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, 1999.

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, 1999, there were 24,940,072 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
(Unaudited and in thousands)

	MARCH 31, 1999	JUNE 30, 1998
Current Assets:		
Cash and cash equivalents	$ 37,812	$ 78,694
Short-term investments	62,088	34,987
Accounts receivable, net	62,334	71,803
Unbilled services	19,767	18,077
Current portion of long-term installments receivable, net	29,268	23,643
Prepaid expenses and other current assets	12,294	10,831
Total current assets	223,563	238,035
Long-term installments receivable, net	33,078	36,203
Property and leasehold improvements, at cost	84,414	76,314
Accumulated depreciation	(42,566)	(33,578)
	41,848	42,736
Computer software development costs, net	5,952	5,696
Intangible assets, net	11,703	12,857
Other assets	6,602	7,355
	$ 322,746	$ 342,882
Current Liabilities:		
Current portion of long-term debt	$ 842	$ 2,187
Accounts payable and accrued expenses	26,123	38,545
Unearned revenue	7,316	6,008
Deferred revenue	20,501	17,888
Deferred income taxes	541	541
Total current liabilities	55,323	65,169
Long-term debt, less current maturities	4,126	4,385
5 1/4% Convertible subordinated debentures	86,250	86,250
Deferred revenue, less current portion	12,825	15,074
Other liabilities	539	914
Deferred income taxes	6,076	6,074
Stockholders' Equity:		
Common stock	2,516	2,473
Additional paid-in capital	154,120	148,342
Retained earnings	2,742	14,922
Accumulated other comprehensive income (loss)	(1,269)	(219)
Treasury stock, at cost	(502)	(502)
Total stockholders' equity	157,607	165,016
	$ 322,746	$ 342,882

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,	
	1999	1998	1999	1998
Software licenses	$ 22,191	$ 38,691	$ 66,868	$ 95,544
Maintenance and other services	32,001	29,697	95,688	82,500
Total revenues	54,192	68,388	162,556	178,044
Cost of software licenses	2,149	1,540	5,759	4,964
Cost of maintenance and other services	21,204	17,274	62,217	48,342
Selling and marketing	22,207	19,876	62,961	52,683
Research and development	12,297	10,998	35,838	31,519
General and administrative	6,235	5,309	17,335	14,650
One-time acquisition costs	--	8,947	--	9,456
Total costs and expenses	64,092	63,944	184,110	161,614
Income (loss) from operations	(9,900)	4,444	(21,554)	16,430
Other income (expense), net	(115)	(162)	131	(320)
Interest income, net	1,005	1,358	3,369	4,158
Income (loss) before provision for (benefit from) income taxes	(9,010)	5,640	(18,054)	20,268
Provision for (benefit from) income taxes	(3,153)	5,073	(6,318)	10,324
Net income (loss)	$ (5,857)	$ 567	$ (11,736)	$ 9,944
Diluted earnings (loss) per share	$ (0.23)	$ 0.02	$ (0.47)	$ 0.41
Weighted average shares outstanding-diluted	24,925	25,324	24,954	24,432
Basic earnings (loss) per share	$ (0.23)	$ 0.02	$ (0.47)	$ 0.43
Weighted average shares outstanding-basic	24,925	23,857	24,954	23,101

