



**PTC Inc.**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**  
(in thousands, except per share data)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>April 2, 2016</u>	<u>April 4, 2015</u>	<u>April 2, 2016</u>	<u>April 4, 2015</u>
Revenue:				
Subscription	\$ 23,659	\$ 15,765	\$ 45,835	\$ 29,988
Support	160,625	168,727	332,381	350,356
Total recurring software	<u>184,284</u>	<u>184,492</u>	<u>378,216</u>	<u>380,344</u>
Perpetual license	39,689	70,187	87,452	134,935
Total software	<u>223,973</u>	<u>254,679</u>	<u>465,668</u>	<u>515,279</u>
Professional services	48,654	59,440	97,976	124,282
Total revenue	<u>272,627</u>	<u>314,119</u>	<u>563,644</u>	<u>639,561</u>
Cost of revenue:				
Cost of software revenue <sup>(1)</sup>	38,613	34,518	75,427	69,243
Cost of professional services revenue <sup>(1)</sup>	41,578	51,536	84,912	109,753
Total cost of revenue	<u>80,191</u>	<u>86,054</u>	<u>160,339</u>	<u>178,996</u>
Gross margin	<u>192,436</u>	<u>228,065</u>	<u>403,305</u>	<u>460,565</u>
Operating expenses:				
Sales and marketing <sup>(1)</sup>	87,177	83,865	169,606	173,349
Research and development <sup>(1)</sup>	56,610	60,158	114,279	121,255
General and administrative <sup>(1)</sup>	33,916	32,394	72,483	67,524
Amortization of acquired intangible assets	8,396	9,173	16,746	18,586
Restructuring charges	4,579	38,487	41,726	38,232
Total operating expenses	<u>190,678</u>	<u>224,077</u>	<u>414,840</u>	<u>418,946</u>
Operating income (loss)	1,758	3,988	(11,535)	41,619
Other expense, net	(5,327)	(3,601)	(11,580)	(6,825)
Income (loss) before income taxes	(3,569)	387	(23,115)	34,794
Provision (benefit) for income taxes	1,604	(5,005)	5,950	(882)
Net income (loss)	<u>\$ (5,173)</u>	<u>\$ 5,392</u>	<u>\$ (29,065)</u>	<u>\$ 35,676</u>
Earnings (loss) per share:				
Basic	\$ (0.05)	\$ 0.05	\$ (0.25)	\$ 0.31
Weighted average shares outstanding	114,563	114,944	114,354	115,147
Diluted	\$ (0.05)	\$ 0.05	\$ (0.25)	\$ 0.31
Weighted average shares outstanding	114,563	115,922	114,354	116,479

(1) The amounts in the tables above include stock-based compensation as follows:

	<u>Three Months Ended</u>		<u>Three Months Ended</u>	
	<u>April 2, 2016</u>	<u>April 4, 2015</u>	<u>April 2, 2016</u>	<u>April 4, 2015</u>
Cost of software revenue	\$ 1,100	\$ 1,107	\$ 3,005	\$ 2,025
Cost of professional services revenue	1,279	1,504	2,730	3,193
Sales and marketing	3,777	3,545	8,059	6,746
Research and development	2,534	3,001	5,047	6,087
General and administrative	6,146	3,665	19,184	6,013
Total stock-based compensation	<u>\$ 14,836</u>	<u>\$ 12,822</u>	<u>\$ 38,025</u>	<u>\$ 24,064</u>

