SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended: SEPTEMBER 30, 1995

Commission File Number: 0-18059

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

MASSACHUSETTS	04-2866152
(State or other jurisdiction of incorporation or organization)	(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)

Securities registered pursuant to Section 12(b) of the Act:	Securities registered pursuant to Section 12(g) of the Act:
None	COMMON STOCK, $.01 PAR VALUE PER SHARE
	(Title of Class)

Indicate by check mark whether the registrant has (i) 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 (ii) has been subject to such filing requirements for the past 90 days.

YES X NO __________

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K, or any amendment to this Form 10-K. [_]

The aggregate market value of the voting stock held by nonaffiliates of the registrant as of October 31, 1995 was $2,916,175,994.

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

Common Stock, $.01 par value per share	62,997,238
Class	Outstanding at October 31, 1995

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to Stockholders for the fiscal year ended September 30, 1995 are incorporated by reference into Parts I and II.

Portions of the definitive 1996 Proxy Statement in connection with the Annual Meeting of Stockholders to be held February 8, 1996 are incorporated by reference into Part III.

Exhibit Index appears on page 10

PART I

ITEM 1: Business

General

Parametric Technology Corporation (the "Company") develops, markets and supports seven families of integrated software products which automate the design-through-manufacturing process for the mechanical computer-aided design, manufacturing and engineering ("CAD/CAM/CAE") industry. Mechanical CAD/CAM/CAE is a complex, iterative process encompassing a broad spectrum of distinct engineering disciplines which is essential to the development of virtually all manufactured products, ranging from consumer products to jet aircraft. All manufacturers compete on the basis of cost, time to market and product performance criteria, which are significantly affected by the quality and length of the design process. The Company's mechanical CAD/CAM/CAE products offer a high-performance, fully integrated solution which enables end-users to reduce the time to market and manufacturing costs for their products and, through the easy evaluation of multiple design alternatives, to improve product quality. The Company believes that its Pro/ENGINEER(R) product line offers better price/performance, greater ease of use, and more complete integration of multiple engineering disciplines than other available mechanical CAD/CAM/CAE products.

The Company's Pro/ENGINEER product line is based on an innovative software architecture that incorporates a unique parametric, feature-based solid modeling technology. The Company's Pro/ENGINEER software uses a single data structure to capture changes made in any stage of the design-through-manufacturing process and to automatically update designs and all engineering deliverables. The single data structure allows all changes to be propagated automatically throughout the design and manufacturing process, thus enabling users to integrate multiple engineering activities in the mechanical design process and conduct them on a concurrent basis. In addition, as a result of the data structure of the Company's products, engineers can create, process, modify and store designs quickly and easily, in a highly efficient manner. The Company believes that although certain competitors offer products which integrate the mechanical CAD/CAM/CAE process by means of data file transfers of static geometric expressions of a design, there are no competitive products which offer the degree of automatic engineering change propagation provided by Pro/ENGINEER software.

The Company's product line currently consists of its core product, Pro/ENGINEER, first shipped in January 1988, and 50 modules for use in conjunction with it, depending on the individual needs of each customer. The modules are grouped in the following product families: Pro/ENGINEER, a unique, fully associative suite of mechanical design automation software which includes application-specific products which address the complete spectrum of product-development activities; Pro/ACCESS(TM) which enables companies to leverage product information from a variety of sources in the Pro/ENGINEER environment; Pro/CDRS(TM) (Conceptual Design and Rendering System) which enables product developers to easily create, evaluate and modify multiple concept models and supports the seamless integration of conceptual design into the overall design-through-manufacturing cycle; Pro/JR.(TM), the entry-level version of the Pro/ENGINEER family, which enables the design-through-documentation of both machined and common plastic parts and assemblies for the customer migrating from 2D CAD to the capabilities of 3D solid modeling; Pro/MANUFACTURING(TM) which completes a single-source solution to a company's design-through-manufacturing requirements based on Pro/ENGINEER's associativity between the design and manufacturing disciplines; Pro/MECHANICA(TM) which enables engineers to model product function in a single desktop environment and to easily and repeatedly analyze and optimize a product design throughout the development cycle; and Pro/PDM(TM) which helps users effectively manage the concurrent engineering environment made possible by Pro/ENGINEER. The Company offers its product families in various packages of software modules which provide users flexibility in meeting their design environment requirements.

The Pro/ENGINEER product line runs on all major UNIX(R) and Microsoft(R) Windows(R) NT and Windows 95 Workstation Operating System platforms, and is hardware-independent. The product is written in C programming language, which allows for portability from one standard workstation to another.

The Pro/ENGINEER product line primarily competes in the high-end of the mechanical CAD/CAM/CAE market.

Acquisitions

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 a net amount of approximately $33,507,000 in cash, which was paid by the Company from its existing cash balances. The acquisition has been accounted for as a purchase.

On August 1, 1995, the Company acquired Rasna Corporation ("Rasna"), a developer and marketer of software products for mechanical computer-aided engineering, by merging it into the Company pursuant to an Agreement and Plan of Merger dated as of May 30, 1995. Based on the number of shares of Rasna common stock outstanding at August 1, 1995, the Company issued approximately 3,793,000 shares of common stock and reserved approximately 522,000 shares of its common stock for outstanding Rasna stock options assumed. The merger was accounted for as a pooling of interests.

Product Development

The mechanical CAD/CAM/CAE industry is characterized by rapid technological advances. Accordingly, the Company's future success will depend upon its ability to enhance its current products and develop and introduce new products and modules which keep pace with technological developments and address increasingly sophisticated needs of its customers. The Company believes that its technological leadership will be maintained through continued expansion of the scope of applications of its Pro/ENGINEER product family, expansion of the functionality set of each of the acquired technologies, and the full integration of all of the product families. The Company's ability to develop new products rapidly is facilitated by the modular structure of its software code, which enables functional subroutines used in existing products to be accessed and utilized by new software modules, thereby reducing the amount of new code required to develop additional products. The major benefit of this approach is rapid development of new functionality. The Company intends to focus its ongoing product development efforts on additional products within the Pro/ENGINEER product family, including tools for manufacturing and quality assurance engineers, functionality for balancing the form, fit, and functional needs of our customers' products, and tools to manage all of the resulting engineering data. The Company intends to further accelerate these efforts to provide a completely integrated suite of tools for our customers. There can be no assurance, however, that the Company will be successful in developing and marketing product enhancements or new products and modules that respond to technological changes by others, or that its new products will adequately address the needs of the marketplace.

The Company's practice has been to issue two major releases of its product line per year, each of which has generally included several new modules. In connection with each release, the Company works closely with its customers to define improvements and enhancements, which are then integrated into the products. Using this approach, customers become involved in the product design process to validate feasibility and to influence functionality early in the product's life-cycle. In addition, the Company's Cooperative Software Program ("CSP") provides the mechanisms and environment to facilitate the integration of complementary products with the Pro/ENGINEER product line. Through the Company's open software toolkit, the CSP members can build tightly integrated solutions that satisfy various requirements of the Company's customers.

As of September 30, 1995, the Company's product development was performed by 340 employees at its Waltham, Massachusetts, headquarters; its San Jose, California and Salt Lake City, Utah offices; and abroad. The development group includes experts in mechanical engineering, advanced mathematical techniques, database structures and operating systems technology.

During the years ended September 30, 1995, 1994 and 1993, the Company incurred expenses of $25,591,000, $19,882,000 and $14,633,000, respectively, on research and development. Software development costs of $1,132,000 (excluding $3,400,000 of purchased software from CDRS) in fiscal 1995, $912,000 in fiscal 1994 and

$619,000 in fiscal 1993 have been capitalized in accordance with Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed."

Sales

The Company focuses its marketing and sales efforts primarily on the electronics, aerospace, automotive, consumer products and telecommunications industries. The Company believes that the broadest possible market can best be addressed through a multi-channel distribution network. The Company derives more than 85% of its revenue from

products distributed directly to its customers and the remainder through value-added resellers. The Company's sales force manages the activities of all distribution channels within a geographic area and earns commissions on revenue from all channels. The Company believes that this mix of distribution channels addresses the differing sales and support needs of a broad customer base.

As of September 30, 1995, the Company's sales and marketing organization consisted of 521 people in the United States and 577 people abroad. The Company has sales and/or support offices located in 68 cities across the United States and in 70 cities in 23 foreign countries.

Since inception, the Company has licensed software products for approximately 49,000 seats to nearly 8,200 companies. A seat of software generally consists of the Company's core product, Pro/ENGINEER, together with several other software modules, configured to serve the needs of a single end-user. End-users of the Company's products range from small companies to some of the world's largest manufacturing organizations. No single customer accounted for more than 10% of the Company's revenue in fiscal 1995.

Information with respect to foreign and domestic operations and export sales may be found in Note M to the Consolidated Financial Statements of the Annual Report to Stockholders for the fiscal year ended September 30, 1995 ("1995 Annual Report to Stockholders"), which is filed as Exhibit 13.1 to this Annual Report on Form 10-K and incorporated herein by reference.

Competition

The mechanical CAD/CAM/CAE industry is highly competitive, and is characterized by rapidly advancing technology. In order to maintain or improve its position in this industry, the Company must continue to enhance its current products and develop, in a timely fashion, new products which address the rapidly changing needs of the marketplace.

The Company competes most directly with the CADAM(R) and CATIA(R) products marketed by IBM(R), the CADDS(R) product marketed by Computervision Corporation, the UNIGRAPHICS(R) product marketed by EDS, the I/EMS(TM) product marketed by Intergraph Corporation and the I-DEAS Master Series(TM) product marketed by Structural Dynamics Research Corporation. The Company's future success will depend in a large part on its ability to further penetrate its installed customer base as well as the installed customer bases of traditional mechanical CAD/CAM/CAE suppliers. No assurance can be given that the Company will be able to compete successfully against current and future sources of competition or that competitive pressures faced by the Company will not adversely affect its profitability or financial performance.

The Company believes that the principal bases for competition in its markets are product functionality, price/performance characteristics, product portability, ease of product use, sales and marketing strength, support services and corporate reputation. In addition, the Company is aware of ongoing efforts by competitors to emulate the performance and functionality of the Company's products, and there can be no assurance that competitors will not develop technology equivalent or superior to that of the Company.

Proprietary Rights

The Company's success is dependent upon its proprietary software technology. The Company relies on a combination of contracts and copyright and trade secret laws to establish and protect its proprietary rights in its technology. The Company distributes its products under software license agreements, which grant customers perpetual licenses to, rather than ownership of, the Company's products and which contain various provisions protecting the Company's ownership of and the confidentiality of the underlying technology. The Company also limits access to and distribution of its software, documentation and other proprietary information. The source code of the Company's products is protected as a trade secret and as an unpublished copyright work. Despite these precautions, it may be possible to copy or otherwise obtain and use the Company's products or technology without authorization. In addition, effective copyright and trade secret protection may be unavailable or limited in certain foreign countries.

The Company believes that, due to the rapid pace of innovation within its industry, factors such as the technological and creative skills of its personnel are more important to establishing and maintaining a technology leadership position within the industry than are the various legal protections surrounding its technology. The Company believes that its products and technology do not infringe any existing proprietary rights of others, although there can be no assurance that third parties will not assert infringement claims in the future.

Pro/ENGINEER, the PTC logo and the "Pro/" family of marks are registered trademarks or trademarks of the Company in the United States and in foreign countries.

Backlog

The Company generally ships its products within 30 days after acceptance of a customer purchase order and execution of a software license agreement. Accordingly, the Company does not believe that its backlog at any particular point in time is indicative of future sales levels.

Employees

The Company's success depends upon its ability to attract and retain highly skilled technical, managerial and sales personnel. Competition for such personnel in the computer industry in general, and the mechanical CAD/CAM/CAE industry in particular, is intense. Although the Company has not experienced any significant difficulty to date in attracting and retaining skilled personnel, there can be no assurance that the Company will be successful in attracting and retaining the personnel it requires to continue to grow and operate profitably, both domestically and internationally.

As of September 30, 1995, the Company had 1,960 employees, including 1,098 in sales, marketing and support activities; 338 in customer support, training and consulting; 184 in management, finance and administration; and 340 in product development. Of these employees, 1,151 were located in the United States and 809 were located in foreign countries.

ITEM 2: Properties

The Company's executive offices are located in approximately 251,000 square feet of office space in Waltham, Massachusetts. This space, which is also used for sales and research and development, is leased for an annual rent of approximately $4,960,000. The Company also leases 139 additional sales and/or support offices and development offices in the United States and, through its wholly-owned subsidiaries, abroad. The Company believes that its facilities are adequate for its present needs, but will continue to evaluate the need for additional space as the growth of the business requires.

ITEM 3: Legal Proceedings

Not applicable.

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

No matters were submitted to a vote of security holders during the last quarter of fiscal 1995.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the Company as of December 22, 1995 were as follows:

Name	Age	Position
Steven C. Walske	43	Chairman of the Board of Directors and Chief Executive Officer
C. Richard Harrison	40	President and Chief Operating Officer
Edwin J. Gillis	47	Senior Vice President of Finance and Administration, Chief Financial Officer and Treasurer
Marc J.L. Dulude	35	Senior Vice President of Marketing
Thomas W. Jensen, Ph.D.	42	Senior Vice President of Research and Development
David M. Lear	38	Senior Vice President of Quality and Customer Service
Michael E. McGuinness	35	Senior Vice President of Sales and Distribution
Martha L. Durcan	36	Vice President of Administration, Corporate Counsel and Clerk
James F. Kelliher	36	Vice President of Finance and Assistant Treasurer
John G. Mokas	36	Controller

Mr. Walske has been Chairman of the Board of Directors since August 1994 and Chief Executive Officer and a director of the Company since he joined the Company in December 1986. Mr. Walske was President of the Company from December 1986 to August 1994 and Clerk of the Company from December 1986 to February 1993.

Mr. Harrison has been President and Chief Operating Officer since August 1994. Prior to that, Mr. Harrison served as Senior Vice President of Sales and Distribution from September 1991 until August 1994 and as Vice President of Sales and Distribution from May 1987 until September 1991.

Mr. Gillis has been Senior Vice President of Finance and Administration, Chief Financial Officer and Treasurer since October 1995. Prior to joining the Company, Mr. Gillis was Senior Vice President of Finance and Operations and Chief Financial Officer at Lotus Development Corporation from August 1991 until September 1995, and a partner at Coopers & Lybrand L.L.P. from August 1984 to August 1991.

Mr. Dulude has been Senior Vice President of Marketing since October 1995. Prior to that, Mr. Dulude served as Vice President of Technical Marketing from May 1994 to October 1995, Director of Technical Marketing from April 1993 to May 1994, and Director of Customer Engineering Support from December 1991 to April 1993. Prior to joining the Company, Mr. Dulude held various positions at Bell Northern Research from September 1987 until November 1991.

Dr. Jensen has been Senior Vice President of Research and Development since he joined the Company in April 1995. Prior to joining the Company, Dr. Jensen was Vice President and General Manager from May 1993 until April 1995 and Director of Research and Development from July 1986 until May 1993 of the Industrial Design Product/Business Group at Evans & Sutherland Computer Corporation.

Mr. Lear has been Senior Vice President of Quality and Customer Service since December 1994. Prior to that, Mr. Lear had served as Vice President of Customer Support Services from May 1994 to December 1994, Director of Customer Support/Quality Control from April 1992 to May 1994, and Manager of Quality Control from October 1989 to April 1992.

Mr. McGuinness has been Senior Vice President of Sales and Distribution since September 1994. Prior to that, Mr. McGuinness had served as Vice President of North American Sales Operations from October 1991 to September 1994 and Director of Eastern Sales from March 1989 to October 1991.

