October 2, 1998, the Van Ormer

Complaint. The lawsuit seeks an unspecified amount of damages and claims violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, alleging that the defendants issued a series of materially false and misleading statements concerning the Company's financial condition, its operations and integration of several acquisitions. On October 26 a second purported class action lawsuit was filed in the United States District Court for the District of Massachusetts against the Company and certain of its officers and directors, on behalf of purchasers of the Company's common stock between April

28, 1998 and October 2, 1998 which was verbatim identical to the Van Ormer Complaint except only for the plaintiff's name, the Clancey Complaint. On November 20, 1998 a third purported class action lawsuit was filed in the same court against the same defendants which was verbatim identical to the Van Ormer and Clancy Complaints except only for the plaintiff's name, the expansion of the class action period from January 27, 1998 to October 2, 1998, and the addition of references to statements made between January 27, 1998 and April 28, 1998, the Marucci Complaint. On January 27, 1999, in response to a motion to dismiss filed by us, the plaintiffs consolidated the three complaints and filed a Consolidated Amended Class Action Complaint. On December 9, 1999, the Court heard oral arguments to review the pleadings in the case; as of March 31, 2000, there has been no decision rendered by the Court. The Company believes it has meritorious legal defenses to the lawsuits and intends to defend vigorously against these actions. The Company is currently unable, however, to determine whether resolution of these matters will have a material adverse impact on the Company's financial position or results of operations, or reasonably estimate the amount of the loss, if any, that may result from resolution of these matters.

Item 2. Changes in Securities and use of Proceeds

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits
None

(b) Reports on Form 8-K
None

(c) Other Exhibits: Financial Data Schedule

SIGNATURE

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

ASPEN TECHNOLOGY, INC.

Date: May 15, 2000 by: /s/ Lisa W. Zappala

Lisa W. Zappala
Senior Vice President
Chief Financial Officer

5
1,000
U.S. DOLLARS

9-MOS
JUN-30-2000
JUL-01-1999
MAR-31-2000
1
37,913
69,514
103,765
(1,388)
0
247,305
88,393
54,067
337,163
79,889
0
0
0
2,632
153,179
337,163
84,643
182,477
6,696
68,489
35,425
0
4,061
2,744
934
(176)
0
0
0
1,810
0.07
0.07