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

	Nine Months Ended March 31	
	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET INCOME (LOSS)	$ (11,736)	$ 9,944
Adjustments to reconcile net income (loss) to net cash provided by operating activities (net of acquisition-related activity disclosed below):		
Depreciation and amortization	13,329	9,844
Charge for in-process research and development	--	8,472
Foreign exchange gain (loss)	(310)	--
Deferred income taxes	2	6,834
Decrease (increase) in accounts receivable	9,275	(10,802)
Increase in unbilled services	(1,658)	(5,682)
Increase in installments receivable	(2,500)	(609)
(Increase) decrease in prepaid expenses and other current assets	(1,557)	111
Decrease in accounts payable and accrued expenses	(12,407)	(3,249)
Increase in unearned revenue	1,268	527
Increase in deferred revenue	404	4,785
Net cash provided by (used in) operating activities	(5,890)	20,175
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and leasehold improvements	(8,535)	(13,570)
(Purchase) sale of investment securities	(27,244)	7,437
(Increase) decrease in other long-term assets	737	(445)
Increase in computer software development costs	(2,207)	(2,923)
Decrease in other long-term liabilities	(374)	(201)
Cash overdraft acquired in immaterial poolings	--	(778)
Cash used in the purchase of business, net of cash acquired	(1,200)	(9,911)
Net cash used in investing activities	(38,823)	(20,391)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock under employee stock purchase plans	4,474	3,878
Issuance of common stock under employee stock ownership plan	--	478
Exercise of stock options and warrants	940	3,864
Repurchase of common stock	--	(2)
Payments of long-term debt and capital lease obligations	(1,313)	(907)
Net cash provided by financing activities	4,101	7,311
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	(270)	167
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(40,882)	7,262
CASH AND CASH EQUIVALENTS, beginning of period	78,694	18,284
CASH AND CASH EQUIVALENTS, end of period	$ 37,812	$ 25,546

During the nine months ended March 31, 1999 and 1998, the Company acquired certain companies in purchase transactions. These acquisitions are summarized as follows-

	1999	1998
Fair value of assets acquired, excluding cash	$ 1,290	$ 11,316
Payments in connection with the acquisitions, net of cash acquired	(1,200)	(9,911)
Liabilities assumed	$ 90	$ 1,405

During the nine months ended March 31, 1998, the Company acquired certain companies in poolings-of-interest transactions. These acquisitions are summarized as follows-

	1998
Liabilities assumed	$ 9,783
Book value of equity	(3,911)
Book value of assets acquired	$ 5,872

ASPEN TECHNOLOGY, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
March 31, 1999
(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, 1999 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, 1998, 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

The Company recognizes revenue from software licenses upon the shipment of its products, pursuant to a signed non-cancelable license agreement. In the case of license renewals, revenue is recognized upon execution of the renewal license agreement. The Company has no significant vendor obligations or collectability risk associated with its product sales. The Company recognizes revenue from post-contract customer support ratably over the period of the post-contract arrangement. The Company accounts for insignificant vendor obligations by deferring a portion of the revenue and recognizing it either ratably, as the obligations are fulfilled, or when the related services are performed. If significant application development services are performed in connection with the purchase of a license, the license fees are recognized as the application development services are performed.

Service revenues from fixed-price contracts are recognized on 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. Service 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 non-cancelable term license agreements that provide for payment in installments over a one to five year period. A portion of the revenue from each installment agreement is recognized as interest income in the accompanying consolidated condensed statements of operations over the

installment period. The interest rate in effect for the three and nine months ended March 31, 1998 and 1999 was 8.5%. At March 31, 1999, the Company had long-term installment receivables of approximately $6.1 million denominated in foreign currencies. These foreign installments receivable will mature through June 2003 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

In compliance with Statement of Financial Accounting Standards (SFAS) No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed", 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 and ends upon market introduction. Amortization of capitalized computer software development costs is included in cost of revenues and is provided on a product-by-product basis at the greater of the amount computed using (a) the ratio of current gross revenues for a product to the total of current and anticipated future gross revenues or (b) the straight-line method 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, 1999 was approximately $0.6 and $1.9 million, respectively, as compared to the three and nine month periods ended March 31, 1998, which was $0.3 and $0.7 million, respectively.

(c) Net Income (Loss) Per Share

In accordance with SFAS No. 128, 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.

Basic and diluted weighted average shares outstanding as required by SFAS No. 128 are as follows (in thousands):

	THREE MONTHS ENDED MARCH 31,		NINE MONTH ENDED MARCH 31,	
	1999	1998	1999	1998
Weighted average shares outstanding - basic	24,925	23,857	24,954	23,101
Weighted average common equivalent shares	--	1,467	--	1,331
Diluted weighted average shares outstanding - diluted	24,925	25,324	24,954	24,432

There were 530,411 and 1,139,103 stock options and warrants not included in diluted weighted

average shares outstanding for the three and nine month periods ended March 31, 1999, respectively, as the effect would have been anti-dilutive.