Ms. Durcan has served as Vice President of Administration since October 1993, Corporate Counsel since joining the Company in March 1992 and as Clerk since February 1993. Prior to joining the Company, Ms. Durcan was an associate with the law firm of Goodwin, Procter & Hoar from September 1989 to March 1992.

Mr. Kelliher has been Vice President of Finance since December 1994. Prior to that, Mr. Kelliher had served as Director of Corporate Finance from November 1994 to December 1994, Chief Financial Officer of Europe from May 1993 to November 1994, Manager of Finance and Assistant International Controller from February 1992 to May 1993, and Manager of Budget and Analysis from October 1991 to February 1992. Prior to joining the Company, Mr. Kelliher was Corporate Controller at Groundwater Technology Inc. from October 1989 to September 1991.

Mr. Mokas has been Controller since he joined the Company in August 1993. Prior to joining the Company, Mr. Mokas was a manager at Coopers & Lybrand L.L.P. from May 1988 to July 1993.

PART II

ITEM 5: Market for Registrant's Common Equity and Related Stockholder Matters

Information with respect to this item may be found in the sections captioned "Quarterly Financial Information" and "Supplemental Financial Information" appearing in the 1995 Annual Report to Stockholders. Such information is incorporated herein by reference.

ITEM 6: Selected Financial Data

Information with respect to this item may be found in the section captioned "Five Year Summary of Selected Financial Data" appearing in the 1995 Annual Report to Stockholders. Such information is incorporated herein by reference.

ITEM 7: Management's Discussion and Analysis of Financial Condition and Results of Operations

Information with respect to this item may be found in the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing in the 1995 Annual Report to Stockholders. Such information is incorporated herein by reference.

ITEM 8: Financial Statements and Supplementary Data

Information with respect to this item may be found on pages 24 through 35 and in the section entitled "Quarterly Financial Information" appearing in the 1995 Annual Report to Stockholders. Such information is incorporated herein by reference.

ITEM 9: Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

On November 17, 1995, the Board of Directors of the Company, upon recommendation of its Audit Committee, approved a change in the Company's independent accountants from Price Waterhouse LLP to Coopers & Lybrand L.L.P. effective for the fiscal year ending September 30, 1996.

Price Waterhouse LLP has served as the Company's independent accountants for the four most recent fiscal years. During these periods, the Company did not have any disagreements with Price Waterhouse LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, nor did any reports issued by Price Waterhouse LLP contain an adverse opinion or a disclaimer of opinion, nor were such reports qualified or modified as to uncertainty, audit scope or accounting principles.

PART III

ITEM 10: Directors and Executive Officers of the Registrant

Information with respect to directors of the Company may be found in the sections captioned "Election of Directors" and "Section 16(a) Reporting Delinquency" appearing in the 1996 Proxy Statement. Such information is incorporated herein by reference. Information with respect to Executive Officers of the Company may be found under the section captioned "Executive Officers of the Registrant" in Part I of this Annual Report on Form 10-K.

ITEM 11: Executive Compensation

Information with respect to this item may be found in the sections captioned "Director Compensation" and "Compensation of Executive Officers" appearing in the 1996 Proxy Statement. Such information is incorporated herein by reference.

ITEM 12: Security Ownership of Certain Beneficial Owners and Management

Information with respect to this item may be found in the section captioned "Principal Stockholders" appearing in the 1996 Proxy Statement. Such information is incorporated herein by reference.

ITEM 13: Certain Relationships and Related Transactions

Not applicable.

PART IV

ITEM 14: Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Documents Filed as Part of Form 10-K
1. Financial Statements
   - -Consolidated Balance Sheet as of September 30, 1995 and 1994*
   - -Consolidated Statement of Income for the years ended September 30, 1995, 1994 and 1993*
   - -Consolidated Statement of Stockholders' Equity for the years ended September 30, 1995, 1994 and 1993*
   - -Consolidated Statement of Cash Flows for the years ended September 30, 1995, 1994 and 1993*
   - -Notes to Consolidated Financial Statements*
   - -Report of Independent Accountants for the years ended September 30, 1995, 1994 and 1993*
   - -Independent Auditors' Report for Rasna Corporation as of December 31, 1994 and for the years ended December 31, 1994 and 1993
2. Financial Statement Schedules
   - -Report of Independent Accountants for the years ended September 30, 1995, 1994 and 1993
   - -Schedule II - Valuation and Qualifying Accounts
   - -Schedules other than the one listed above have been omitted since they are either not required, not applicable, or the information is otherwise included.
3. Listing of Exhibits
   The Exhibits filed as part of this Annual Report on Form 10-K are listed in the Exhibit Index immediately preceding such Exhibits, and are incorporated herein by reference.

(b) Reports on Form 8-K
None.

(c) Exhibits
The Company hereby files as part of this Annual Report on Form 10-K the Exhibits listed in the attached Exhibit Index.

(d) Financial Statement Schedules
The Company hereby files as part of this Annual Report on Form 10-K the financial statement schedule listed in Item 14(a)2 as set forth above.

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*Referenced information is contained in the 1995 Annual Report to Stockholders, filed as Exhibit 13.1 hereto.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 on the 27th day of December, 1995.

PARAMETRIC TECHNOLOGY CORPORATION

By /S/ Steven C. Walske

Steven C. Walske, Chairman and Chief Executive Officer

POWER OF ATTORNEY

We, the undersigned officers and directors of Parametric Technology Corporation, hereby severally constitute Edwin J. Gillis and Martha L. Durcan, Esq., and each of them singly, our true and lawful attorneys with full power to them, and each of them singly, to sign for us and in our names in the capacities indicated below any and all subsequent amendments to this report, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated below on the 27th day of December, 1995.

Signature	Title
/S/ Steven C. Walske Steven C. Walske	Chief Executive Officer and Chairman of the Board (Principal Executive Officer)
/S/ C. Richard Harrison C. Richard Harrison	President, Chief Operating Officer and Director
/S/ Edwin J. Gillis Edwin J. Gillis	Senior Vice President of Finance and Administration, Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)
/S/ Robert N. Goldman Robert N. Goldman	Director
/S/ Donald K. Grierson Donald K. Grierson	Director
/S/ Oscar B. Marx, III Oscar B. Marx, III	Director
/S/ Michael E. Porter Michael E. Porter	Director
/S/ Noel G. Posternak Noel G. Posternak	Director

EXHIBIT INDEX

EXHIBIT NUMBER		
2.1	-	Asset Purchase Agreement dated as of March 1, 1995 among Parametric Technology Corporation, a Massachusetts corporation, PTC Acquisition Corporation, a Massachusetts corporation and wholly owned subsidiary of Parametric Technology Corporation, and Evans & Sutherland Computer Corporation, a Utah corporation with Amendment No. 1 thereto (filed as Exhibit 2.1 to the Current Report on Form 8-K dated April 12, 1995 and incorporated herein by reference).

2.2	-	Agreement and Plan of Merger dated as of May 30, 1995 among Parametric Technology Corporation, Rasna Corporation and certain shareholders of Rasna Corporation (filed as Exhibit 2.1 to the Quarterly Report on Form 10-Q for the fiscal quarter ended July 1, 1995 and incorporated herein by reference).
3.1	-	Restated Articles of Organization of the Company (filed as Exhibit 3.4 to the Annual Report on Form 10-K for the fiscal year ended September 30, 1993 and incorporated herein by reference).
3.2	-	By-Laws, as amended and restated, of the Company (filed as Exhibit 3.2 to the Annual Report on Form 10-K for the fiscal year ended September 30, 1990 and incorporated herein by reference).
10.1	-	Registration Rights Agreement dated March 26, 1987, as amended, among the Company and certain investors of the Company (filed as Exhibit 10.1 to the Company's Registration Statement on Form S-1 (File No. 33-31620) and incorporated herein by reference).
10.2*	-	1987 Incentive Stock Option Plan of the Company, as amended; filed herewith.
10.3*	-	Parametric Technology Corporation 401(k) Savings Plan (filed as Exhibit 10.3 to the Annual Report on Form 10-K for the fiscal year ended September 30, 1992 and incorporated herein by reference).
10.4	-	Lease dated May 22, 1987 by and between the Company and the Trustees of 128 Technology Trust (filed as Exhibit 10.4 to the Company's Registration Statement on Form S-1 (File No. 33-31620) and incorporated herein by reference).
10.5	-	Form of the Company's Distributorship Agreement (filed as Exhibit 10.8 to the Company's Registration Statement on Form S-1 (File No. 33-31620) and incorporated herein by reference).
10.6	-	Form of the Company's Agreement for Licensed Products (filed as Exhibit 10.11 to the Company's Registration Statement on Form S-1 (File No. 33-31620) and incorporated herein by reference).
10.7*	-	Employment Letter with Steven C. Walske dated October 17, 1986 (filed as Exhibit 10.12 to the Company's Registration Statement on Form S-1 (File No. 33-31620) and incorporated herein by reference).
10.8*	-	Severance Agreement with Steven C. Walske dated June 30, 1990 (filed as Exhibit 10.14 to the Annual Report on Form 10-K for the fiscal year ended September 30, 1990 and incorporated herein by reference).

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*Identifies a management contract or compensatory plan or arrangement in which an executive officer or director of the Company participates.

10.9	-	Lease Amendment dated November 8, 1989 by and between the Company and the Trustees of 128 Technology Trust (filed as Exhibit 10.19 to the Annual Report on Form 10-K for the fiscal year ended September 30, 1990 and incorporated herein by reference).
10.10	-	Lease Amendment dated January 21, 1991 by and between the Company and the Trustees of 128 Technology Trust (filed as Exhibit 10.20 to the Annual Report on Form 10-K for the fiscal year ended September 30, 1991 and incorporated herein by reference).

10.11* - Parametric Technology Corporation 1991 Employee Stock Purchase Plan; filed herewith.

10.12* - Parametric Technology Corporation 1992 Director Stock Option Plan (filed as Exhibit 10.17 to the Annual Report on Form 10-K for the fiscal year ended September 30, 1992 and incorporated herein by reference).

10.13 - Lease Amendment dated March 6, 1992 by and between the Company and the Trustees of 128 Technology Trust (filed as Exhibit 10.18 to the Annual Report on Form 10-K for the fiscal year ended September 30, 1992 and incorporated herein by reference).

10.14 - Lease Amendment dated November 18, 1992 by and between the Company and the Trustees of 128 Technology Trust (filed as Exhibit 10.19 to the Annual Report on Form 10-K for the fiscal year ended September 30, 1992 and incorporated herein by reference).

10.15 - Form of the Company's Sales Representative Agreement (filed as Exhibit 10.10 to the Company's Registration Statement on Form S-1 (File No. 33-31620) and incorporated herein by reference).

10.16 - Lease Amendment dated June 8, 1993 by and between the Company and the Trustees of 128 Technology Trust (filed as Exhibit 10.21 to the Annual Report on Form 10-K for the fiscal year ended September 30, 1993 and incorporated herein by reference).

10.17* - First Amendment to Severance Agreement with Steven C. Walske dated June 15, 1993 (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q for the fiscal quarter ended July 3, 1993 and incorporated herein by reference).

10.18* - Severance Agreement with Samuel P. Geisberg dated August 19, 1994 (filed as Exhibit 10.18 to the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 and incorporated herein by reference).

10.19* - Severance Agreement with C. Richard Harrison dated August 19, 1994 (filed as Exhibit 10.19 to the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 and incorporated herein by reference).

10.20* - Employment Agreement with Louis C. Volpe dated December 16, 1994 (filed as Exhibit 10.21 to the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 and incorporated herein by reference).

10.21 - Lease Amendment dated April 14, 1994 by and between the Company and the Trustees of 128 Technology Trust (filed as Exhibit 10.22 to the Annual Report on form 10-K for the fiscal year ended September 30, 1994 and incorporated herein by reference).

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*Identifies a management contract or compensatory plan or arrangement in which an executive officer or director of the Company participates.

10.22 - Employment Agreement with Mark J. Gallagher dated as of June 30, 1995 (filed as Exhibit 10.23 to the Quarterly Report on Form 10-Q for the fiscal quarter ended July 1, 1995 and incorporated herein by reference).

10.23 - Lease Amendment dated January 19, 1995 by and between the Company and the Trustees of 128 Technology Trust; filed herewith.

10.24 - Severance Agreement with Edwin J. Gillis dated October 2, 1995; filed herewith.

13.1	-	Annual Report to Stockholders for the fiscal year ended September 30, 1995 (which is not deemed to be "filed" except to the extent that portions thereof are expressly incorporated by reference in this Annual Report on Form 10-K); filed herewith.
16.1	-	Letter from Price Waterhouse LLP (filed as Exhibit 16.1 to the Current Report on Form 8-K dated November 17, 1995 and incorporated herein by reference).
21.1	-	Subsidiaries of the Company; filed herewith.
23.1	-	Consent of Price Waterhouse LLP; filed herewith.
23.2	-	Report of Deloitte & Touche LLP; filed herewith.
23.3	-	Consent of Deloitte & Touche LLP; filed herewith.

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*Identifies a management contract or compensatory plan or arrangement in which an executive officer or director of the Company participates.

Report of Independent Accountants on Financial Statement Schedule

To the Board of Directors of Parametric Technology Corporation:

Our audits of the consolidated financial statements referred to in our report dated October 19, 1995, except as to Notes F and G which are as of November 17, 1995, appearing on page 35 of the 1995 Annual Report to Stockholders of Parametric Technology Corporation and its subsidiaries (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule listed in Item 14(a) of this Form 10-K. In our opinion, this Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/S/ PRICE WATERHOUSE LLP
PRICE WATERHOUSE LLP

Boston, Massachusetts
October 19, 1995

SCHEDULE II

PARAMETRIC TECHNOLOGY CORPORATION

Valuation and Qualifying Accounts

(in thousands)

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts	Deductions (1)	Balance at end of period
YEAR ENDED SEPTEMBER 30, 1995					
Allowance for Doubtful Accounts........	$2,694	1,110	-	(1,071)	$2,733
YEAR ENDED SEPTEMBER 30, 1994					
Allowance for Doubtful Accounts........	$1,546	1,388	-	(240)	$2,694
YEAR ENDED SEPTEMBER 30, 1993					

Allowance for Doubtful Accounts........	$1,269	830	-	(553)	$1,546

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(1) Uncollectible accounts written off, net of recoveries.

EXHIBIT 10.2

PARAMETRIC TECHNOLOGY CORPORATION

1987 Incentive Stock Option Plan

(as amended through February 9, 1995)

1. Definitions. As used in this Incentive Stock Option Plan of PARAMETRIC TECHNOLOGY CORPORATION, the following terms shall have the following meanings:

1. Board shall mean the company's Board of Directors.

2. Code shall mean the United States Internal Revenue Code of 1986, as amended from time to time.

3. Company shall mean PARAMETRIC TECHNOLOGY CORPORATION.

4. Fair Market Value shall mean the value of a share of Stock of the Company on any date as determined by the Board.

5. Grant Date shall mean the date on which an Option is granted, as specified in Section 7.

6. Incentive Stock Option shall mean an Option intended to qualify as an incentive stock option within the meaning of Section 422A of the Code.

7. Option shall mean an option, granted under the Plan, to purchase shares of the Stock.

8. Option Agreement shall mean an agreement between the Company and an Optionee, setting forth the terms and conditions of an Option.

9. Option Price shall mean the price per share of the Stock to be paid by an Optionee upon exercising an Option under this Plan.

10 Option Share shall mean any share of the Stock transferred to an Optionee upon exercise of an Option pursuant to this Plan.

11. Optionee shall mean a person eligible to receive an Option, as provided in Section 8, to whom an Option shall have been granted under this Plan.

12. Plan shall mean this Incentive Stock Option Plan of the Company as it may be amended from time to time.

13 Stock shall mean the common stock, $.01 par value, of the Company.

2. Purpose. This Incentive Stock Option Plan is intended to encourage ownership of the Stock by key employees of the Company and of its subsidiaries and to provide additional incentive for them to promote the growth, development

and financial success of the Company's business. This Plan is intended to be an incentive stock option plan, and the Company may grant pursuant to this Plan either Incentive Stock Options or Options which do not qualify as Incentive Stock Options.

