SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the Quarter Ended: April 1, 1995 Commission File Number: 0-18059

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

Massachusetts
(State or other jurisdiction of incorporation or organization)

04-2866152
(I.R.S. Employer Identification Number)

128 Technology Drive, Waltham, MA 02154
(Address of principal executive offices, including zip code)

(617) 398-5000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ____

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 1, 1995
Common Stock, par value $.01 per share	57,792,507

Total number of pages: 11

PARAMETRIC TECHNOLOGY CORPORATION

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Part I Financial Information

Part II Other Information

PARAMETRIC TECHNOLOGY CORPORATION
CONSOLIDATED BALANCE SHEET
(amounts in thousands)

ASSETS	April 1, 1995 (unaudited)	September 30, 1994
Current assets:		
Cash and cash equivalents	$118,252	$138,622
Short-term investments	160,322	68,847
Accounts receivable, net of allowance for doubtful accounts of $2,175 and $2,034	60,060	57,554
Other current assets	9,528	5,933
Total current assets	348,162	270,956
Property and equipment, net	13,515	12,822
Capitalized computer software costs, net	1,424	1,182
Other assets	2,921	2,030
Total assets	$366,022	$286,990
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 12,957	$ 11,564

Accrued compensation	14,461	14,577
Deferred revenue	33,366	15,776
Income taxes	1,774	2,356
Total current liabilities	62,558	44,273
Deferred income taxes	676	638
Stockholders' equity:		
Preferred stock, $.01 par value; 5,000 shares authorized; none issued	--	--
Common stock, $.01 par value; 75,000 shares authorized; 57,793 and 56,917 shares issued	578	569
Additional paid-in capital	113,869	96,736
Cumulative translation adjustments	2,943	1,099
Valuation allowance for investments	85	--
Retained earnings	185,313	143,675
Total stockholders' equity	302,788	242,079
Total liabilities and stockholders' equity	$366,022	$286,990

The accompanying notes are an integral part of the consolidated financial statements.

PARAMETRIC TECHNOLOGY CORPORATION
CONSOLIDATED STATEMENT OF INCOME
(amounts in thousands, except per share data)
(unaudited)

	Three months ended		Six months ended	
	April 1, 1995	April 2, 1994	April 1, 1995	April 2, 1994
Revenue:				
License	$60,945	$45,272	$114,879	$ 88,241
Service	22,580	12,750	40,662	23,299
Total revenue	83,525	58,022	155,541	111,540
Cost of revenue:				
License	438	166	657	395
Service	6,962	3,887	13,038	7,474
Total cost of revenue	7,400	4,053	13,695	7,869
Gross profit	76,125	53,969	141,846	103,671
Operating expenses:				
Sales and marketing	33,989	23,055	62,478	44,169
Research and development	4,585	3,580	8,783	7,029
General and administrative	4,062	2,833	7,785	5,557
Total operating expenses	42,636	29,468	79,046	56,755
Operating income	33,489	24,501	62,800	46,916
Other income, net	2,081	923	3,714	1,828

Income before income taxes	35,570	25,424	66,514	48,744
Provision for income taxes	13,303	9,508	24,876	18,231
Net income	$22,267	$15,916	$ 41,638	$ 30,513
Net income per share	$ 0.37	$ 0.27	$ 0.70	$ 0.52
Weighted average number of common and dilutive common equivalent shares outstanding	60,003	58,598	59,678	58,490

The accompanying notes are an integral part of the consolidated financial statements.

PARAMETRIC TECHNOLOGY CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(amounts in thousands)
(unaudited)

	Six Months Ended	
	April 1, 1995	April 2, 1994
Cash flows from operating activities:		
Net income	$ 41,638	$ 30,513
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,555	2,270
Deferred income taxes	(380)	(276)
Changes in assets and liabilities:		
Increase in accounts receivable	(1,169)	(10,770)
(Increase) decrease in other current assets	(3,790)	2,175
Increase in other assets	(313)	(1,952)
Increase in accounts payable and accrued expenses	1,095	2,740
Increase (decrease) in accrued compensation	(345)	2,233
Increase in income taxes	5,504	12,116
Increase in deferred revenue	17,058	4,640
Net cash provided by operating activities	62,853	43,689
Cash flows from investing activities:		
Additions to property and equipment, net	(3,662)	(3,598)
Additions to capitalized computer software costs	(622)	(460)
Proceeds from sales of short-term investments	47,038	35,418
Purchases of short-term investments	(138,428)	(27,169)
Net cash provided (used) by investing activities	(95,674)	4,191
Cash flows from financing activities:		
Principal payments under capital lease obligations	(19)	(13)
Proceeds from employee stock option and purchase plans	11,064	6,449
Net cash provided by financing activities	11,045	6,436
Effect of exchange rate changes on cash	1,406	(130)
Net increase (decrease) in cash and cash equivalents	(20,370)	54,186

Cash and cash equivalents at beginning of period	138,622	68,211
Cash and cash equivalents at end of period	$ 118,252	$122,397

The accompanying notes are an integral part of the consolidated financial statements.