(d) Investments

The Company accounts for its investments in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities". Under SFAS No. 115, 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 comprehensive income. Short-term investments held as of March 31, 1999 consist of $55.0 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, some of its installment contracts to financial institutions for approximately $6.0 and $21.5 million during the three and nine month periods ended March 31, 1999, respectively. The financial institutions have partial recourse to the Company only upon non-payment by the customer under certain installment receivables. 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, 1999, the balance of the uncollected principal portion of all contracts sold was $86.5 million. The Company's potential recourse obligation related to these contracts is approximately $3.7 million. In addition, the Company is obligated to pay additional costs to the financial institutions in the event of default by the customer.

4. ACQUISITIONS

(a) OPTPEMS Business of Callidus Technologies, Inc.

On September 14, 1998 the Company paid $1.2 million in cash for certain assets and personnel of Callidus Technologies, Inc., a consulting firm that specializes in the modeling of predictive emissions monitoring. This acquisition has been accounted for as a purchase transaction. The purchase price has been allocated to various assets, primarily intangible assets, based on their fair values.

5. COMPREHENSIVE INCOME

The Company adopted SFAS No. 130, Reporting Comprehensive Income, effective July 1, 1998. SFAS No. 130 requires that items defined as other comprehensive income, such as foreign currency translation adjustments and unrealized gains and losses on investments, be separately classified in the financial statements and that the accumulated balance of other comprehensive income be reported separately from retained earnings and additional paid-in capital in the equity section of the balance sheet. The

components of comprehensive income for the three and nine months ended March 31, 1999 and 1998 are as follows (in thousands):

	THREE MONTHS ENDED MARCH 31,		NINE MONTHS ENDED MARCH 31,	
	1999	1998	1999	1998
Net income (loss)	$(5,857)	$567	$(11,736)	$ 9,944
Unrealized gain (loss) on investments	(105)	55	(85)	(13)
Foreign currency adjustment	(917)	183	(965)	161
Comprehensive income (loss)	$(6,879)	$805	$(12,786)	$ 10,092

Effective January 1, 1999 the local currency of several foreign subsidiaries was changed from the U.S. dollar to the respective foreign currency. This change was made in order to comply with the regulations of SFAS No. 52, Foreign Currency Translation, and reflects the current status of the Company's operations in those foreign countries.

6. REPRICING OF EMPLOYEE STOCK OPTIONS

On November 11, 1998 the Company's Board of Directors approved the repricing of certain employee stock options with exercise prices in excess of the fair market value of the Company's common stock. The exercise price for the 2.62 million shares of employee stock options that were repriced was reset to $14.125, the closing market price on November 11, 1998. In connection with the repricing the vesting of options was reduced by one year. Stock options held by executive officers and directors were not eligible for such repricing.

RESTRUCTURING CHARGE

Subsequent to March 31, 1999 Company management has begun certain actions to restructure its business. In connection with this restructuring, the Company is reducing its staff by approximately 200 employees, about twelve percent of the global workforce, as well as consolidating facilities, streamlining operations and rationalizing certain non-core products and activities acquired in recent years. As a result of these measures, the Company expects to report a $17-19 million restructuring charge in the fourth quarter ending June 30, 1999.

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, 1999 and 1998

OVERVIEW

The Company's operating results for the third quarter of fiscal 1999 were adversely affected by a lower than expected level of license revenues. The shortfall resulted primarily from delayed decision making driven by economic difficulties among customers in our core vertical markets of refining, chemicals and

petrochemicals. These lower revenues caused the Company's reporting of lower than planned net income for the fiscal quarter and nine months ended March 31, 1999.

Subsequent to March 31, 1999 Company management has begun certain actions to restructure its business. In connection with this restructuring, the Company is reducing its staff by approximately 200 employees, about twelve percent of the global workforce, as well as consolidating facilities, streamlining operations and rationalizing certain non-core products and activities acquired in recent years. As a result of these measures, the Company expects to report a $17-19 million restructuring charge in the fourth quarter ending June 30, 1999.