3. Term of the Plan. Options under this Plan may be granted on or after the date this Plan is approved by the stockholders of the Company; but no Option under this Plan may be granted more than ten years from the earlier of (a) the date this Plan is adopted by the Board, and (b) the date this Plan is approved by the stockholders of the Company.

4. Stock Subject to the Plan. Subject to adjustment as provided in Section 14 of this Plan, at no time shall the sum of (i) the number of shares of the Stock then outstanding which are attributable to the exercise of Options granted under this Plan, and (ii) the number of shares of the Stock then issuable upon exercise of outstanding Options granted under this Plan exceed 21,396,000 shares. Shares to be issued upon the exercise of Options granted under this Plan may be either authorized but unissued or shares held by the Company in its treasury. If any Option expires or terminates for any reason without having been exercised in full, the shares not purchased thereunder shall again be available for Options thereafter to be granted under this Plan.

5. Administration. This Plan shall be administered by the Board or by a duly appointed committee of the Board having such powers as shall be specified by the Board; provided, however, that any grants of Options under this Plan to an officer (as defined in Section 16, and the rules promulgated thereunder ("Section 16"), of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) or director of the Company shall be made by the Officers' Stock Option Committee which shall, in accordance with Section 16 of the Exchange Act, consist of "disinterested" members of the Board. Subsequent references herein to the Board shall also refer to such committees, as appropriate, if they have been appointed. No member of the Board shall act upon any matter exclusively affecting any Option granted or to be granted to himself or herself under this Plan. Subject to the provisions of this Plan, the Board shall have complete authority, in its discretion, to make the following determinations with respect to each Option to be granted by the Company: (a) the key employee to receive the Option; (b) the time of granting the Option; (c) the number of shares subject thereto; (d) the Option Price; and (e) the Option period. In making such determinations, the Board may take into account the nature of the services rendered by the respective employees, their present and potential contributions to the success of the Company and its subsidiaries, and such other factors as the Board, in its discretion, shall deem relevant. Subject to the provisions of this Plan, the Board shall also have complete authority to interpret this Plan, to prescribe, amend and rescind rules and regulations for the administration of this Plan, to determine the terms and provisions of the respective Option Agreements (which need not be identical), to decide all

questions and settle all controversies and disputes which may arise in connection with this Plan, and to make all other determinations necessary or advisable for the administration of this Plan. The Board's determinations on the matters referred to in this Section 5 shall be conclusive and binding on all persons concerned.

6. Eligibility. An Option may be granted only to a key employee of any one or more of the Company and its subsidiaries. A director of any one or more of the Company and its subsidiaries who is not also an employee of any one or more of the Company and its subsidiaries shall not be eligible to receive an Option. An Optionee may hold more than one Option, but only on the terms and subject to the conditions and restrictions herein set forth. No Optionee may receive an Option grant which would result in such Optionee having received, during the fiscal year of the Company in which the grant is proposed to be made, Options for more than an aggregate of 1,000,000 shares of Stock.

7. Time of Granting Options. The granting of an Option shall take place at the time specified by the Board. Only if expressly so provided by the Board shall the Grant Date be the date on which an Option Agreement shall have been

duly executed and delivered by the Company and the Optionee.

8. Option Price. The Option Price under each Option shall not be less than 100 percent of the Fair Market Value of the Stock on the Grant Date; provided, however, that in the case of an Incentive Stock Option granted to an individual who, on the Grant Date, owns stock possessing more than ten (10%) percent of the total combined voting power of all classes of stock of the Company or of a parent or subsidiary corporation of the Company (a "10% Stockholder"), the Option Price shall not be less than 110 percent of the Fair Market Value of the Stock on such Grant Date. The Fair Market Value of the Stock at the time any Option is granted shall be determined by the Board after considering all relevant information. In making any such determination, the Board shall act in good faith so as to ensure that the Option Price is not less than 100 percent (or 110 percent, if required) of such Fair Market Value.

9. Option Period. Each Option shall be exercisable at such time or times, whether or not in installments (which may be cumulative or non-cumulative), as the Board may determine; and, in the case of an Option made exercisable in installments, the Board may later determine to accelerate the time by which any one or more of such installments may be exercised. Notwithstanding the foregoing, no Option may be exercised after the expiration of (i) ten years from the date such Option is granted, or (ii) five years from the date such Option is granted, in the case of an Incentive Stock Option granted to an individual who, on the Grant Date, is a 10% Stockholder.

10. Special Limitation on Exercise. Notwithstanding anything to the contrary contained in this Plan the aggregate fair market value of the shares of Stock with respect to which Incentive Stock Options granted under this Plan or under any other incentive stock option plan of the Company or of a parent or subsidiary corporation of the Company are exercisable for the first time by any employee during any calendar year shall not exceed

$100,000. For purposes of this Section 10, the fair market value of the shares of Stock for which any such Incentive Stock Option is granted shall be determined as of the time of the granting of such Incentive Stock Option.

11. Exercise of Option; Investment Purpose. Each exercise of an Option hereunder may be effected only giving written notice, in the manner provided in Section 19 hereof, of intent to exercise the Option, specifying the number of shares as to which the Option is being exercised, and accompanied by full payment of the Option Price for the number of shares then being acquired. Such payment shall be made in cash, by certified or bank check payable to the order of the Company, credit to the Company's account at a financial or brokerage institution on the date of exercise, or, if the Option so provides, (i) in shares of the Stock having an aggregate Fair Market Value, at the time of such payment, equal to the total Option Price for the number of shares of the Stock for which payment is then being made, or (ii) partly in cash or by certified or bank check payable to the order of the Company and the balance in shares of the Stock having an aggregate Fair Market Value, at the time of such payment, equal to the difference between the total Option Price for the number of shares of the Stock for which payment is then being made and the amount of the payment in cash or by certified or bank check; provided, however, that no part of the purchase price for any shares of the Stock being purchased pursuant to an exercise of an Option shall be paid in shares of the Stock which were previously acquired by the Optionee (x) pursuant to an earlier exercise of such Option, or (y) pursuant to the exercise of another incentive stock option granted by the Company if the previously acquired shares have been held by the Optionee for less than two years since the date of the granting of such other option to him or for less than one year since the transfer to him of such previously acquired shares. The determination of such aggregate Fair Market Value shall be made by the Board, whose determination in this regard shall be final and binding on all concerned.

Receipt by the Company of such notice and payment shall, for purposes of this Plan, constitute exercise of the Option or a part thereof. Within twenty (20) days thereafter, the Company shall deliver or cause to be delivered to the

Optionee a certificate or certificates for the number of shares of the Stock then being purchased by him. Such shares shall be fully paid and nonassessable. If any law or applicable regulation of the Securities and Exchange Commission or other public regulatory authority (including, but not limited to, a stock exchange) shall require the Company or the Optionee (a) to register or qualify, under the Securities Act of 1933, as amended, any similar federal statute then in force or any state law regulating the sale of securities, any Option Shares with respect to which notice of intent to exercise shall have been delivered to the Company or (b) to take any other action in connection with such shares before issuance thereof may be effected, then the delivery of the certificate or certificates for such shares shall be postponed until completion of the necessary action, which the Company shall take in good faith and without delay. All such action shall be taken by the Company at its own expense.

The Company may require an individual exercising an Option to represent that his purchase of shares of the Stock pursuant to such exercise is for his own account, for

investment and without a view to resale or distribution, and that he will not sell or otherwise dispose of any of such shares except pursuant to (i) an effective registration statement covering such transaction filed with the Securities and Exchange Commission and in compliance with all of the applicable provisions of the Securities Act of 1933, as amended, and the rules and regulations thereunder, or (ii) an opinion of Company counsel that such registration is not required.

12. Transferability of Options. Each Option granted hereunder shall not be transferable by the Optionee other than by will or the laws of descent and distribution or, in the case of an officer (as defined in Section 16 of the Exchange Act) or director of the Company, such other means as may be permitted by Rule 16b-3 (or any successor provision) under the Exchange Act. Each Option granted hereunder may be exercised, during the Optionee's lifetime, only by him or her. In addition, Options granted to an officer (as defined in Section 16 of the Exchange Act) or director of the Company shall not be transferable for a period of six months following the grant Date. From and after the death of an Optionee, each Option held by such Optionee at his death, to the extent then exercisable, may be exercised prior to its termination by the person(s) to whom the Optionee's option rights pass by will or by the applicable laws of descent and distribution.

13. Termination of Employment. In the event that an Optionee's employment is terminated for any reason (voluntary or involuntary), each Option then held by that Optionee shall expire to the extent not previously exercised ten (10) days after such Optionee's employment is terminated, except that -

(a) If the Optionee is on military, sick leave or other bona fide leave of absence (such as temporary employment by the federal government), his employment relationship will be treated as continuing intact if the period of such leave does not exceed ninety (90) days, or, if longer, so long as the Optionee's right to reemployment is guaranteed either by statute or by contract; otherwise, the Optionee's employment will be deemed to have terminated on the 91st day of such leave.

(b) If the Optionee's employment is terminated by reason of his retirement, each Option then held by the Optionee, to the extent exercisable at retirement, may be exercised by the Optionee at any time within three (3) months after retirement unless terminated earlier by its terms.

(c) If the Optionee's employment is terminated by reason of his death, each Option then held by the Optionee, to the extent exercisable at the date of death, may be exercised at any time within one year after that date (unless terminated earlier by its terms) by the person(s) to whom the Optionee's option rights pass by will or by the applicable laws of descent and distribution.

(d) If the Optionee's employment is terminated by reason of his becoming permanently and totally disabled, each Option then held by the

Optionee, to the extent

exercisable upon the occurrence of permanent and total disability, may be exercised by the Optionee at any time within one (1) year after such occurrence unless terminated earlier by its terms. For purposes hereof, an individual shall be deemed to be "permanently and totally disabled" if he is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months. Any determination of permanent and total disability shall be made in good faith by the Company on the basis of a report signed by a qualified physician.

14. Adjustment of Number of Option Shares. Each Option Agreement shall provide that, in the event of any stock dividend payable in the Stock or any split-up or contraction in the number of shares of the Stock occurring after the date of such Agreement and prior to the exercise in full of the Option covered thereby, the number of shares subject to such Agreement and the price to be paid for each share subject to such Option shall each be proportionately adjusted. Each such Agreement shall also provide that, in case of any reclassification or change of outstanding shares of the Stock occurring after the date of such Agreement and prior to the exercise in full of the Option covered thereby, the number and kind of shares of Stock subject to such Agreement and the price to be paid for each share subject to such Option shall each be appropriately adjusted.

Each Option Agreement shall further provide that, in the event of any reorganization, consolidation or merger to which the Company is a party and in which the Company does not survive, or upon the dissolution or liquidation of the Company, the Option covered thereby shall terminate; provided, however, that (i) in the event of the liquidation or dissolution of the Company, or in the event of any such reorganization, consolidation or merger in which the Company does not survive and with respect to which the resulting or surviving corporation does not assume such Option or issue a substitute Option therefor, such Option shall be exercisable in full, without regard to any installment restrictions on exercise imposed pursuant to this Plan or such Option Agreement (but subject to Section 10 hereof), during such period preceding the effective date of such liquidation, dissolution, reorganization, consolidation or merger (unless such Option is terminated earlier by its terms) as may be specified by the Board; and (ii) in the event of any such reorganization, consolidation or merger, the Board may, in its good faith discretion, arrange to have the resulting or surviving corporation assume such Option or issue a substitute option therefor.

No fraction of a share shall be purchasable or deliverable upon exercise of an Option, but, in the event any adjustment hereunder of the number of shares covered by the Option shall cause such number to include a fraction of a share, such fraction shall be adjusted to the nearest smaller whole number of shares.

In the event of changes in the outstanding Stock by reason of any stock dividend, split-up, contraction, reclassification, or change of outstanding shares of the Stock of the nature

contemplated by this Section 14, the number of shares of the Stock available for the purpose of the plan, as stated in Section 4, shall be correspondingly adjusted.

15. Reservation of Stock. The Company shall at all times during the term of this Plan and of the Options granted hereunder reserve and keep available such number of shares of the Stock as will be sufficient to satisfy the requirements of this Plan and shall pay all fees and expenses necessarily incurred by the Company in connection therewith.

16. Limitation of Rights in the Option Shares. An Optionee shall not be deemed for any purpose to be a stockholder of the Company with respect to any of his Option Shares except to the extent that the Option covering such Shares

shall have been exercised with respect thereto and, in addition, a certificate shall have been issued therefor and delivered to the Optionee. No adjustment shall be made for dividends (ordinary or extraordinary, and whether in cash, securities or other property) or distributions or other rights for which the record date is prior to the date such certificate is issued, except as provided in Section 14.

17. Employment Rights. Neither the adoption, maintenance nor operation of this Plan shall confer upon any employee of the Company or of a parent or subsidiary corporation of the Company any right with respect to the continuance of his employment by any of such corporations, nor shall they interfere in any way with the right of any of such corporations to terminate the employment of any employee.

18. Termination and Amendment of the Plan. The Board may at any time terminate this Plan or make such modifications to the Plan as it shall deem advisable, except that no amendment of this Plan shall (a) increase the aggregate number of shares of Stock which may be issued under this Plan (except pursuant to Section 14), materially increase the benefits accruing to participants in the Plan or make any change in the designation of the employees or class of employees eligible to receive Options under this Plan without the approval of the stockholders of the Company; (b) impair the rights or increase the obligations of any Optionee under any Option theretofore granted under this Plan without the written consent of such Optionee; or (c) cause any Option at any time granted under this Plan to fail to qualify as an incentive stock option under Section 422A of the Code.

19. Notices. Any communication or notice required or permitted to be given under this Plan shall be in writing and mailed by registered or certified mail or delivered in hand, if to the Company, to its Treasurer at Parametric Technology Corporation, 128 Technology Drive, Waltham, Massachusetts 02154 and, if to an Optionee, to such address as the Optionee shall last have furnished to the communicating party.

EXHIBIT 10.11

PARAMETRIC TECHNOLOGY CORPORATION
1991 EMPLOYEE STOCK PURCHASE PLAN

(as adopted by the Board of Directors on November 21, 1990, approved by the stockholders on February 27, 1991, and amended to reflect one-for-two, one-for-one and one-for-one stock dividends effective on June 27, 1991, February 25, 1992 and February 25, 1993, respectively, amended by the Board of Directors on November 17, 1994, and approved by the stockholders on February 9, 1995

1. Purposes.

The 1991 Employee Stock Purchase Plan of Parametric Technology Corporation (the "Plan") is intended to provide a method whereby employees of Parametric Technology Corporation and participating subsidiaries (hereinafter collectively referred to, unless the context otherwise requires, as the "Company") will have an opportunity to acquire a proprietary interest in the Company through the purchase of shares of the common stock, $.01 par value per share, of the Company ("Common Stock"). It is the intention of the Company to have the Plan qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code of 1986, as amended (the "Code"). The provisions of the Plan shall, accordingly, be construed so as to extend and limit participation in a manner consistent with the requirements of Section 423 of the Code. However, unless specified in the Code, the fact that an employee is not a resident of the United States and therefore may not receive the tax benefits under the Code will not bar such employee from participation in the Plan.

2. Definitions.

(a) "Coordinator" means the officer of the Company or other person charged with day-to-day supervision of the Plan as appointed from time to time by the Board of Directors of the Company (the "Board of Directors"). The Manager of Human Resources of the Company shall be the initial Coordinator. Notice of any change in such Coordinator shall be given to all employees eligible under the Plan.