PARAMETRIC TECHNOLOGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION:

The accompanying unaudited consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, and have been prepared by the Company in accordance with generally accepted accounting principles. Certain amounts in the fiscal 1994 consolidated financial statements have been reclassified to conform to the fiscal 1995 presentation. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments, consisting only of those of a normal recurring nature, necessary for a fair presentation of the Company's financial position, results of operations and cash flows at the dates and for the periods indicated. While the Company believes that the disclosures presented are adequate to make the information not misleading, these financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1994.

The results of operations for the three-month and six-month periods ended April 1, 1995 are not necessarily indicative of the results expected for the full fiscal year.

2. CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS:

Effective October 1, 1994, the Company adopted the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("FAS 115"). Under this standard, the Company's investments were classified as available-for-sale. In accordance with FAS 115, investments classified as available-for-sale are reported at fair market value and any unrealized gains or losses are recorded as part of stockholders' equity. The cumulative effect of this adoption was immaterial as of October 1, 1994. Prior period financial statements have not been restated to reflect this change in accounting principle.

3. SUPPLEMENTAL CASH FLOW INFORMATION:

The Company made income tax payments of $21,900,000 and $6,181,000 during the six months ended April 1, 1995 and April 2, 1994, respectively.

4. LINE OF CREDIT:

The Company had a $5,000,000 unsecured demand line of credit with a bank, which expired on January 31, 1995. There were no borrowings under this line during the six months ended April 1, 1995.

5. SUBSEQUENT EVENT:

On April 12, 1995, the Company acquired substantially all of the assets and specified liabilities of the Conceptual Design and Rendering System ("CDRS") software business operated by the Design Software Division of Evans & Sutherland Computer Corporation for approximately $34,500,000 in cash, which was paid by the Company from its existing cash balances. The assets acquired consisted primarily of computer software and related intellectual property rights, contract and license rights, and computer equipment. The Company will make the required disclosures related to this acquisition upon the completion of the audit of the financial statements of CDRS and the valuation of the assets and liabilities acquired. The Company plans to integrate the products of the CDRS business with its current and future software product lines.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Revenue, including license and service revenues, for the three-month and six-month periods ended April 1, 1995 was $83,525,000 and $155,541,000, respectively, compared with $58,022,000 and $111,540,000 for the three-month and six-month periods ended April 2, 1994. These totals represent increases of 44% for the three-month period and 39% for the six-month period over the corresponding periods in fiscal 1994. The increase in license revenue results from an increase in the number of seats of software licensed, offset by a lower price realized per seat. A seat of software generally consists of the Company's core product, Pro/ENGINEER(R), together with several other software modules, configured to serve the needs of a single concurrent user. The number of seats of software licensed during the three-month and six-month periods ended April 1, 1995 were approximately 3,400 and 6,700, compared with approximately 2,500 and 4,900 seats during the same periods in fiscal 1994. The increase in the number of seats licensed was achieved due to continued market penetration of the Company's products, particularly in international markets. The average price per seat during the three months and six months ended April 1, 1995 was $17,900 and $17,100, compared with an average price of $18,100 and $18,000 for the same periods in fiscal 1994. Service revenue is derived from the sale of software maintenance contracts and the performance of training and consulting services. This revenue increased during the three-month and six-month periods ended April 1, 1995 over the corresponding periods in fiscal 1994 as a result of the Company providing these services to both new and existing customers. Revenue outside of North America accounted for 51% and 50% of revenue for the three-month and six-month periods ended April 1, 1995 compared with 46% and 43% for the same periods in fiscal 1994. The Company expects that total revenue will continue to increase throughout fiscal 1995 from continued penetration in the high-end market, and that international revenue will continue to account for a significant portion of that total growth. In January 1995, the Company began selling Pro/JR./TM/ software, an entry-level version of its Pro/ENGINEER mechanical design automation software which enables end-users to design simple plastic and machined parts and assemblies. The new product did not have a significant impact on the results of operations for the three months ended April 1, 1995.

The number of worldwide employees increased 43% to 1,532 at April 1, 1995 compared with 1,074 at April 2, 1994. Employment increased significantly to support higher revenues and international expansion, with the largest portion of this growth occurring in the sales and marketing department and employees associated with cost of revenue activities.