TOTAL REVENUES

Revenues are derived from software licenses and maintenance and other services. Total revenues for the three months ended March 31, 1999 were $54.2 million, a decrease of $14.2 million, or 20.8%, from $68.4 million in the comparable period of fiscal 1998. Total revenues for the nine months ended March 31, 1999 were $162.6 million, a decrease of $15.5 million, or 8.7%, from $178.0 million in the comparable period of fiscal 1998. This decrease is primarily as a result of lower license revenues, discussed above.

Total revenues from customers outside the United States were $30.0 and $86.7 million, or 55.4% and 53.3%, of total revenues for the three and nine months ended March 31, 1999, respectively. The non-U.S. revenues for the comparable periods in fiscal 1998 were $30.2 and $80.3 million, or 44.1% and 45.1%, of total revenues. The geographical mix of license revenues can vary from quarter to quarter; during fiscal 1999, the overall level of revenues from customers outside the United States is expected to be relatively consistent with the prior year. The largest decrease in license revenues came from within certain of our core vertical markets in the United States.

SOFTWARE LICENSES

Revenues from software licenses for the three months ended March 31, 1999 were $22.2 million, a decrease of $16.5 million, or 42.6%, from $38.7 million in fiscal 1998. Software license revenue represented 40.9% of total revenue for the three months ended March 31, 1999, as compared to 56.6% in fiscal 1998. Revenues from software licenses for the nine months ended March 31, 1999 were $66.9 million, a decrease of $28.6 million, or 29.9%, from $95.5 million in the comparable period of fiscal 1998. Software license revenue represented 41.1% of total revenue for the nine months ended March 31, 1999, as compared to 53.7% in fiscal 1998. The decline in software license revenues was mainly attributable to global economic conditions in certain of our core vertical markets, as discussed above.

MAINTENANCE AND OTHER SERVICES

Revenues from maintenance and other services consist of consulting services, post contract support on software licenses, training and sales of documentation. Revenues from maintenance and other services for the three months ended March 31, 1999 were $32.0 million, an increase of $2.3 million, or 7.7%, from $29.7 million in the comparable period in fiscal 1998. Revenues from maintenance and other services for the nine months ended March 31, 1999 were $95.7 million, an increase of $13.2 million, or 16.0%, from $82.5 million in the comparable period in fiscal 1998. The increases in both periods reflect a continued focus during fiscal 1999 on providing high value-added consulting and training services to existing customers.

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. These costs, for the three and nine months periods ended March 31, 1999 were $2.1 and $5.8 million, or 4.0% and 3.5%, respectively, of total revenues. This compares to $1.5 and $5.0 million, or 2.3% and 2.8%, respectively, of total revenues in the comparable period of fiscal 1998. Cost of software licenses as a percentage of revenues from software licenses were 9.7% and 8.6% for the three and nine months periods ended March 31, 1999. This is compared to 4.0% and 5.2% for the three and nine months periods ended March 31, 1998, respectively. The increase in these costs as a percentage of software license revenue in fiscal 1999 compared to fiscal 1998 is due primarily to incremental amortization of computer software development costs and the spreading of this cost over a smaller revenue base.

COSTS OF MAINTENANCE AND OTHER SERVICES

Costs of maintenance and other services consists of the cost of execution of application consulting services, technical support expenses, the cost of training services and the cost of manuals sold separately. These costs for the three and nine months ended March 31, 1999 were $21.2 and $62.2 million, or 39.1% and 38.3%, of total revenues, respectively. During the comparable period in fiscal year 1998, these costs were $17.3 and $48.3 million, or 25.3% and 27.2%, of total revenues, respectively. Costs of maintenance and other services as a percentage of their revenue were 66.3% and 65.0% in the three and nine months ended March 31, 1999. The same percentages in the comparable periods of fiscal year 1998 were 58.2% and 58.6%, respectively. These percentage increases reflect investments in personnel and related support, which were made to improve the execution of the services projects. Additionally, the expenses are spread over a slightly lower revenue base due to a decrease in the utilization of project engineers as a result of certain of our customers pushing back the timing of the execution of some projects.