(b) "Base Pay" means regular straight-time earnings (as the same may be adjusted from time to time), excluding payments for commissions, overtime, shift differentials, incentive compensation, bonuses and other special payments. Disability insurance payments shall not be included in Base Pay for purposes of the Plan

(c) "employee" means any person who is customarily employed for 20 or more hours per week and more than five months in a calendar year by the Company or by a participating subsidiary.

(d) "Offering Commencement Date" means the applicable date on which an Offering under the Plan commences pursuant to Paragraph 4.

(e) "Offering Termination Date" means the applicable date on which an Offering under the Plan terminates pursuant to Paragraph 4.

(f) "Participating subsidiary" means any present or future corporation which (i) is a "subsidiary corporation" as that term is defined in Section 425 of the Code and (ii) is designated as a participant in the Plan by the Board of Directors or the Compensation Committee thereof.

3. Eligibility.

(a) Any employee who has completed at least 90 days of employment with the Company and who shall be employed by the Company on the applicable Offering Commencement Date shall be eligible to participate in such Offering under the Plan.

(b.) Any provision of the Plan to the contrary notwithstanding, no employee shall be granted an option under the Plan (an "Option") if, immediately after the grant, such employee would own stock, and/or hold outstanding options to purchase stock, possessing 5% or more of the total combined voting power or value of all classes of stock of the Company or of any subsidiary (for purposes of this subparagraph the rules of Section 425(d) of the Code shall apply in determining stock ownership of any employee and the term subsidiary shall be as defined in Section 425(f) of the Code).

(c) Any provision of the Plan or any other employee stock purchase plan of the Company to the contrary notwithstanding, no employee shall have the right to purchase Common Stock under the Plan to the extent that the fair market value (determined at the Offering Commencement Date in accordance with subparagraph 7(b)(1)) of the shares of Common Stock (or other stock of the Company and any subsidiary) which such employee would otherwise become entitled to purchase during the calendar year under the Plan and under all other employee stock purchase plans of the Company exceeds $25,000.

4. Offering Dates.

The Plan will be implemented by seventeen (17) six-month offerings, one beginning every six months commencing April 1, 1991 until and including April 1, 1999 (referred to herein collectively as "Offerings" and individually as an "Offering"), as follows:

(a) Offering I shall commence on April 1, 1991, and terminate on September 30, 1991.

(b) Offering II shall commence on October 1, 1991, and terminate on March 31, 1992.

(c) Offering III shall commence on April 1, 1992, and terminate on September 30, 1992.

(d) Offering IV shall commence on October 1, 1992, and terminate on March 31, 1993.

(e) Offering V shall commence on April 1, 1993, and terminate on September 30, 1993.

(f) Offering VI shall commence on October 1, 1993, and terminate on March 31, 1994.

(g) Offering VII shall commence on April 1, 1994, and terminate on September 30, 1994.

(h) Offering VIII shall commence on September 30, 1994, and terminate on March 31, 1995.

(i) Offering IX shall commence on April 3, 1995, and terminate on September 29, 1995.

(j) Offering X shall commence on October 2, 1995, and terminate on March 29, 1996.

(k) Offering XI shall commence on April 1, 1996, and terminate on September 30, 1996.

(l) Offering XII shall commence on October 1, 1996, and terminate on March 31, 1997.

(m) Offering XIII shall commence on April 1, 1997, and terminate on September 30, 1997.

(n) Offering XIV shall commence on October 1, 1997, and terminate on March 31, 1998.

(o) Offering XV shall commence on April 1, 1998, and terminate on September 30, 1998.

(p) Offering XVI shall commence on October 1, 1998, and terminate on March 31, 1999.

(q) Offering XVII shall commence on April 1, 1999, and terminate on September 30, 1999.

Participation in any one or more of the seventeen Offerings under the Plan shall neither limit, nor require, participation in any other Offering.

5. Participation.

(a) An eligible employee may become a participant in the Plan by completing an authorization for a payroll deduction ("Authorization") on the form provided by the Company and filing the Authorization with the Company at least 15 days and no more than 30 days prior to the applicable Offering Commencement Date immediately preceding such eligible employee's initial participation in the Plan. Such Authorization shall remain in effect until the participant files a new Authorization with the Company terminating his or her participation or otherwise amending the most recent Authorization by filing a new Authorization with the Company at least 15 days but no more than 30 days prior to the next Offering Commencement Date.

(b) Payroll deductions for a participant shall commence with the first payday on or after the applicable Offering Commencement Date of the Offering for which such participant's Authorization is filed and shall end with the final payday on or before the Offering Termination Date of such Offering, unless sooner terminated pursuant to Paragraph 10.

6. Payroll Deductions.

(a) At the time a participant files his or her Authorization, the participant shall elect to have deductions made for his or her Base Pay on each payday during the time he or she is a participant in an Offering at the rate of 1, 2, 3, 4, 5, 6, 7, 8, 9 or 10% of his or her Base Pay in effect on the applicable Offering Commencement Date. Notwithstanding the foregoing, the participant's participation in any one or combination of Offerings under the Plan, shall not exceed, in any fiscal year, an aggregate of the lesser of (i) $10,000 or (ii) 10% of the participant's Base Pay.

(b) All payroll deductions made for a participant shall be credited to his or her account maintained by the Company under the Plan. A participant may not make any separate cash payment into such account.

(c) Except as provided in Paragraph 10, a participant may not make any changes to his or her participation during an Offering and, specifically, a participant may not during an Offering alter the percentage of his or her Base Pay deducted and credited to his or her account under the Plan. However, if the Base Pay of the participating employee increases or decreases during the period of an Offering, the dollar amount of his or her payroll deductions will increase or decrease accordingly.

7. Granting of Option.

(a) Subject to Paragraph 3, for each of the Offerings, a participating employee shall be deemed to have been granted, on the applicable Offering Commencement Date, an Option to purchase, on the applicable Offering Termination Date, a maximum number of shares of Common Stock equal to an amount determined by (i) multiplying the employee's annualized base pay as of the Offering Commencement Date by the percentage of such base pay which he or she has elected to have withheld (but not in any case in excess of 10%); (ii) dividing such product by 85% of the fair market value of a share of the Common Stock on the applicable Offering Commencement Date; and (iii) multiplying such quotient by 1.25. For all purposes of the Plan, the fair market value of the Common Stock shall be determined as provided in clause (i) of subparagraph (b) below. For purposes of this paragraph (a), "Annualized Base Pay" shall mean Base Pay on an annualized basis, determined as follows: (i) in the case of a full-time employee normally paid on an hourly rate, by multiplying his or her normal hourly rate by 2080, (ii) in the case of a part-time employee normally paid on an hourly rate, by multiplying his or her normal hourly rate by the product of 52 times the number of hours in his or her normal work week, (iii) in the case of an employee normally paid at a bi-weekly rate, by multiplying his or her normal bi-weekly rate by 26, (iv) in the case of an employee normally paid at a weekly rate, by multiplying his or her normal weekly rate by 52, and (v) in the case of an employee normally paid at a monthly rate, by multiplying his or her normal monthly rate by 12.

(b) The purchase price per share of Common Stock purchased during each Offering (the "Option Exercise Price") shall be the lower of:

> (i) 85% of the last sale price of the Common Stock on the NASDAQ National Market System or, if the Common Stock is listed on a national securities exchange, 85% of the closing price of the Common Stock on such exchange, on the applicable Offering Commencement Date (or on the next regular business day on which shares of Common Stock shall be traded if no shares of Common Stock shall have been traded on such Offering Commencement Date), as reported in *The Wall Street Journal*; or

> (ii) 85% of the last sale price of Common Stock on the NASDAQ National Market System or, if the Common Stock is listed on a national securities exchange, 85% of the closing price of the Common Stock on such exchange, on the applicable Offering Termination Date (or on the next regular business day on which shares of Common Stock shall be traded if no shares of Common Stock shall have been traded on such Offering Termination Date), as reported in *The Wall Street Journal*.

8. Exercise of Option.

With respect to each Offering during the term of the Plan:

(a) Unless a participant has given written notice of withdrawal to the Company as provided in Paragraph 10, his or her Option will be deemed to have been exercised automatically on the Offering Termination Date applicable to such Offering, for the purchase of the number of full shares of Common Stock which the accumulated payroll deductions (without interest) in his or her account maintained by the Company under the Plan at that time will purchase at the applicable Option Exercise Price (provided that (i) such number of shares may be reduced pursuant to Paragraph 12 in the event the Offering is oversubscribed and (ii) such number of shares may not exceed the number of shares covered by the Option granted to the participant pursuant to Paragraph 7(a)), and any excess in his or her account at that time will be returned to him or her without interest promptly following the termination of the Offering.

(b) Fractional shares will not be issued under the Plan and any accumulated payroll deductions which would have been used to purchase fractional shares shall be returned (without interest) to a participant promptly following the termination of the Offering.

9. Delivery.

As promptly as practicable after the Offering Termination Date of each Offering, the Company will deliver to each participant a certificate representing the shares of Common Stock purchased upon the exercise of such participant's Option.

10. Withdrawal.

(a) A participant may elect to withdraw all, but not less than all, payroll deductions credited to his or her account with the Company under any Offering at any time prior to the applicable Offering Termination Date by giving written notice of withdrawal to the Coordinator. All of the participant's payroll deductions credited to his or her account will be paid to the participant (without interest) promptly after receipt of such notice of withdrawal and no further payroll deductions will be made from his or her pay during such Offering. The Company may, at its option, treat any attempt by a participant to borrow on the security of accumulated payroll deductions as an election, under this Paragraph, to withdraw such deductions.

(b) A participant's withdrawal from any Offering will not have any effect upon his or her eligibility to participate in any succeeding Offering or in any similar plan which may hereafter be adopted by the Company; *provided, however*, that an officer (as defined in Section 16, and the rules promulgated thereunder ("Section 16"), of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) or director of the Company who terminates his or her participation in the Plan prior to the end of any Offering may not participate in the next Offering under the Plan.

(c) Upon termination of the participant's employment for any reason, including retirement but excluding death or disability (as defined in Section 22(e)(3) of the Code) while in the employ of the Company, such participant will be deemed to have withdrawn from participation in the pending Offering, and the payroll deductions credited to his or her account will be returned to the participant (without interest), or, in the case of his or her death subsequent to the termination of employment, to the person or persons entitled thereto under Paragraph 14.

(d) Upon termination of the participant's employment because of disability or death, the participant or his or her beneficiary (as defined in Paragraph 14) shall have the right to elect, by written notice given to the Coordinator prior to the expiration of the period of 30 days commencing with the date of the disability or death of the participant, either

(i) to withdraw all of the payroll deductions credited to the participant's account under the Plan (without interest); or

(ii) to exercise the participant's Option on the applicable Offering Termination Date for the purchase of the number of full shares of Common Stock which the accumulated payroll deductions (without interest) in the participant's account at the date of the participant's disability or death will purchase at the applicable Option Exercise Price, and to receive any excess money in such account (without interest).

If no such written notice of election is received by the Coordinator, the participant or beneficiary shall automatically be deemed to have elected to withdraw the payroll deductions credited to the participant's account at the date of the participant's disability or death and the same will be paid promptly following such 30-day period to the participant or said beneficiary without interest.

11. *Interest.*

No interest will be paid or allowed on any money paid into the Plan or credited to the account of any participant employee.

12. *Stock.*

(a) The maximum number of shares of Common Stock which shall be made available for sale under the Plan during the Offerings is 1,000,000 shares, subject to adjustment upon changes in capitalization of the Company as provided in Paragraph 17 .

(b) Subject to adjustment upon changes in capitalization of the Company as provided in Paragraph 17 and subject to adjustment for carry-over shares from previous Offerings as set forth below, the maximum number of shares available for sale under the Plan during Offerings I through VIII is as follows:

Offering I	-	90,000
Offering II	-	90,000
Offering III	-	78,000
Offering IV	-	78,000
Offering V	-	72,000
Offering VI	-	72,000
Offering VII	-	60,000
Offering VIII	-	60,000

If the total number of shares for which Options are exercised on any Offering Termination Date in accordance with Paragraph 8 exceeds the maximum number of shares available for such Offering, the Company shall make a pro rata allocation (based on the number of shares subject to the Option held by each participant) of the shares available for delivery and distribution in as nearly a uniform manner as shall be practicable and as it shall determine to be equitable, and the balance of payroll deductions credited to the account of each participant under the Plan shall be returned to him or her (without interest) as promptly as practicable. If less than the maximum number of shares available in an Offering (including any carryover shares from a previous Offering) are purchased during an Offering, the number not purchased shall be carried over to and made available in the next subsequent Offering.

(c) Subject only to the limit set forth in Paragraph 12(a) above, there shall be no maximum number of shares available for sale during any of Offerings IX through XVII. If less than the maximum number of shares available in Offerings I through VII are purchased during such Offerings, the number not purchased shall be carried over to and made available for Offerings IX through XVII. If the total number of shares for which Options are exercised on any Offering Termination Date in accordance with Paragraph 8 (together with all prior exercises under the Plan during such Offering) exceeds the maximum number of shares available under the Plan as set forth in Paragraph 12(a) above, the Company shall make a pro rata allocation (based on the number of shares subject to the Option held by each participant) of the shares available for delivery and distribution in as nearly a uniform manner as shall be practicable and as it shall determine to be equitable, and the balance of payroll deductions credited to the account of each participant under the Plan shall be returned to him or her (without interest) as promptly as practicable. In such event, no further Offerings shall be commenced under the Plan unless and until the Plan is amended to increase the number of shares set forth in Paragraph 12(a) above.

(d) The participant will have no interest in the Common Stock covered by his or her Option until such Option has been exercised.

(e) Certificates for Common Stock to be delivered to a participant under the Plan will be registered in the name of the participant, or, if the participant so directs by written

notice to the Company prior to the Offering Termination Date applicable thereto, in the names of the participant and one such other person as may be designated by the participant, as joint tenants with rights of survivorship, to the extent permitted by applicable law.

13. <u>Administration.</u>

The Plan shall be administered by the Compensation Committee of the Board of Directors of the Company (the "Committee"). The Coordinator shall, for matters involving the Plan, be an <u>ex officio</u> member of that Committee. The interpretation and construction of any provision of the Plan and the adoption of rules and regulations for administering the Plan shall be made by the Committee, subject, however, at all times to the final jurisdiction which shall rest in the Board of Directors. Determinations made by the Committee and approved by the Board of Directors with respect to any matter or provision contained in the Plan shall be final, conclusive and binding upon the Company and upon all participants, their heirs or legal representatives. Any rule or regulation adopted by the Committee shall remain in full force and effect unless and until altered, amended, or repealed by the Committee or the Board of Directors. The Company shall indemnify Committee members, to the fullest extent permitted by applicable law, for any expenses incurred in defending a civil or criminal action or proceeding, arising out of such member's actions with respect to administration of the Plan, in advance of the final disposition of such action or proceeding, upon receipt of an undertaking by the person indemnified to repay such payment if such member shall be adjudicated not to have acted in good faith in the reasonable belief that such member's action was in the best interest of the Company.

14. Designation of Beneficiary

A participant may file a written designation of a beneficiary who is to receive any shares of Common Stock and/or cash in the event of the death of the participant. Such designation shall be effective as to all future distributions of cash and securities with respect to the participant's account under the Plan. Such designation of beneficiary may be changed by the participant at any time by written notice to the Coordinator. Within 30 days after the participant's death, the beneficiary may, as provided in Paragraph 10(d), elect to exercise the participant's Option when it becomes exercisable on the Offering Termination Date of the then current Offering. Upon the death of a participant and upon receipt by the Company of proof of the identity and existence at the participant's death of a beneficiary validly designated by the participant under the Plan, and notice of election of the beneficiary to exercise the participant's Option, the Company shall deliver such stock and/or cash to such beneficiary. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant's death, the Company shall deliver such cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such cash to the spouse or to any one or dependents of the participant as the Company may determine. No beneficiary shall prior to the death of the participant by whom he has been designated acquire any interest in the stock or cash credited to the participant's account maintained by the Company under the Plan.