Cost of license revenue consists of the amortization of capitalized computer software costs as well as material and overhead costs. Cost of service revenue includes the costs associated with training, software maintenance and consulting revenues. Combined, these expenses increased to $7,400,000 and $13,695,000 for the three-month and six-month periods ended April 1, 1995 from $4,053,000 and $7,869,000 for the corresponding periods in fiscal 1994. Total cost of revenue as a percentage of revenue increased to 9% for the three-month and six month periods ended April 1, 1995 from 7% in the corresponding periods in fiscal 1994. The absolute and percentage increases in total cost of revenue resulted primarily from the growth in staffing necessary to generate increased service revenue and in material costs associated with increased revenue. Cost of service revenue, which is the largest portion of total cost of revenue, increased 79% and 74% during the three-month and six-month periods ended April 1, 1995 from the corresponding periods in fiscal 1994, while the associated revenue increased 77% and 75%.

Sales and marketing expenses increased to $33,989,000 and $62,478,000 for the three-month and six-month periods ended April 1, 1995 from $23,055,000 and $44,169,000 for the corresponding periods in fiscal 1994. The increase in these expenses was due principally to worldwide expansion and sales commissions associated with higher revenue. Sales and marketing expenses as a percentage of revenue increased to 41% and 40% for the three-month and six-month periods ended April 1, 1995, compared with 40% for the comparable periods in fiscal 1994.

International sales and marketing expenses represented 52% and 53% of total sales and marketing expenses for the three-month and six-month periods ended April 1, 1995 compared with 44% for the comparable periods in fiscal 1994. The Company expects to continue the growth of its worldwide sales and marketing organization during future periods, reflecting the Company's commitment to expand its global market penetration.

The Company continued to make investments in research and development, consisting primarily of salaries, benefits and the costs of computer equipment. Research and development expenses increased to $4,585,000 and $8,783,000 for the three-month and six-month periods ended April 1, 1995 from $3,580,000 and $7,029,000 for the corresponding periods in fiscal 1994. Research and development expenses as a percentage of revenue were 5% and 6% for the three-month and six-month periods ended April 1, 1995, compared with 6% for the same periods in fiscal 1994. The absolute increase in these expenses resulted primarily from growth in the research and development staff.

Software development costs of $87,000 and $622,000 have been capitalized during the three-month and six-month periods ended April 1, 1995 in accordance with Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed," compared with $260,000 and $460,000 in the corresponding periods in fiscal 1994. The amounts capitalized represent 2% and 7% of total research and development costs (including capitalized amounts) for the three-month and six-month periods in fiscal 1995, compared with 7% and 6% during the same periods in fiscal 1994. Capitalized computer software costs are amortized over the economic useful lives of the related products, typically three years.

General and administrative expenses include the costs of corporate, finance, human resources and administrative functions of the Company. These expenses increased to $4,062,000 and $7,785,000 for the three-month and six-month periods ended April 1, 1995 from $2,833,000 and $5,557,000 for the corresponding periods in fiscal 1994, while remaining the same as a percentage of revenue at 5%. The absolute increase in these expenses was primarily due to the hiring of additional employees necessary to support the Company's worldwide growth.

Other income, net, primarily includes interest income and expense and foreign currency gains and losses. Interest income increased to $4,248,000 for the six-month period ended April 1, 1995 compared with $1,996,000 for the corresponding period in fiscal 1994 due primarily to higher interest-bearing cash and short-term investment balances, which resulted from positive cash flows from operations and proceeds from stock option exercises, and rising interest rates. The Company recognized $226,000 in foreign currency losses for the six-month period ended April 1, 1995 compared with losses of $77,000 during the same period in fiscal 1994.

The Company's effective tax rate for the six-month period ended April 1, 1995 was 37.4%, unchanged from the same period in fiscal 1994.

LIQUIDITY AND CAPITAL RESOURCES

As of April 1, 1995, the Company had $118,252,000 of cash and cash equivalents and $160,322,000 of short-term investments. Effective October 1, 1994, the Company adopted the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("FAS 115"). Under this standard, the Company's investments were classified as available-for-sale. In accordance with FAS 115, investments classified as available-for-sale are reported at fair market value and any unrealized gains or losses are recorded as part of stockholders' equity. The cumulative effect of this adoption was immaterial as of October 1, 1994. Prior period financial statements have not been restated to reflect this change in accounting principle.

Net cash provided by operating activities, consisting primarily of net income from operations and the increase in deferred revenue, totaled $62,853,000 for the six-month period ended April 1, 1995 compared with $43,689,000 for the corresponding period in fiscal 1994.