SELLING AND MARKETING EXPENSES

Selling and marketing expenses for the three and nine months periods ended March 31, 1999 were $22.2 and $63.0 million, an increase of 11.7% and 19.5%, respectively, from $19.9 and $52.7 million in the comparable periods in fiscal year 1998. As a percentage of revenues, selling and marketing expenses were 41.0% and 38.7%, for the three and nine months periods ended March 31, 1999, respectively. These same percentages were 29.1% and 29.6% for the comparable period in fiscal 1998. The increase in the percentage of selling and marketing expenses, on a comparative period basis, is primarily related to the decline in software licenses revenues identified above. Additionally, the Company has continued to invest in sales personnel and regional sales offices to improve the Company's geographic proximity to its customers, to maximize the penetration of existing accounts and to add new customers. The Company is reevaluating all resources involved in the sales process as component of the previously discussed announced fourth quarter fiscal 1999 restructuring.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses consist primarily of personnel and outside consultancy costs required to conduct the Company's product development efforts. Capitalized software development costs are amortized over three years and expensed as costs of license. Research and development expenses during the three and nine months periods ended March 31, 1999 were $12.3 and $35.8 million, respectively, an increase of $1.3 and $4.3 million, or 11.8% and 13.7%, respectively, from $11.0 and $31.5 million in the comparable periods of fiscal 1998. As a percentage of revenues, research and development costs were 22.7% and 22.0% for the three and nine months periods ended March 31, 1999,

respectively. The percentages for the same period in fiscal 1998 were 16.1% and 17.7%, respectively. The increase in costs reflects continued investment in the development of the Company's core modeling products and a common software architecture encompassing the Company's expanded family of software products. The Company capitalized 5.9% of its total research and development costs during the three and nine months periods ended March 31, 1999. In the comparable periods of fiscal year 1998, the Company capitalized 8.5%.

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 months periods ended March 31, 1999 were $6.2 and $17.3 million, an increase of $0.9 and $2.7 million, or 17.4% and 18.3%, respectively, from the comparable period of fiscal 1998. The increased expense level reflects the growth in the scale and scope of the Company's operations, particularly the investments made in improving its information systems.

INTEREST INCOME
Interest income is generated from the license of software pursuant to installment contracts and the investment of excess cash in short-term and long-term investments. Under these installment contracts, the Company offers 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. A substantial majority of the off-line modeling customers elect to license these products through installment contracts. The Company believes this election is made principally because the customers prefer to pay for the Company's off-line modeling products out of their operating budgets, rather than out of their capital budgets. Included in the annual payments is an implicit interest charge based upon the interest rate established by the Company at the time of the license. The Company sells a portion of the installment contracts to unrelated financial institutions. The interest earned by the Company on the installment contract portfolio in any period is the result of the implicit interest established by the Company on installment contracts and the size of the contract portfolio. Interest income was $2.5 and $7.6 million for the three and nine months ended March 31, 1999 as compared to $1.4 and $4.3 million for the corresponding periods in fiscal 1998. The increase reflects the interest income generated from excess cash from the Company's 5 1/4% convertible debentures, which was not issued and outstanding in the comparable three and nine months periods ended March 31, 1998.

INTEREST EXPENSE
Interest expense is generated from interest charged on the Company's 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, 1999 was $1.5 and $4.2 million compared to $0.1 and $0.1 million in the same periods of fiscal 1998. The increase is primarily related to the interest expense on the Company's 5 1/4% convertible debentures, which did not exist in the comparable periods ended March 31, 1998.

TAX RATE
The effective tax rate for the three and nine months periods ended March 31, 1999 was approximately 35% of pretax income (loss). The tax rate for the comparable periods of fiscal year 1998 was slightly higher and was approximately 36%.

LIQUIDITY AND CAPITAL RESOURCES

During the nine months ended March 31, 1999, the Company's cash and cash equivalents balance decreased by $40.9 million, most of which was invested in short-term securities. Operations used $5.9 million of cash during this period, primarily related to the net loss.

In recent years, the Company has had 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, 1999, installment contracts increased slightly to $62.3 million, net of $21.5 million of installment contracts sold to GECC and FBCC. The Company's 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, 1999, the balance of the uncollected principal portion of the contracts sold to these two financial institutions was $86.5 million, for which the Company has a partial recourse obligation of approximately $3.7 million. The availability under these arrangements will increase as the financial institutions receive payment on installment contracts previously sold.