15. Transferability.

Neither payroll deductions credited to a participant's account nor any rights with regard to the exercise of an Option or to receive Common Stock under the Plan may be assigned, transferred, pledged, or otherwise disposed of in any way by the participant otherwise than by will or the laws of descent and distribution or, in the case of an officer (as defined in Section 16 of the Exchange Act) or director of the Company, by such other means as may be permitted by Rule 16b-3 (or any successor provision) under the Exchange Act. Any such attempted assignment, transfer, pledge, or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds in accordance with Paragraph 10. Notwithstanding anything to the contrary contained herein, shares of Common Stock acquired under the Plan by an officer (as defined in Section 16 the Exchange Act) or director of the Company may not be assigned, transferred, pledged, or otherwise disposed of for at least six months following the Offering Termination Date of the Offering in which such shares of Common Stock are acquired.

16. Use of Funds.

All payroll deductions received or held by the Company under this Plan may be used by the Company for any corporate purpose and the Company shall not be obligated to segregate such payroll deductions.

17. Effect of Changes of Common Stock.

In the event of any changes in outstanding shares of Common Stock by reason of stock dividends, subdivisions, combinations and exchanges of shares, recapitalizations, and the like, the aggregate number and class of shares available under the Plan and the Option Exercise Price per share shall be appropriately adjusted by the Board of Directors of the Company, whose determination shall be conclusive. Any such adjustments may provide for the elimination of any fractional shares which would otherwise become subject to any Options.

18. Amendment or Termination.

The Committee or the Board of Directors may at any time terminate or amend the Plan, provided that no amendment may be made to the Plan without approval of the stockholders of the Company if such approval is required in order to comply with Rule 16b-3 under the Exchange Act and other applicable securities and tax laws. If the Board of Directors elects at any time to terminate the Plan, the payroll deductions credited to each participant's account will be returned to the participant (without interest) as soon as practicable after such termination.

19. Notices.

All notices or other communications by a participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received by the Coordinator.

20. Merger or Consolidation.

If the Company shall at any time merge or consolidate with another corporation and the Company is the surviving entity, the holder of each Option then outstanding will thereafter be entitled to receive at the next Offering Termination Date upon the automatic exercise of such Option under Paragraph 8(a) (unless previously withdrawn pursuant to Paragraph 10) for each share as to which such Option shall be exercised the securities or property which a holder of one share of the Common Stock was entitled to upon and at the time of such merger or consolidation, and the Board of Directors shall take such steps in connection with such merger or consolidation as the Board of Directors shall deem necessary to ensure that the provisions of Paragraph 17 shall thereafter be applicable, as nearly as reasonably may be, to such securities or property. In the event of a merger or consolidation in which the Company is not the surviving entity, or of a sale of substantially all of the assets of the Company, the Plan shall terminate, and all payroll deductions credited to participants' accounts shall be returned to them (without interest) provided, however, that the Board of Directors may, in the event of such merger or sale, accelerate the Offering Termination Date of the Offering then in effect and permit participants to purchase shares under the Plan at such accelerated Offering Termination Date.

21. Registration and Qualification of the Plan under Applicable Securities Laws.

No Option shall be granted under the Plan until such time as the Company has qualified and registered the shares which are subject to the Option under the applicable state and federal securities laws to the extent required by such laws.

Exhibit 10.23

128 TECHNOLOGY CENTER
PARAMETRIC TECHNOLOGY CORPORATION
AMENDMENT NO. 8

Reference is made to the original lease dated June 1, 1987 and subsequently amended March 10, 1988, November 9, 1988, November 8, 1989, January 21, 1991, March 10, 1992, November 25, 1992, June 8, 1993 and April 14, 1994 collectively (the "Lease") by and between 128 Technology Trust under a Declaration of Trust dated October 12, 1993, recorded in Middlesex County Registry of Deeds Southern District, Book 15268, Page 65 (hereinafter "Lessor", which expression shall include its heirs, executors, successors, and assigns where the context so admits), and Parametric Technology Corporation, a Massachusetts corporation having a principal place of business at 128 Technology Drive, Waltham, Massachusetts 02154 (hereinafter "Lessee", which expression shall include its successors and assigns or executors and administrators where to context so admits). Terms defined in or by reference in the Lease not otherwise defined herein shall have the same meaning herein as therein.

For good and valuable consideration, the receipt of legal sufficiency of which is hereby acknowledged, Lessor and Lessee hereby agree to amend the Lease as follows:

AREA:	9,340 + rentable square feet on the fourth (4th - floor)
AVAILABILITY:	Approximately May 1, 1995
RENT COMMENCEMENT:	Upon availability
RENTAL RATE:	$21.00 per rentable square foot through October 31, 1997 $20.50 per rentable square foot through October 31, 1999
TAX & OPERATING BASE:	1992 Actuals
TERM:	For area in this proposal, the term will be for five (5) years terminating on October 31, 1999. Also the term of all space will be extended two (2) additional years October 31, 2001 at $22.00 per rentable square foot, however, either party may cancel this last two (2) year extension by providing the other party prior written notice no later than October 31, 1998.
RELOCATION RIGHTS:	PTC will have the right to relocate up to 50,390 (41,950+ 9,340) rentable square feet to another Saracen Companies, Inc. property provided PTC gives at lease six (6) months prior written notice and receives Landlord's written consent. Furthermore, PTC will have the right under similar terms and conditions to relocate to another Saracen Companies, Inc. building all existing space (+130,000 rentable square feet) after October 31, - 1997.

In all other respects, the terms and provisions of the Lease and subsequent amendments are hereby ratified and confirmed and remain in full force and effect and unamended.

Executed as a sealed instrument this 19th day of January 1995.

LESSOR: 128 TECHNOLOGY TRUST

BY: /s/_________________________

Dominic J. Saraceno, as Trustee of
128 Technology Trust

BY: /s/_________________________

Kurt W. Saraceno, as Trustee of
128 Technology Trust

LESSEE: PARAMETRIC TECHNOLOGY CORPORATION

BY: /s/_________________________

TITLE: CFO_________________________

Exhibit 10.24

Agreement

This Agreement is entered into as of this 2nd day of October, 1995 between Parametric Technology Corporation, a Massachusetts corporation (the "Company"), and Edwin J. Gillis (the "Officer").

WHEREAS, the Company desires to employ the Officer as the Senior Vice President of Finance and Administration, Chief Financial Officer and Treasurer of the Company; and

WHEREAS, to provide incentive for the Officer to accept employment with the Company, the Company desires to make the following arrangements with the Officer concerning his termination of employment.

NOW, THEREFORE, the Company and the Officer hereby agree as follows:

1. Termination Notice. The Company agrees that it may not terminate the employment of the Officer unless (i) such termination is for Cause (as defined below) or (ii) the Company has delivered to the Officer a written notice of such termination (the "Termination Notice") at least six months in advance of the termination date. The duties of the Officer during the period from the date of delivery of a Termination Notice until the termination of his employment shall be as determined by the Board of Directors.

2. Salary. During the period from the date of delivery of the Termination Notice (the "Notice Date") until the earlier of (i) the date six months after the Notice Date or (ii) the date the Officer commences employment with another company or organization, the Company shall pay to the Officer a salary that is equal, on an annualized basis, to the highest annual salary (excluding any bonuses) in effect with respect to the Officer during the six-month period immediately preceding the Termination Notice.

3. Stock Options. Effective upon a Change in Control (as defined below) of the Company, all outstanding stock options under the Company's 1987 Incentive Stock Option Plan then held by the Officer shall become exercisable in full, notwithstanding any vesting schedule or other provisions to the contrary in the agreements evidencing such options; and the Company and the Officer hereby agree that such option agreements are hereby amended to give effect to this provision.

4. Definitions.

(a) A termination by the Company of the Officer's employment for "Cause" shall mean termination (i) for the Officer's willful and continued failure to substantially perform his duties to the Company (other than any such failure resulting from the Officer's incapacity due to physical or mental illness or any such actual or perceived failure after a Change in Status of the Officer), provided that (a) the Company has delivered a written demand for substantial performance to the Officer specifically identifying the manner in which the Company believes that the Officer has not substantially performed his duties, and (b) the Officer has not cured such failure within 30 days after such demand, (ii) for willful conduct by the Officer which is demonstrably and materially injurious to the Company, or (iii) for the Officer's willful violation of any material provision of any confidentiality, nondisclosure, assignment of invention, noncompetition or similar agreement entered into by the Officer in connection with his employment by the Company. For purposes of this paragraph, no act or failure to act on the Officer's part shall be deemed "willful" unless done or omitted to be done by the Officer not in good faith and without reasonable belief that his action or omission was in the best interests of the Company.

(b) A "Change in Control" of the Company shall mean the occurrence of any of the following events: (i) any "person", as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportion as their ownership of stock in the Company) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities (other than as a result of acquisitions of such securities from the Company); (ii) individuals who, as of the date hereof, constitute the Board of Directors of the Company (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an election or nomination of an individual

whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company) shall be, for purposes of this Agreement, considered to be a member of the Incumbent Board; (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no "person" (as defined above) acquires more than 20% of the combined voting power of the Company's then outstanding securities; or (iv) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets.

5. Term. This Agreement shall continue in effect for a period of three years from the date hereof, unless extended by the mutual written consent of the Company and the Officer.

6. Successors.

(a) This Agreement is personal to the Officer and without the prior written consent of the Company shall not be assignable by the Officer otherwise than by will or the laws of descent and distribution.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as defined above and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement.

7. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts, without reference to principles of conflict of laws.

(b) This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(c) All notices and other communications hereunder shall be in writing and shall be delivered by hand delivery, by a reputable overnight courier service, or by registered or certified mail, return receipt requested, postage prepaid, in each case addressed as follows:

<u>If to the Company:</u>

Parametric Technology Corporation
128 Technology Drive
Waltham, MA 02154
Attention: Corporate Counsel

<u>If to the Officer:</u>

Edwin J. Gillis
7 Merrill Street
Hingham, MA 02043

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Any notice or communication shall be deemed to be delivered upon the date of hand delivery, one day following delivery to such overnight courier service, or three days following mailing by registered or certified mail.

EXECUTED as of the date first written above.

PARAMETRIC TECHNOLOGY CORPORATION

By: ____
President and Chief Operating Officer

____
Edwin J. Gillis

EXHIBIT 13.1

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Parametric Technology Corporation

Parametric Technology Corporation is a leading supplier of software tools used to automate the mechanical development of a product from its conceptual design through its release into manufacturing. The Company derives its revenue from the sale and support of software used in the mechanical segment of the CAD/CAM/CAE (computer-aided design, manufacturing and engineering) industry.

RESULTS OF OPERATIONS

The Company's revenue and net income for the fiscal year ended September 30, 1995 increased 47.7% and 44.7%, respectively, over the previous fiscal year, excluding non-recurring charges in fiscal 1995 of $10,438,000 related to the merger of Rasna Corporation ("Rasna") into the Company and $19,000,000 related to its acquisition of the Conceptual Design and Rendering System ("CDRS") software business from Evans & Sutherland Computer Corporation. Net income as a percentage of revenue, excluding the non-recurring charges, was 25.0% in fiscal 1995 compared to 25.5% in fiscal 1994 and 24.2% in fiscal 1993. Including the Rasna and CDRS non-recurring charges, the Company's net income as a percentage of revenue was 19.6% in fiscal 1995. The Rasna merger has been accounted for as a pooling of interests. Therefore, all financial information contained herein has been retroactively combined to reflect this transaction. The operating results of CDRS are included herein since April 12, 1995, the date of the acquisition.

The following table sets forth certain consolidated financial data as a percentage of revenue for the fiscal years ended September 30, 1995, 1994 and 1993.

	Year ended September 30,		
	1995	1994	1993
Revenue:			
License	73.1%	77.3%	80.7%
Service	26.9	22.7	19.3
Total revenue	100.0	100.0	100.0
Cost of revenue:			
License	0.8	0.8	0.9
Service	8.4	7.1	5.8
Total cost of revenue	9.2	7.9	6.7
Gross profit	90.8	92.1	93.3
Operating expenses:			
Sales and marketing	41.6	40.4	42.4
Research and development	6.5	7.5	8.2
General and administrative	5.2	5.5	5.6
Acquisition and related costs	7.4	--	--
Total operating expenses	60.7	53.4	56.2
Operating income	30.1	38.7	37.1
Other income, net	2.3	2.0	1.3
Income before income taxes	32.4	40.7	38.4
Provision for income taxes	12.8	15.2	14.2
Net income	19.6%	25.5%	24.2%

Revenue

Revenue, including license and service revenues, for fiscal 1995 rose to $394,310,000, compared with fiscal 1994 revenue of $266,974,000 and fiscal 1993 revenue of $179,311,000. These totals represent increases of 47.7% in 1995 and 48.9% in 1994. The increase in license revenue results from an increase in the number of seats of software licensed and from a slightly higher 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 end-user. The Company licensed approximately 15,900 seats of software in fiscal 1995, 34.7% more than fiscal 1994's 11,800 seats, which were 22.9% more than fiscal 1993's 9,600 seats. The increase in the number of seats licensed was achieved as a result of continued market penetration of the Company's products. The average price per seat during fiscal 1995 was approximately $18,100, compared with an average price of approximately $17,500 in 1994 and $15,100 in 1993. Service revenue is derived from the sale of software maintenance contracts and the performance of training and consulting services. In fiscal 1995, service revenue increased to 26.9% of total revenue from 22.7% in fiscal 1994 and 19.3% in fiscal 1993. This revenue increased during both fiscal 1995 and 1994 as a result of the growth in the Company's installed customer base and increased training and consulting services performed for those customers. Revenue outside of North America accounted for 49.8%, 43.3% and 33.2% of revenue in fiscal 1995, 1994 and 1993, respectively. These increases are a result of the Company's continued investment in the international marketplace. The Company expects that total revenue will increase in fiscal 1996 from continued penetration in the mechanical CAD/CAM/CAE industry, and that international revenue will continue to account for a significant portion of that total growth.

Consistent with past experience, a high percentage of the Company's revenues are expected to be realized in the third month of each fiscal quarter and tend to be concentrated in the latter half of that month. The Company's orders early in a quarter will not generally be large enough to assure that it will meet its revenue targets for any particular quarter. Accordingly, the Company's quarterly results may be difficult to predict until the end of the quarter, and a shortfall in shipments or contract orders at the end of any particular quarter may cause the results for that quarter to fall short of anticipated levels.

Cost of Revenue

Cost of license revenue consists of the amortization of capitalized computer software costs as well as material and overhead costs associated with compact disks, packaging and shipping. Cost of service revenue includes the costs associated with train-

ing, software maintenance and consulting revenues. Combined, these expenses increased to $36,318,000 in fiscal 1995 from $21,032,000 in fiscal 1994 and $12,054,000 in fiscal 1993. Total cost of revenue as a percentage of revenue increased to 9.2% in fiscal 1995 from 7.9% in fiscal 1994 and 6.7% in fiscal 1993. The absolute and percentage increases in total cost of revenue resulted primarily from growth in staffing necessary to generate and support increased worldwide service revenue and material costs associated with increased revenue. Cost of service revenue, which is the largest component of total cost of revenue, increased 73.5% in fiscal 1995 and 82.9% in fiscal 1994, while associated revenue increased 74.5% and 75.9%, respectively.