Investing activities consist primarily of purchases and sales of short-term investments and additions to property and equipment. Net cash used by investing activities totaled $95,674,000 for the six-month period ended April 1, 1995, compared with net cash provided of $4,191,000 for the corresponding period in fiscal 1994. Net cash provided by financing activities, consisting primarily of proceeds from stock option exercises, was $11,045,000 and $6,436,000 for the six months ended April 1, 1995 and April 2, 1994, respectively.

Due to the Company's strong cash position, the Company allowed a $5,000,000 unsecured demand line of credit with a bank to expire on January 31, 1995. There were no borrowings under this line during the six months ended April 1, 1995.

On May 12, 1994, the Company announced that its Board of Directors had authorized a plan that allows the repurchase of its common stock. The plan authorizes the Company to acquire up to 3,000,000 shares of its common stock from time to time in the open market or through privately negotiated transactions. The Company had repurchased 157,000 shares through April 1, 1995, all of which were reissued by April 1, 1995 to satisfy stock option exercises and employee stock purchases under Company plans. During the six months ended April 1, 1995, the Company did not repurchase any of its shares of common stock. The total amount of cash required in current and future periods to repurchase the full number of shares authorized but not repurchased would be approximately $114,000,000 based upon the closing stock price on March 31, 1995. The Company expects to use available cash and cash generated from operations in future fiscal periods to fund any such repurchases.

On April 12, 1995, the Company acquired substantially all of the assets and specified liabilities of the Conceptual Design and Rendering System ("CDRS") software business operated by the Design Software Division of Evans & Sutherland Computer Corporation for approximately $34,500,000 in cash, which was paid by the Company from its existing cash balances. The assets acquired consisted primarily of computer software and related intellectual property rights, contract and license rights, and computer equipment. The Company will make the required disclosures related to this acquisition upon the completion of the audit of the financial statements of CDRS and the valuation of the assets and liabilities acquired. The Company plans to integrate the products of the CDRS business with its current and future software product lines.

The Company believes that existing cash and short-term investment balances together with cash generated from operations will be sufficient to meet the Company's working capital, financing and capital expenditure requirements through at least fiscal 1995.

Part II - OTHER INFORMATION

Item 4: Submission of Matters to a Vote of Security Holders

At the Annual Meeting of Stockholders of the Company held on February 9, 1995, the stockholders of the Company (1) elected Steven C. Walske and Michael E. Porter as Class II directors of the Company to hold office until 1998 and until their successors are duly elected and qualified and no other nominations were made; (2) increased the number of shares of common stock authorized for issuance under the Company's 1987 Incentive Stock Option Plan from 18,996,000 to 21,396,000 and limited the number of shares that may be granted to any eligible employee under the Stock Option Plan in any fiscal year to 1,000,000 shares; (3) added a series of nine additional six-month offerings, commencing six months apart, beginning April 1, 1995 to the Company's 1991 Employee Stock Purchase Plan and increased the number of shares of Common Stock authorized for issuance under the Purchase Plan from 600,000 to 1,000,000; and (4) ratified the selection by the board of directors of Price Waterhouse LLP as the Company's independent accountants for the current fiscal year. The votes were as follows:

		Votes for	Votes withheld or opposed	Abstentions	Broker non-votes
(1)	Election of directors:				
	Steven C. Walske	46,706,781	491,264	--	--
	Michael E. Porter	46,711,189	486,856	--	--
(2)	1987 Incentive Stock Option Plan	36,288,090	10,682,591	140,923	86,441

(3)	1991 Employee Stock Purchase Plan	44,895,722	2,086,371	129,511	86,441
(4)	Ratification of independent accountants	47,060,643	32,116	105,286	--

Item 5: Other Information

On May 9, 1995, the Company reported that Mark J. Gallagher would be resigning from his positions as Senior Vice President of Finance and Administration, Chief Financial Officer and Treasurer effective June 30, 1995, but will remain with the Company through the end of the summer in order to facilitate his successor's transition.

Item 6: Report on Form 8-K

On March 10, 1995, the Company filed a Current Report on Form 8-K announcing the agreement to acquire substantially all of the assets and specified liabilities of the Conceptual Design and Rendering System ("CDRS") software business operated by the Design Software Division of Evans & Sutherland Computer Corporation for approximately $34,500,000 in cash.

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.

PARAMETRIC TECHNOLOGY CORPORATION

Date: May 15, 1995

by: /S/ Mark J. Gallagher

Mark J. Gallagher
Senior Vice President of Finance and
Administration, Chief Financial
Officer and Treasurer

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This schedule contains summary financial information extracted from the
financial statements included in the Form 10-Q for the quarter ended
April 1, 1995 and is qualified in its entirety by reference to such
Financial Statements.
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