The Company maintains 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 (7.75% at March 31, 1999) plus a specified margin or, at the Company's option, a rate equal to a defined LIBOR (5.04% at March 31, 1999) plus a specified margin. The line of credit agreement requires the Company to 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. At March 31, 1999, there were no outstanding borrowings under the line of credit.

In June 1998, the Company sold $86.3 million of 5 1/4% Convertible subordinated debentures (the Debentures). The Debentures are convertible into shares of the Company's 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 the option of the Company 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 the Company to repurchase its Debentures, in whole or in part, for cash or, at the Company's 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 existing and future senior debt of the Company, as defined, and effectively subordinate in right of payment to all indebtedness and other liabilities of the Company's subsidiaries.

YEAR 2000 COMPLIANCE

INTRODUCTION
Management has initiated a Company-wide program to prepare the Company's computer systems and applications as well as the Company's product offerings for the year 2000. The Company has formed a Year 2000 Steering Committee comprised of representatives from the different divisions of the Company, including product development staff and internal systems staff. The Steering Committee is responsible for defining Year 2000 compliance standards for the entire Company, identifying Year 2000 requirements for each area of the Company's business and internal requirements, assessing current compliance and compliance efforts, and generally providing direction and management of the Company's Year 2000 efforts. The Company's Year 2000 efforts are focused on the compliance of its product and service offerings to customers and on internal business-critical items. Hardware, software, systems, technologies and applications are considered "business-critical" if a failure would either have a material adverse impact on the Company's business, financial condition or results of operations or involve a safety risk to employees or customers.

STATE OF READINESS
The Company has tested and determined that substantially all of its standard products are compliant and has established a web-site, which lists the status of the majority of products. The Company is also working on the work processes of its service groups to incorporate Year 2000 compliance tests or procedures in carrying out service projects and is in the process of determining the readiness of its internal systems that are business-critical.

INTERNAL SYSTEMS
The Company has reviewed certain internal systems and future system plans to assess Year 2000 compliance. The Company expects that its internal system development plans will address the Year 2000 issue and will correct any existing non-compliant systems without the need to accelerate the overall information systems implementation plans. If there are unidentified dependencies on internal systems to operate the business, or if any required modifications are not completed on a timely basis or are more costly to implement than currently anticipated, the Company's business, financial condition or results of operations could be materially adversely affected.

TESTING
The Company has developed a testing and compliance program to ascertain whether and to what extent the Company may need to update its software products to become Year 2000 compliant. The results of this testing program are available on the Company's public web-site.

The Company is also developing a plan to test any internal systems which have not been certified as Year 2000 compliant or which have been determined to be business-critical as described above. The experience of the Company in developing its internal product testing program will be used in the development of any testing program for internal systems.

COSTS TO ADDRESS YEAR 2000 COMPLIANCE
The Company expects to incur internal staff costs as well as consulting and other expenses related to system enhancements for the year 2000. The Company believes the total costs to be incurred for all Year 2000 related projects will not have a material impact on the future results from operations; however, the Company is assessing such costs on an on-going basis in order to adjust spending plans as necessary.

CONTINGENCY PLANNING AND RISKS
The Company has risks both that its products and services fail to be compliant with certain Year 2000 functionality and that its business operations would be interrupted or affected by the failure of other products or services to be Year 2000 compliant. The external risks are difficult to determine due to the general uncertainty inherent from the Company's dependence upon the Year 2000 compliance of third party software operating systems and applications with which the Company's software operates, and third-party suppliers, vendors and customers with whom the Company does business. The Company is unable to determine at this time its most reasonably likely worst case scenario. While costs related to the lack of Year 2000 compliance of third parties, business interruptions, litigation and other liabilities related to Year 2000 issues could materially and adversely affect the Company's business, results of operations and financial condition, the Company expects its Year 2000 compliance efforts to reduce significantly the Company's level of uncertainty about the impact of Year 2000 issues affecting both its products and services and internal systems.