Sales and Marketing

Sales and marketing expenses increased to $163,918,000 in fiscal 1995 from $107,940,000 in fiscal 1994 and $76,121,000 in fiscal 1993, and increased as a percentage of revenue to 41.6% from 40.4% in fiscal 1994, but decreased from 42.4% in fiscal 1993. The absolute increases in these expenses during fiscal 1995 and 1994 were due principally to worldwide expansion of the sales force and sales commissions associated with higher revenue. International sales and marketing expenses represented 52.1% of total sales and marketing expenses in fiscal 1995, compared with 44.8% in 1994 and 39.7% in 1993. 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.

Research and Development

The Company continued to make significant investments in research and development, including the investments in research and development personnel associated with the acquisition of CDRS and the merger with Rasna. Research and development expenses increased to $25,591,000 in fiscal 1995 from $19,882,000 in fiscal 1994 and $14,633,000 in fiscal 1993, while decreasing as a percentage of revenue to 6.5% from 7.5% and 8.2%, respectively. The absolute increases in expenses resulted primarily from growth in the research and development staff.

Software development costs of $1,132,000 (excluding $3,400,000 of purchased software from CDRS) in fiscal 1995, $912,000 in fiscal 1994 and $619,000 in fiscal 1993 have been capitalized in accordance with Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed". The amounts capitalized represent 4.2%, 4.4% and 4.1% of total research and development costs during such years. Capitalized computer software costs are amortized over the economic useful lives of the related products, typically three years.

General and Administrative

General and administrative expenses include the costs of corporate, finance, human resources and administrative functions of the Company. These expenses increased to $20,414,000 in fiscal 1995 from $14,758,000 in fiscal 1994 and $10,001,000 in fiscal 1993, while decreasing as a percentage of revenue to 5.2% from 5.5% and 5.6%, respectively. The absolute increases in these expenses were primarily due to the hiring of additional employees necessary to support the Company's worldwide growth.

Acquisition and Related Costs

In conjunction with the CDRS acquisition in the third quarter of fiscal 1995, the Company recorded a non-recurring charge of $19,000,000 related to the write-off of purchased research and development in process.

In conjunction with the Rasna merger in the fourth quarter of fiscal 1995, the Company recorded a non-recurring charge of $10,438,000, which included approximately $6,028,000 for transaction fees, $1,722,000 for severance related expenses and $2,688,000 related to integration costs and lease and distributor termination costs. At September 30, 1995, the Company had accrued $1,446,000 for future cash outlays and reserved $1,443,000 for non-cash charges associated with this non-recurring charge.

Other Income, Net

Other income, net, primarily includes interest income and expense and foreign currency gains and losses. Interest income increased to $10,159,000 in fiscal 1995 from $4,642,000 in fiscal 1994 and $2,895,000 in fiscal 1993 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.

Foreign Exchange

A growing percentage of the Company's revenue and expenses are transacted in foreign currencies. As a result, the Company's international results of operations are subject to foreign exchange fluctuations. The Company enters into forward exchange contracts to hedge specific foreign currency denominated receivables to offset a portion of the foreign exchange fluctuations.

Income Taxes

The effective income tax rate was 39.4% in fiscal 1995, 37.4% in fiscal 1994 and 36.9% in fiscal 1993. The difference between the effective and statutory federal rate was due primarily to the benefit of tax exempt interest income offset by the impact of state income taxes and, in fiscal 1995, the non-deductible acquisition costs associated with the Rasna merger. In fiscal 1994, Parametric adopted the provisions of Statement of

Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("FAS 109"), on a prospective basis. Prior to the adoption of FAS 109, Parametric accounted for income taxes using Accounting Principles Board Opinion No. 11. Adoption of FAS 109 by Parametric did not have a material impact on the Company's consolidated financial statements. Rasna adopted FAS 109 prior to fiscal 1993. The companies did not conform income tax accounting policies in connection with the Rasna merger.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 1995, the Company had $145,638,000 of cash and cash equivalents and $162,610,000 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", on a prospective basis. In conjunction with the adoption of this statement, all cash equivalents and short-term investments have been classified as available for sale and are reported at fair value with unrealized gains and losses included in stockholders' equity. Adoption of this statement did not have a material impact on the Company's consolidated financial statements.

Net cash provided by operations, consisting primarily of net income from operations, the non-recurring charge for purchased research and development in process, the increases in income taxes and deferred revenue, offset by the increase in accounts receivable, was $119,017,000, $84,452,000 and $48,558,000 for fiscal 1995, 1994 and 1993, respectively.

Investment activities consisted primarily of purchases and sales of short-term investments, additions to property and equipment and the acquisition of CDRS. Net cash used by investing activities totaled $141,270,000 for fiscal 1995, compared with $23,897,000 and $36,740,000 for fiscal 1994 and 1993, respectively. Net cash provided by financing activities, consisting primarily of proceeds from issuance of common stock, was $25,354,000, $10,669,000 and $9,060,000 for fiscal 1995, 1994 and 1993, 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 fiscal 1995.

On May 12, 1994, the Company announced that its Board of Directors had authorized a plan that would allow 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. During fiscal 1994, the Company purchased 157,000 shares at a cost of $4,356,000, all of which were reissued by September 30, 1994 to satisfy stock option exercises and employee stock purchases under Company plans. 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 $175,000,000 based upon the September 30, 1995 closing stock price. During fiscal 1996, the Company intends to repurchase shares to partially offset the dilution caused by the exercise of stock options under the Company's option plans and the purchase of shares under the employee stock purchase plan. 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 CDRS software business operated by the Design Software Division of Evans & Sutherland Computer Corporation for approximately $33,507,000 in cash, which was paid by the Company from its existing cash balances. The acquisition has been accounted for as a purchase. The purchase price has been allocated to the assets acquired, including certain intangible assets, such as purchased computer software and research and development in process, based on their respective fair values. The excess of the purchase price over the estimated fair value of the net assets acquired has been recorded as goodwill ($7,703,000), which is being amortized on a straight-line basis over seven years.

On August 1, 1995, the Company acquired Rasna by merging it into the Company pursuant to an Agreement and Plan of Merger dated as of May 30, 1995. Based on the number of shares of Rasna common stock outstanding at August 1, 1995, approximately 3,793,000 shares of the Company's common stock were issued and approximately 522,000 shares of its common stock were reserved for outstanding Rasna options assumed. The merger was accounted for as a pooling of interests.

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 1996.

Market prices for securities of software companies have generally been volatile. In particular, the market price of the Company's common stock has been and may continue to be subject to significant fluctuations. These fluctuations may be due to factors specific to the Company or to factors affecting the computer industry or the securities markets in general.

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("FAS 123"). This statement establishes financial accounting and reporting standards for stock-based employee compensation plans. While the Company is reviewing the adoption and impact of FAS 123, it is expected that this standard will have no impact on the Company's financial position or results of operations. The Company will be required to adopt FAS 123 in fiscal 1997.

CONSOLIDATED BALANCE SHEET
Parametric Technology Corporation

	September 30,	
(amounts in thousands)	1995	1994
ASSETS		
Current assets:		
Cash and cash equivalents	$145,638	$142,202
Short-term investments	162,610	68,847
Accounts receivable, net of allowance for doubtful accounts of $2,733 and $2,694	80,405	66,092
Other current assets	11,079	6,274
Total current assets	399,732	283,415
Property and equipment, net	19,811	13,519
Capitalized computer software costs, net	4,380	1,182
Other assets	29,804	7,009
Total assets	$453,727	$305,125
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 19,578	$ 14,010
Accrued compensation	19,821	16,333
Deferred revenue	37,953	20,838
Income taxes	4,678	2,356
Total current liabilities	82,030	53,537
Other liabilities	768	410
Stockholders' equity:		
Preferred stock, $.01 par value; 5,000 shares authorized; none issued	--	--
Common stock, $.01 par value; 75,000 shares authorized; 62,565 and 60,325 shares issued and outstanding	626	603
Additional paid-in capital	156,122	113,976
Cumulative translation adjustments	1,710	1,086
Retained earnings	212,471	135,513
Treasury stock, at cost	--	--
Total stockholders' equity	370,929	251,178
Commitments (Note L)		
Total liabilities and stockholders' equity	$453,727	$305,125

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

CONSOLIDATED STATEMENT OF INCOME
Parametric Technology Corporation

(amounts in thousands, except per share data)	Year ended September 30, 1995	1994	1993
Revenue:			
License	$288,349	$206,243	$144,781
Service	105,961	60,731	34,530
Total revenue	394,310	266,974	179,311
Cost of revenue:			
License	3,348	2,028	1,663
Service	32,970	19,004	10,391
Total cost of revenue	36,318	21,032	12,054
Gross profit	357,992	245,942	167,257
Operating expenses:			
Sales and marketing	163,918	107,940	76,121
Research and development	25,591	19,882	14,633
General and administrative	20,414	14,758	10,001
Acquisition and related costs	29,438	--	--
Total operating expenses	239,361	142,580	100,755
Operating income	118,631	103,362	66,502
Interest income	10,159	4,642	2,895
Other income (expense), net	(1,130)	700	(497)
Income before income taxes	127,660	108,704	68,900
Provision for income taxes	50,298	40,615	25,430
Net income	$ 77,362	$ 68,089	$ 43,470
Net income per share	$ 1.20	$ 1.09	$ 0.71
Weighted average number of common and dilutive common equivalent shares outstanding	64,523	62,526	61,212

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

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
Parametric Technology Corporation

(amounts in thousands)	Common stock Shares	Common stock Amount	Additional paid-in capital	Cumulative translation adjustments	Retained earnings	Treasury stock Shares	Treasury stock Cost	Total stockholders' equity
Balance, September 30, 1992, as previously reported	52,145	$521	$ 41,082	$ 347	$ 36,723			$ 78,673
Adjustments for Rasna Corporation pooling of interests (Note A)	3,262	33	17,057	4	(9,873)			7,221
Balance, September 30, 1992, as restated	55,407	554	58,139	351	26,850			85,894
Issuance of common stock under stock plans	2,417	24	8,861					8,885
Income tax benefit related to incentive stock option plan			16,571					16,571
Amortization of unearned compensation			30					30
Foreign currency translation				(195)				(195)
Net income					43,470			43,470
Balance, September 30, 1993	57,824	578	83,601	156	70,320			154,655
Issuance of common stock for services and exercise of warrants	46	--	155					155
Issuance of common stock under stock plans	2,463	25	13,990					14,015
Income tax benefit related to incentive stock option plan			16,326					16,326
Purchase of common stock for treasury or retirement	(8)	--	(96)			(157)	$(4,356)	(4,452)
Issuance of treasury stock under stock plans					(2,896)	157	4,356	1,460
Foreign currency translation				930				930
Net income					68,089			68,089
Balance, September 30, 1994	60,325	603	113,976	1,086	135,513	0	0	251,178
Issuance of common stock for services	18	--	46					46
Issuance of common stock under stock plans	2,258	23	26,150					26,173
Income tax benefit related to incentive stock option plans			16,040					16,040
Foreign currency translation				578				578
Net income					77,362			77,362
Elimination of Rasna's net activity for the three months ended December 31, 1994 (Note A)	(36)	--	(90)	46	(404)			(448)

Balance, September 30, 1995	62,565	$626	$156,122	$1,710	$212,471	0	$ 0	$370,929

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

CONSOLIDATED STATEMENT OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
Parametric Technology Corporation

(amounts in thousands)	Year ended September 30, 1995	1994	1993
Cash flows from operating activities:			
Net income	$ 77,362	$ 68,089	$43,470
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	9,466	4,814	3,837
Deferred income taxes	(10,599)	(1,304)	(742)
Charge for purchased research and development in process	19,000	--	--
Changes in assets and liabilities net of effects from purchase of CDRS:			
Increase in accounts receivable	(13,129)	(23,753)	(18,610)
(Increase) decrease in note receivable	--	3,257	(118)
Increase in other current assets	(2,334)	(1,212)	(1,241)
(Increase) decrease in other assets	(4,378)	1,032	974
Increase in accounts payable and accrued expenses	5,660	3,621	1,026
Increase in accrued compensation	3,131	5,061	4,946
Increase (decrease) in deferred revenue	16,436	7,028	(825)
Increase in income taxes	18,402	17,819	15,841
Net cash provided by operating activities	119,017	84,452	48,558
Cash flows from investing activities:			
Additions to property and equipment, net	(12,868)	(8,705)	(8,033)
Payment for acquisition of a business	(33,507)	--	--
Additions to capitalized computer software costs	(1,132)	(912)	(619)
Proceeds from sale of short-term investments	171,163	68,828	37,665
Purchases of short-term investments	(264,926)	(83,108)	(65,753)
Net cash used by investing activities	(141,270)	(23,897)	(36,740)
Cash flows from financing activities:			
Repayment of long-term obligations	(175)	(209)	(124)
Short-term borrowings, net	(600)	(300)	300
Proceeds from issuance of common stock	26,129	15,534	8,884
Purchases of treasury stock	--	(4,356)	--
Net cash provided by financing activities	25,354	10,669	9,060
Elimination of Rasna's net cash activity for the three months ended December 31, 1994	(112)	--	--
Effects of exchange rate changes on cash	447	937	(333)
Net increase in cash and cash equivalents	3,436	72,161	20,545
Cash and cash equivalents at beginning of year	142,202	70,041	49,496
Cash and cash equivalents at end of year	$145,638	$142,202	$70,041

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Parametric Technology Corporation

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in the financial statements.

On August 1, 1995, the Company completed its merger with Rasna Corporation ("Rasna"), a developer and marketer of software products for mechanical computer-aided engineering. The merger was accounted for as a pooling of interests. Accordingly, the accompanying consolidated financial statements have been retroactively combined to reflect this transaction.

Due to the differing year ends of the Company and Rasna, financial information for dissimilar fiscal years has been combined. Rasna's results of operations for its fiscal years ended December 31, 1994 and 1993, were combined with the Company's results of operations for the fiscal years ended September 30, 1994 and 1993, respectively. Balance sheet information as of September 30, 1994 includes the financial position of Rasna as of December 31, 1994 and the Company as of September 30, 1994. Accordingly, Rasna's results of operations for the three months ended December 31, 1994 (including revenue, operating income and net income of $6,832,000, $548,000 and $404,000, respectively) were duplicated in the combined statements of income for fiscal 1995 and 1994. Therefore, Rasna's net income for one of the three month periods ended December 31, 1994 was eliminated from stockholders' equity.

Foreign Currency Translation

Foreign currency financial statements of international subsidiaries, where the local currency is the functional currency, are translated using exchange rates in effect at period end for assets and liabilities and at average rates during the period for results of operations. The resulting foreign currency translation adjustments are reflected as a separate component of stockholders' equity. For international subsidiaries where the U.S. dollar is the functional currency, monetary assets and liabilities are translated using exchange rates in effect at period end, nonmonetary assets and liabilities are translated at historical rates and results of operations are translated at average rates for the period. The resulting foreign currency translation adjustments are included in income. Any gains or losses from foreign exchange transactions are included in income. Currency losses of $781,000, currency gains of $222,000 and currency losses of $502,000 were recognized in fiscal 1995, 1994 and 1993, respectively.

Revenue Recognition

Revenue is derived from the licensing of computer software products and from service revenue consisting of training, consulting and maintenance. License revenue is recognized upon shipment, unless collection is not reasonably assured, or as earned for customers with contractual commitments. Revenue from software maintenance contracts is recognized ratably over the contract period and other service revenue is recognized upon performance.

Cash Equivalents and Short-term Investments

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Short-term investments are those with maturities in excess of three months but less than one year. 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", on a prospective basis. In conjunction with the adoption of this statement, all cash equivalents and short-term investments have been classified as available for sale and are reported at fair value with unrealized gains and losses included in stockholders' equity. At September 30, 1995, the cost of cash equivalents and short-term investments equaled market and therefore no valuation allowance was recorded.

The Company invests its non-operating cash in debt instruments of financial institutions, government entities and corporations. The Company has established guidelines relative to credit ratings, diversification and maturities that maintain safety and liquidity. The Company has not experienced any losses on its cash equivalents and short-term investments.