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
The Company does not use derivative financial instruments in its investment portfolio. The Company places its investments in instruments that meet high credit quality standards, as specified in the Company's investment policy guidelines; the policy also limits the amount of credit exposure to any one issuer and the types of instruments approved for investment. The Company does not expect any material loss with respect to its investment portfolio. The following table provides information about the Company's 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 3/31/99	FY1999	FY2000	FY2001	FY2002	FY2003 & Thereafter
Cash Equivalents	$25,186	$25,186				
Weighted Average Interest Rate	4.86%	4.86%	--	--	--	--
Investments	$62,088	$1,003	$28,711	$12,952	$13,888	$5,534
Weighted Average Interest Rate	6.12%	7.24%	6.07%	6.15%	6.03%	6.31%
Total Portfolio	$87,274	$26,189	$28,711	$12,952	$13,888	$5,534
Weighted Average Interest Rate	5.75%	4.96%	6.07%	6.15%	6.03%	6.31%

IMPACT OF FOREIGN CURRENCY RATE CHANGES
During the first nine months of fiscal 1999, most currencies in Europe and Asia/Pacific fluctuated, with a general weakening of the U.S. dollar in the first two quarters of fiscal 1999 and a strengthened U.S.

dollar in the third quarter of fiscal 1999. However, the translation of the parent Company's intercompany receivables and foreign entities assets and liabilities did not have a material impact on the consolidated results of the Company. Foreign exchange forward contracts are only purchased to hedge certain customer accounts receivable amounts denominated in a foreign currency.

Effective January 1, 1999 the local currency of several foreign subsidiaries was changed from the U.S. dollar to the respective foreign currency. This change was made in order to comply with the regulations of SFAS No. 52, Foreign Currency Translation, and reflects the current status of the Company's operations in those foreign countries.

FOREIGN EXCHANGE HEDGING

The company enters into foreign exchange forward contracts to reduce its exposure to currency fluctuations on customer accounts receivables denominated in foreign currency. The objective of these contracts is to neutralize the impact of foreign currency exchange rate movements on the Company's operating results. The Company does not use derivative financial instruments for speculative or trading purposes. The Company had $7.1 million of foreign exchange forward contracts denominated in British, French, Japanese, Swiss, German, Belgium and Netherlands currencies which represented underlying customer accounts receivable transactions at the end of the third quarter of fiscal 1999. 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 1999 were not material to the Company. Looking forward, the Company does 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 the Company's foreign exchange forward contracts at the end of the third quarter of fiscal 1999. 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 1999.

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	29.90	$ 23	Various: May 98	Various: Jan 00
British Pound Sterling	1.57	1,423	Various: Jun 97 - Mar 99	Various: Apr 99 - Jun 02
French Franc	5.45	577	Various: Apr 98 - Mar 99	Various: Apr 99 - Apr 02
German Deutsche Mark	1.58	1,145	Various: Apr 97 - Mar 99	Various: Apr 99 - Oct 02
Japanese Yen	116.36	3,754	Various: Jan 97 - Feb 99	Various: Apr 99 - Jun 03
Netherlands Guilder	1.81	24	Various: Apr 97 - Jan 99	Various: Apr 99 - Jul 99
Swiss Franc	1.34	124	Various: Jan 99	Various: Feb 99 - Jan 01
Total		$ 7,070		

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) securities litigation, in particular, 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 Sections10 (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 Clancey 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 the Company, the plaintiffs consolidated the three complaints and filed a Consolidated Amended Class Action Complaint. 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

Current Report on Form 8-K dated May 10, 1999.

(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 13, 1999

By: /s/ Lisa W. Zappala

Lisa W. Zappala
Senior Vice President
Chief Financial Officer

5

1,000
US DOLLARS

9-MOS
JUN-30-1999
JUL-01-1998
MAR-31-1999
1
37,812
62,088
111,369
0
0
223,563
84,414
42,566
322,746
55,323
90,376
0
0
2,516
155,091
322,746
162,556
162,556
67,976
184,110
(131)
0
(3,369)
(18,054)
(6,318)
(11,736)
0
0
0
(11,736)
(.47)
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