Concentration of Credit Risk

The Company's customer base consists of large numbers of geographically diverse customers dispersed across many industries. As a result, concentration of credit risk with respect to trade receivables is not significant.

Forward Foreign Exchange Contracts

The Company enters into transactions denominated in foreign currencies and includes the exchange gain or loss arising from such transactions in income. The Company enters into forward exchange contracts to hedge specific foreign currency denominated receivables, which require the Company to exchange foreign currencies for U.S. dollars at maturity at rates agreed to at inception of the contracts. As of September 30, 1995 and 1994, the Company had approximately $1,389,000 and $2,540,000, respectively, of foreign exchange contracts outstanding. Cash flows from the forward exchange contracts are classified with the related receivables.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Parametric Technology Corporation

Property and Equipment

Property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives, typically three years. Leasehold improvements are amortized over the shorter of the useful lives or the remaining terms of the related leases. Property and equipment under capital leases are amortized over the lesser of the lease terms or the estimated useful lives. Maintenance and repairs are charged to expense when incurred; additions and improvements are capitalized.

Upon retirement or sale, the cost of the disposed asset and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to income.

Capitalized Computer Software Costs and Intangible Assets

The Company incurs costs to develop computer software to be licensed or otherwise marketed to customers. Development costs incurred in the research and development of new software products and enhancements to existing products are expensed in the period incurred unless these costs qualify for capitalization. Capitalized computer software costs are amortized over the economic lives of the related products, typically three years, beginning at their initial shipment date. Capitalized computer software costs are presented net of accumulated amortization of $3,651,000 and $2,317,000 at September 30, 1995 and 1994, respectively. Amortization charged to expense was $1,334,000, $665,000 and $619,000 for the fiscal years ended September 30, 1995, 1994 and 1993, respectively.

Purchased software of $3,400,000 and intangible assets of $11,083,000 (including goodwill of $7,703,000) capitalized in fiscal 1995 were attributable to the acquisition of the Conceptual Design and Rendering System ("CDRS") software business operated by the Design Software Division of Evans & Sutherland Computer Corporation. These assets, included in capitalized computer software costs and other assets, respectively, are amortized on a straight-line basis, over three and seven years, respectively. Amortization charges related to intangible assets, the majority of which were reflected in general and administrative expenses, totaled $725,000 for the fiscal year ended September 30, 1995.

The Company evaluates the net realizable value of capitalized computer software costs and intangible assets on an on-going basis relying on a number of factors including operating results, business plans, budgets and economic projections.

Income Per Common Share

Income per common share is computed based upon the weighted average number of common and dilutive common equivalent shares outstanding during the year. Fully diluted and primary earnings per common share are the same amounts for each of the years presented. Dilutive common equivalent shares consist of stock options (calculated using the treasury stock method).

B. ACQUISITIONS

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On August 1, 1995, the Company acquired Rasna by merging it into the Company pursuant to an Agreement and Plan of Merger dated as of May 30, 1995. Based on the number of shares of Rasna common stock outstanding at August 1, 1995, the Company issued approximately 3,793,000 shares of common stock and reserved approximately 522,000 shares of its common stock for outstanding Rasna stock options assumed. The merger was accounted for as a pooling of interests.

In conjunction with the Rasna merger in the fourth quarter of fiscal 1995, the Company recorded a non-recurring charge of $10,438,000, which included approximately $6,028,000 for transaction fees, $1,722,000 for severance related expenses and $2,688,000 related to integration costs and lease and distributor termination costs. At September 30, 1995, the Company had accrued $1,446,000 for future cash outlays and reserved $1,443,000 for non-cash charges associated with this non-recurring charge.

The following information shows revenue and net income of the separate companies during the periods preceding the combination. Adjustments recorded to conform the accounting policies of the companies were not material to the consolidated financial statements.

(in thousands)	Nine months ended July 1, 1995	Year ended September 30, 1994	1993
Revenue:			
Parametric	$252,566	$244,256	$163,088
Rasna	22,500	22,718	16,223
	$275,066	$266,974	$179,311
Net income:			
Parametric	$ 54,809	$ 66,915	$ 42,933
Rasna	2,267	1,174	537
	$ 57,076	$ 68,089	$ 43,470

On April 12, 1995, the Company acquired substantially all of the assets and specified liabilities of CDRS for $33,507,000 in cash, which was paid by the Company from its existing cash balances. The acquisition has been accounted for as a purchase. The purchase price has been allocated to the assets acquired, including certain intangible assets, such as purchased computer software and research and development in process, based on their respective fair values. The excess of the purchase price over the estimated fair value of the net assets acquired has been recorded as goodwill ($7,703,000), which is being amortized on a straight-line basis over seven years. In conjunction with the acquisition in the third quarter, the Company recorded a non-recurring charge of $19,000,000 related to the write-off of

purchased research and development in process. CDRS's results of operations have been included in the consolidated results of operations since the date of acquisition.

The following pro forma summary presents the consolidated results of operations of the Company as if the acquisition of CDRS had occurred as of the beginning of the periods presented, after giving effect to certain adjustments, including amortization of goodwill and other intangibles, decreased interest income related to cash used to finance the acquisition and related income tax effects. The summary excludes the non-recurring charge of $19,000,000 and reflects the restatement for Rasna pooling of interests. Pro forma results of operations for the fiscal year ended September 30, 1995 include CDRS's results of operations for the period from October 1, 1994 through April 11, 1995. Pro forma results of operations for the fiscal year ended September 30, 1994 include CDRS's results of operations for the twelve months ended December 31, 1994. These pro forma results are not necessarily indicative of those that would have occurred had the acquisition taken place as of the beginning of the periods presented.

(in thousands, except per share data) (unaudited)	Year ended September 30, 1995	1994

Revenue	$396,697	$274,567
Net income	85,655	65,806
Net income per share	1.33	1.05

C. CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Cash equivalents and short-term investments consist of the following:

Type of security (in thousands)	September 30, 1995	September 30, 1994
Municipal debt securities	$191,310	$ 91,475
Mutual funds	56,745	81,842
U.S. Government debt securities	11,074	--
Corporate debt securities	1,022	--
Total cash equivalents and short-term investments	$260,151	$173,317

Gross unrealized gains and losses as of September 30, 1995 and 1994, and realized gains and losses on the sale of each type of security for the years ended September 30, 1995, 1994 and 1993, were immaterial. For the purpose of determining gross realized gains and losses, the cost of securities sold is based upon specific identification.

D. PROPERTY AND EQUIPMENT

Property and equipment consist of:

(in thousands)	September 30, 1995	September 30, 1994
Computer hardware and software	$31,583	$20,416
Furniture and fixtures	3,633	2,214
Leasehold improvements	2,672	1,698
	37,888	24,328
Less: accumulated depreciation and amortization	(18,077)	(10,809)
Total	$19,811	$13,519

Depreciation expense totaled $7,663,000, $5,007,000 and $3,197,000 for the fiscal years ended September 30, 1995, 1994 and 1993, respectively. At September 30, 1995 and 1994, property and equipment (principally computer hardware) includes assets under capital leases of $211,000 and $121,000, less accumulated amortization of $75,000 and $41,000, respectively.

E. INCOME TAXES

In fiscal 1994, Parametric adopted the provisions of the Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("FAS 109"), on a prospective basis. Prior to the adoption of FAS 109, Parametric accounted for income taxes using Accounting Principles Board Opinion No. 11. Adoption of FAS 109 by Parametric did not have a material impact on the Company's consolidated financial statements. Rasna adopted FAS 109 prior to fiscal 1993. The companies did not conform income tax accounting policies in connection with the Rasna merger.

Under FAS 109, deferred tax assets and liabilities are recognized for the expected future tax consequences, utilizing current tax rates, of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred tax assets are recognized, net of any valuation allowance, for the estimated future tax effects of deductible temporary differences and tax operating loss and credit carryforwards. Deferred tax expense represents the change in the deferred tax asset or liability balances.

The provision for income taxes consists of the following:

	Year ended September 30,		
(in thousands)	1995	1994	1993
Federal income taxes:			
Current	$30,257	$32,213	$19,917
Deferred	7,068	232	25
	37,325	32,445	19,942
State income taxes:			
Current	6,113	5,800	4,125
Deferred	1,997	(94)	(172)
	8,110	5,706	3,953
Foreign income taxes:			
Current	3,329	2,464	1,535
Deferred	1,534	--	--
	4,863	2,464	1,535
Total	$50,298	$40,615	$25,430

The differences between statutory federal income taxes and the provision for income taxes are as follows:

	Year ended September 30,		
(in thousands)	1995	1994	1993
Statutory federal income taxes	$44,681	$38,046	$23,859
State income taxes, net of federal tax benefit	5,386	3,709	2,584
Tax exempt interest income	(2,744)	(1,324)	(758)
Other, net	649	184	(255)
Subtotal	47,972	40,615	25,430
Non-deductible acquisition costs	2,326	--	--
Total	$50,298	$40,615	$25,430

The components of the net deferred tax asset are as follows:

	September 30,	
(in thousands)	1995	1994

Deferred tax assets:		
Reserves not currently deductible	$ 1,904	$ 1,861
Depreciation	590	--
Net operating loss carryforwards	5,308	3,893
Amortization of intangible assets	8,301	--
Foreign tax credit carryforwards	458	121
Research and development credit carryforwards	1,138	1,054
Other	296	61
Total deferred tax assets	17,995	6,990
Deferred tax liabilities:		
Capitalized software	(641)	(487)
Other	(205)	(67)
Total deferred tax liabilities	(846)	(554)
Valuation allowance	(662)	(548)
Net deferred tax asset	$16,487	$ 5,888

The net operating loss carryforwards of $17,534,000 at September 30, 1995 expire between fiscal 1996 and 2007. Ownership changes, as defined in the Internal Revenue Code of 1986, as amended, limit the amount of the net operating loss carryforward that can be utilized annually. The foreign tax credit carryforwards expire between fiscal 1996 and 1999. The research and development credit carryforwards expire between fiscal 2001 and 2008. The Company has recorded a valuation allowance for the tax benefit of certain foreign net operating loss carryforwards since realization of these future benefits is not sufficiently assured at September 30, 1995.

F. COMMON STOCK

On February 4, 1993, the Company's Board of Directors declared a one-for-one stock dividend on all shares of common stock, which became effective on February 25, 1993 to all stockholders of record on February 18, 1993. These financial statements and related notes have been retroactively adjusted, as appropriate, to reflect the one-for-one stock dividend.

On May 12, 1994, the Company announced that its Board of Directors had authorized a plan that would allow 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. During fiscal 1996, the Company intends to repurchase shares to partially offset the dilution caused by the exercise of stock options under the Company's option plans and the purchase of shares under the employee stock purchase plan.

On November 17, 1995, the Board of Directors voted to recommend to the stockholders the approval of an amendment to the Company's Articles of Organization to increase the number of authorized shares of the Company's common stock from 75,000,000 to 215,000,000.

G. STOCK OPTIONS

Under the 1987 Incentive Stock Option Plan (the "Stock Option Plan"), the Board of Directors may grant options to key employees to purchase shares at an option exercise price equal to the fair market value on the date of grant. The options are exercisable at such times, in installments or otherwise, as the Board of Directors may determine. Generally, these options vest ratably over a period of four years and expire ten years from the date of grant. In fiscal 1994, the stockholders approved an increase in the number of shares issuable under this plan from 16,596,000 shares to 18,996,000 shares. In fiscal 1995, the stockholders approved an increase in the number of shares issuable under the plan from 18,996,000 shares to 21,396,000 shares and to limit 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. On November 17, 1995, the Board of Directors approved, subject to stockholder approval, an increase in the number of shares issuable under this plan from 21,396,000 shares to 24,396,000 shares and to change the designation of persons eligible to receive options under the Stock Option Plan to include consultants. The number of stock options exercisable at September 30, 1995 was 2,123,000.

Under the 1992 Director Stock Option Plan (the "1992 Director Plan"), 320,000 shares of common stock have been reserved. The purpose of the 1992 Director Plan is to attract and retain qualified persons who are not also officers or employees of the Company (the "Eligible Directors") to serve as directors of the Company and to encourage stock ownership in the Company by such directors.

Options to purchase 40,000 shares of common stock were granted on both May 10, 1995 and September 15, 1995 to Eligible Directors of the Company. Thereafter, through the date of the 1996 Annual Meeting of Stockholders, any new director elected to the Board who is an Eligible Director shall automatically be granted, on the effective date of such election, options to purchase an aggregate of 40,000 shares of common stock at an option price equal to the fair market value on the date of grant. Options granted under the 1992 Director Plan shall become exercisable in four equal annual installments following the date of grant if, and only if, the optionee is a director of the Company on such anniversary date. The options expire ten years from the date of grant. The number of stock options exercisable under this plan at September 30, 1995 was 40,000.

On November 17, 1995, the Board of Directors approved, subject to stockholder approval, the 1996 Director Stock Option Plan (the "1996 Director Plan") for which 90,000 shares of common stock have been reserved. The 1996 Director Plan will replace the 1992 Director Plan. The terms of the 1996 Director Plan are essentially the same as the 1992 Director Plan, except that each Eligible Director is automatically granted options to purchase 10,000 shares of common stock at the time of initial election to the Board of Directors, and immediately following the meeting of stockholders every year, each Eligible Director continuing in office after such meeting will automatically be granted options to purchase 2,500 shares of common stock. No additional options will be granted under the 1992 Director Plan, but the rights and privileges of holders of outstanding options under the 1992 Director Plan will not be adversely affected by the 1996 Director Plan.

In conjunction with the Rasna merger, the Company assumed approximately 522,000 outstanding options on August 1, 1995. These assumed options were granted at prices equal to the fair market value at the date of grant, become exercisable in installments (generally ratably over four years) and expire ten years from the date of grant. The Company does not intend to issue any additional options under the Rasna stock option plan. The number of stock options exercisable under this plan at September 30, 1995 was 191,000.

The following table summarizes stock option transactions under all plans:

	Shares	Stock option prices
Outstanding at September 30, 1992	8,843,237	$ .02 - $22.63
Granted and assumed	1,769,386	3.05 - 37.50
Canceled	(166,610)	1.02 - 37.50
Exercised	(2,351,001)	.02 - 22.63
Outstanding at September 30, 1993	8,095,012	.02 - 37.50
Granted and assumed	2,258,677	6.11 - 34.75
Canceled	(395,279)	.08 - 37.50
Exercised	(2,532,781)	.02 - 31.00
Outstanding at September 30, 1994	7,425,629	.02 - 37.50
Granted and assumed	3,209,313	6.11 - 60.25
Canceled	(441,759)	1.63 - 60.25
Exercised	(2,162,352)	.02 - 37.50

Outstanding at September 30, 1995	8,030,831	$ .02 - $60.25
	==========	===============

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("FAS 123"). This statement establishes financial accounting and reporting standards for stock-based employee compensation plans. While the Company is reviewing the adoption and impact of FAS 123, it is expected that this standard will have no impact on the Company's financial position or results of operations. The Company will be required to adopt FAS 123 in fiscal 1997.

H. STOCK PURCHASE PLAN

....

The 1991 Employee Stock Purchase Plan (the "1991 Purchase Plan") enables eligible employees to purchase the Company's common stock at 85% of the fair market value of the stock on the date an offering commences or on the date an offering terminates, whichever is lower. The 1991 Purchase Plan covers substantially all employees, subject to certain limitations. Each employee may elect to have up to 10% of his or her base pay

withheld and applied toward the purchase of shares in such offering (provided that the aggregate amount of his or her base pay withheld may not exceed $10,000 in any fiscal year). The 1991 Purchase Plan covers an aggregate of up to 600,000 shares of common stock to be issued and sold to participating employees of the Company through a series of eight, six-month offerings, beginning April 1, 1991. In fiscal 1995, the stockholders approved amendments to the 1991 Purchase Plan to add a series of nine additional six-month offerings, commencing six months apart, beginning April 1, 1995, and to increase the number of shares authorized for issuance under the 1991 Purchase Plan from 600,000 to 1,000,000.

Purchases under the 1991 Purchase Plan for fiscal 1995, 1994 and 1993 were 77,361, 86,284 and 63,105 shares, generating proceeds to the Company of $2,459,000, $2,031,000 and $1,425,000, respectively. At September 30, 1995, approximately 640,000 shares of common stock were reserved for purchases under the 1991 Purchase Plan.

I. EMPLOYEE BENEFIT PLAN

....

The Board of Directors in 1989 adopted the Parametric Technology Corporation 401(k) Savings Plan (the "Plan"), which is intended to qualify under Section 401(k) of the Internal Revenue Code of 1986, as amended. The Plan covers substantially all employees. Each employee may elect to contribute to the Plan, through payroll deductions, up to 15% of his or her salary, subject to certain limitations. The Company makes matching contributions on behalf of each participating employee in an amount equal to 50% of the amount contributed by the employee up to a maximum 10% employee contribution. The employee's entitlement to such Company contributions vests at a rate of 25% per year of service.

For the fiscal years ended September 30, 1995, 1994 and 1993, the Company made matching contributions to the Plan which totaled $1,034,000, $738,000 and $504,000, respectively.

In conjunction with the Rasna merger, the Company will continue Rasna's 401(k) deferred tax savings plan for former Rasna employees who had contributed funds to the plan, but no new contributions will be accepted. Under Rasna's plan, participants were able to contribute up to 15% of their compensation, subject to certain limitations, and Rasna was able to make discretionary matching contributions. There have been no matching contributions made to the Rasna plan.

J. SUPPLEMENTAL CASH FLOW INFORMATION

....

Cash paid for interest during the fiscal years ended September 30, 1995, 1994 and 1993 was $37,000, $125,000 and $97,000, respectively. Cash paid for income taxes in fiscal 1995, 1994 and 1993 was $40,281,000, $22,279,000 and $9,268,000, respectively. During fiscal 1995 and 1994, the Company acquired $108,000 and $76,000 of fixed assets under capital leases, respectively.

K. BORROWING ARRANGEMENTS

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 fiscal 1995.

Prior to the Rasna merger, Rasna had a $3,000,000 accounts receivable line of credit available for its use. All amounts borrowed against this line were paid in full prior to the merger date. Borrowings of $600,000 at September 30, 1994 under this line are included in accounts payable and accrued expenses.

L. COMMITMENTS

Leasing Arrangements

The Company leases its office facilities and certain equipment under operating leases expiring at various dates through fiscal 2004. The Company also leases computer equipment under capital leases which expire through fiscal 1998.

At September 30, 1995, future minimum lease payments under capital and operating leases with initial or remaining terms of one or more years are as follows:

(in thousands)	Capital leases	Operating leases
1996	$ 86	$17,934
1997	55	15,048
1998	27	8,775
1999	--	5,345
2000	--	5,214
Subsequent to 2000	--	2,890
Total minimum lease payments	168	$55,206
Less amounts representing interest	15	
Present value of net minimum lease payments	$153	

Rental expense under operating leases was $15,186,000, $11,122,000 and $7,691,000 for the fiscal years ended September 30, 1995, 1994 and 1993, respectively.

M. SEGMENT AND GEOGRAPHIC INFORMATION

The Company is engaged in one industry segment: the development, marketing and support of software products for the mechanical segment of the CAD/CAM/CAE (computer-aided design, manufacturing and engineering) industry.

The Company licenses products to customers on a worldwide basis. Sales and marketing operations outside the United States are conducted principally through the Company's foreign sales subsidiaries throughout Europe and the Far East.

Intercompany sales and transfers between geographic areas are accounted for at prices which are designed to be representative of unaffiliated party transactions.

(amounts in thousands) Year ended September 30,

1995	North America	Europe	Far East	Corporate	Eliminations	Total
Revenue from unaffiliated customers						
License	$134,412	$76,871	$36,739			$248,022
Service	63,427	28,484	9,230			101,141
Revenue from unaffiliated export						
Europe	28,518					28,518
Far East	16,629					16,629
Intercompany revenue	92,339	19,422	7,306		$(119,067)	0
Total revenue	335,325	124,777	53,275		(119,067)	394,310
Operating income	112,620	2,547	3,464			118,631
Other income/expense	1,794	(790)	(226)	$ 8,251		9,029
Income before income taxes	114,414	1,757	3,238	8,251		127,660
Identifiable assets	403,247	46,224	19,263	242,568	(257,575)	453,727

1994	North America	Europe	Far East	Corporate	Eliminations	Total
Revenue from unaffiliated customers						
License	$112,744	$47,312	$14,418			$174,474
Service	38,747	13,139	3,370			55,256
Revenue from unaffiliated export						
Europe	22,721					22,721
Far East	14,523					14,523
Intercompany revenue	47,353	11,982	4,400		$ (63,735)	0
Total revenue	236,088	72,433	22,188		(63,735)	266,974
Operating income	100,093	777	2,492			103,362
Other income/expense	2,276	(638)	(120)	$ 3,824		5,342
Income before income taxes	102,369	139	2,372	3,824		108,704
Identifiable assets	281,444	24,678	9,934	173,317	(184,248)	305,125

1993	North America	Europe	Far East	Corporate	Eliminations	Total
Revenue from unaffiliated customers						
License	$ 94,234	$18,600	$ 1,769			$114,603
Service	25,539	5,707	469			31,715
Revenue from unaffiliated export						
Europe	19,349					19,349
Far East	13,644					13,644
Intercompany revenue	24,462	13,171	3,779		$ (41,412)	0
Total revenue	177,228	37,478	6,017		(41,412)	179,311
Operating income	65,757	548	197			66,502
Other income/expense	259	(81)	30	$ 2,190		2,398
Income before income taxes	66,016	467	227	2,190		68,900
Identifiable assets	183,078	13,460	2,037	110,928	(118,528)	190,975

REPORT OF INDEPENDENT ACCOUNTANTS
Parametric Technology Corporation

TO THE STOCKHOLDERS AND BOARD OF DIRECTORS OF PARAMETRIC TECHNOLOGY CORPORATION:

In our opinion, based upon our audits and the report of other auditors, the accompanying consolidated balance sheet and the related consolidated statements of income, of changes in stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Parametric Technology Corporation and its subsidiaries at September 30, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1995 in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the consolidated financial statements of Rasna Corporation, which statements reflect total assets of $17,936,000 at December 31, 1994 and total revenue of $22,718,000 and $16,223,000 for the years ended December 31, 1994 and 1993, respectively. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Rasna Corporation, is based solely on the report of the other auditors. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse LLP

Boston, Massachusetts
October 19, 1995,
except as to Notes F and G
which are as of November 17, 1995

SELECTED FINANCIAL DATA /(1)/
Parametric Technology Corporation

FIVE YEAR SUMMARY OF SELECTED FINANCIAL DATA

	Year ended September 30,				
(in thousands, except per share data)	1995	1994	1993	1992	1991
Revenue	$394,310	$266,974	$179,311	$98,377	$49,418
Operating income	118,631	103,362	66,502	30,818	10,039
Net income	77,362	68,089	43,470	21,036	5,546
Net income per share /(2)/	1.20	1.09	0.71	0.35	0.10
Weighted average number of common and dilutive common equivalent shares outstanding /(2)/	64,523	62,526	61,212	59,528	57,544
Total assets	453,727	305,125	190,975	119,259	57,417
Working capital	317,702	229,878	137,581	73,464	42,224
Long-term obligations	76	112	129	262	464
Stockholders' equity	370,929	251,178	154,655	85,895	43,841

QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	Fiscal quarter ended			
(in thousands, except per share data)	September 30, 1995	July 1, 1995	April 1, 1995	December 31, 1994
Revenue	$119,244	$105,195	$91,023	$78,848
Gross profit	108,092	95,725	82,291	71,884
Operating income	34,931	19,492	34,349	29,859
Net income	21,035	13,816	22,736	19,775
Net income per share	0.32	0.21	0.36	0.31
Common stock price per share /(3)/:				
High	63.25	50.25	43.75	37.00
Low	49.00	36.44	32.50	31.50

	Fiscal quarter ended			
(in thousands, except per share data)	September 30, 1994	July 2, 1994	April 2, 1994	January 1, 1994
Revenue	$ 75,924	$ 69,094	$63,532	$58,424
Gross profit	69,409	63,516	58,931	54,086
Operating income	28,547	27,443	24,908	22,464
Net income	19,006	18,055	16,289	14,739
Net income per share	0.30	0.29	0.26	0.24
Common stock price per share /(3)/:				
High	33.25	31.88	39.50	43.75
Low	22.38	22.25	27.50	34.75

/(1)/ All financial information presented here has been retroactively restated to reflect the Rasna merger which has been accounted for as a pooling of interests. See Note A of Notes to Consolidated Financial Statements for additional information.

/(2)/ Per-share data and weighted average number of common and dilutive common equivalent shares outstanding have been retroactively adjusted to reflect the one-for-two, one-for-one, and one-for-one stock dividends on all shares of capital stock declared by the Company's Board of Directors on May 16, 1991, February 4, 1992 and February 4, 1993, effective June 27, 1991, February 25, 1992 and February 25, 1993, respectively.

/(3)/ The common stock of the Company is traded on the Nasdaq National Market under the symbol "PMTC". The common stock price shown is based on the Nasdaq daily closing stock price.

SUPPLEMENTAL FINANCIAL INFORMATION
Parametric Technology Corporation

The Company has not paid cash dividends on its common stock and has historically retained earnings for use in its business. The Company intends to review its policy with respect to the payment of dividends from time to time; however, there can be no assurance that any dividends will be paid in the future.

On September 30, 1995, the number of stockholders of record of the Company's common stock was 2,021.

INVESTOR INFORMATION

Requests for information about the Company should be directed to: Investor Relations, Parametric Technology Corporation, 128 Technology Drive, Waltham, MA 02154. Telephone: (617) 398-5000.

Report on Form 10-K

Stockholders may obtain additional financial information about Parametric Technology from the Company's Report on Form 10-K filed with the Securities and Exchange Commission. Copies are available from the Company without charge upon written request.

Annual Meeting

The Annual Meeting of Stockholders will be held on February 8, 1996 at 9:00 A.M. at: Parametric Technology Corporation, 128 Technology Drive, Waltham, MA 02154.

Stock Listing

Nasdaq National Market Symbol: PMTC

General Counsel

Palmer & Dodge, Boston, MA

Independent Accountants

Price Waterhouse LLP, Boston, MA

Transfer Agent and Registrar

American Stock Transfer & Trust Company, New York, NY

DIRECTORS

Steven C. Walske
Chairman and Chief Executive Officer,
Parametric Technology Corporation

C. Richard Harrison
President and Chief Operating Officer,
Parametric Technology Corporation

Robert N. Goldman
President and Chief Executive Officer,
Object Design Inc., a software developer

Donald K. Grierson

President and Chief Executive Officer,
ABB Vetco Gray, Inc., an oil services business

Oscar B. Marx, III
President and Chief Executive Officer, TMW Enterprises,
a start-up venture in the autoparts industry

Michael E. Porter
Professor, Harvard Business School, an educational institution

Noel G. Posternak
Senior Partner, Posternak, Blankstein & Lund, a law firm

CORPORATE OFFICERS

....

Steven C. Walske
Chairman of the Board of Directors and Chief Executive Officer

C. Richard Harrison
President and Chief Operating Officer

Marc J.L. Dulude
Senior Vice President of Marketing

Edwin J. Gillis
Senior Vice President of Finance and Administration,
Chief Financial Officer and Treasurer

Thomas W. Jensen, Ph.D.
Senior Vice President of Research and Development

David M. Lear
Senior Vice President of Quality and Customer Service

Michael E. McGuinness
Senior Vice President of Sales and Distribution

Martha L. Durcan
Vice President of Administration, Corporate Counsel and Clerk

James F. Kelliher
Vice President of Finance and Assistant Treasurer

John G. Mokas
Controller

EXHIBIT 21.1

Subsidiaries of the Company

Name	Place of Incorporation
Parametric Holdings Inc.	Delaware
Parametric Securities Corporation	Massachusetts
PTC International, Inc.	Massachusetts
PTC Acquisition Corporation	Massachusetts
Parametric Technology Australia Pty Limited	Australia
Parametric Technology Gesellschaft m.b.H.	Austria
Parametric Foreign Sales Corporation	Barbados
Parametric Technology (Belgium) b.v.b.a.	Belgium
Parametric Technology (Canada) Ltd.	Canada
Parametric Technology (Denmark) A/S	Denmark
Parametric Technology (Finland) Oy	Finland
Parametric Technology S.A.	France
Parametric Technology GmbH	Germany
Parametric Technology (Hong Kong) Limited	Hong Kong
Parametric Technology (Hong Kong) Limited- Beijing Representative Office	Hong Kong
Parametric Technology (Hong Kong) Limited- Bombay Liaison Office	Hong Kong
Parametric Technology (Hong Kong) Limited- Shanghai Representative Office	Hong Kong
Parametric Technology (India) Private Limited	India
Parametric Technology (Republic of Ireland) Limited	Ireland
Parametric Technology Israel Ltd.	Israel
Parametric Technology Italia S.r.l.	Italy
Nihon Parametric Technology K.K.	Japan
Parametric Korea Co., Ltd.	Korea
Parametric Technology Singapore Pte Ltd - Malaysian Rep. Office	Malaysia
Parametric Technology Europe B.V.	The Netherlands
Parametric Technology Nederland B.V.	The Netherlands
Parametric Technology (Norway) AS	Norway
Parametric Technology Singapore Pte Ltd	Singapore
Parametric Technology Espana, S.A.	Spain
PTC Sweden AB	Sweden
Parametric Technology (Schweiz) AG	Switzerland
Parametric Technology Taiwan Ltd.	Taiwan
Parametric Technology (UK) Limited	United Kingdom

EXHIBIT 23.1

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-52044, 33-89528, 33-89530 and 33-61485) of Parametric Technology Corporation and its subsidiaries of our report dated October 19, 1995, except as to Notes F and G which are dated November 17, 1995, appearing on page 35 of the 1995 Annual Report to Stockholders which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedule, which appears on page 13 of this Form 10-K.

/S/ PRICE WATERHOUSE LLP
PRICE WATERHOUSE LLP

Boston, Massachusetts
December 22, 1995

EXHIBIT 23.2

Independent Auditors' Report

To the Board of Directors and Shareholders of Rasna Corporation:

We have audited the consolidated balance sheet of Rasna Corporation and its subsidiaries as of December 31, 1994, and the related consolidated statements of income, shareholders' equity and cash flows for the years ended December 31, 1994 and 1993 (not presented separately herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Rasna Corporation and its subsidiaries at December 31, 1994, and the results of their operations and their cash flows for the years ended December 31, 1994 and 1993 in conformity with generally accepted accounting principles.

/S/ DELOITTE & TOUCHE LLP
DELOITTE & TOUCHE LLP

San Jose, California
April 4, 1995

EXHIBIT 23.3

Independent Auditors' Consent

We consent to the incorporation by reference in Registration Statements Nos. 33-52044, 33-89528, 33-89530 and 33-61585 of Parametric Technology Corporation on Form S-8 of our report dated April 4, 1995 (relating to the consolidated financial statements of Rasna Corporation, not presented separately herein) appearing in this Annual Report on Form 10-K of Parametric Technology Corporation for the year ended September 30, 1995.

/S/ DELOITTE & TOUCHE LLP
DELOITTE & TOUCHE LLP

San Jose, California
December 22, 1995

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS INCLUDED IN THE FORM 10-K FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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