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**PTC Inc.**  
**NON-GAAP FINANCIAL MEASURES AND RECONCILIATIONS (UNAUDITED)**  
(in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	April 2, 2016	April 4, 2015	April 2, 2016	April 4, 2015
GAAP revenue	\$ 272,627	\$ 314,119	\$ 563,644	\$ 639,561
Fair value adjustment of acquired deferred subscription revenue	777	590	965	1,272
Fair value adjustment of acquired deferred support revenue	-	265	-	730
Fair value adjustment of acquired deferred services revenue	286	278	595	535
Non-GAAP revenue	<u>\$ 273,690</u>	<u>\$ 315,252</u>	<u>\$ 565,204</u>	<u>\$ 642,098</u>
GAAP gross margin	\$ 192,436	\$ 228,065	\$ 403,305	\$ 460,565
Fair value adjustment of acquired deferred revenue	1,063	1,133	1,560	2,537
Fair value adjustment to deferred services cost	(125)	(151)	(257)	(257)
Stock-based compensation	2,379	2,611	5,735	5,218
Amortization of acquired intangible assets included in cost of software revenue	6,725	4,714	11,852	9,481
Non-GAAP gross margin	<u>\$ 202,478</u>	<u>\$ 236,372</u>	<u>\$ 422,195</u>	<u>\$ 477,544</u>
GAAP operating income (loss)	\$ 1,758	\$ 3,988	\$ (11,535)	\$ 41,619
Fair value adjustment of acquired deferred revenue	1,063	1,133	1,560	2,537
Fair value adjustment to deferred services cost	(125)	(151)	(257)	(257)
Stock-based compensation	14,836	12,822	38,025	24,064
Amortization of acquired intangible assets included in cost of software revenue	6,725	4,714	11,852	9,481
Amortization of acquired intangible assets	8,396	9,173	16,746	18,586
Acquisition-related charges included in general and administrative costs	1,071	1,892	2,278	5,925
US pension plan termination-related costs	-	1,713	-	3,397
Restructuring charges	4,579	38,487	41,726	38,232
Non-GAAP operating income <sup>(2)</sup>	<u>\$ 38,303</u>	<u>\$ 73,771</u>	<u>\$ 100,395</u>	<u>\$ 143,584</u>
GAAP net income (loss)	\$ (5,173)	\$ 5,392	\$ (29,065)	\$ 35,676
Fair value adjustment of acquired deferred revenue	1,063	1,133	1,560	2,537
Fair value adjustment to deferred services cost	(125)	(151)	(257)	(257)
Stock-based compensation	14,836	12,822	38,025	24,064
Amortization of acquired intangible assets included in cost of software revenue	6,725	4,714	11,852	9,481
Amortization of acquired intangible assets	8,396	9,173	16,746	18,586
Acquisition-related charges included in general and administrative costs	1,071	1,892	2,278	5,925
US pension plan termination-related costs	-	1,713	-	3,397
Restructuring charges	4,579	38,487	41,726	38,232
Non-operating credit facility refinancing costs	-	-	2,359	-
Income tax adjustments <sup>(3)</sup>	(5,208)	(13,757)	(279)	(17,243)
Non-GAAP net income	<u>\$ 26,164</u>	<u>\$ 61,418</u>	<u>\$ 84,945</u>	<u>\$ 120,398</u>
GAAP diluted earnings (loss) per share	\$ (0.05)	\$ 0.05	\$ (0.25)	\$ 0.31
Fair value of acquired deferred revenue	0.01	0.01	0.01	0.02
Stock-based compensation	0.13	0.11	0.33	0.21
Amortization of acquired intangibles	0.13	0.12	0.25	0.24
Acquisition-related charges	0.01	0.02	0.02	0.05
US pension plan termination-related costs	-	0.01	-	0.03
Restructuring charges	0.04	0.33	0.36	0.33
Non-operating credit facility refinancing costs	-	-	0.02	-
Income tax adjustments	(0.05)	(0.12)	(0.00)	(0.15)
Non-GAAP diluted earnings per share	<u>\$ 0.23</u>	<u>\$ 0.53</u>	<u>\$ 0.74</u>	<u>\$ 1.03</u>
GAAP diluted weighted average shares outstanding	114,563	115,922	114,354	116,479
Dilutive effect of stock based compensation plans	428	-	758	-
Non-GAAP diluted weighted average shares outstanding	<u>114,991</u>	<u>115,922</u>	<u>115,112</u>	<u>116,479</u>

(2) Operating margin impact of non-GAAP adjustments:

	Three Months Ended		Six Months Ended	
	April 2, 2016	April 4, 2015	April 2, 2016	April 4, 2015
GAAP operating margin	0.6%	1.3%	-2.0%	6.5%
Fair value of acquired deferred revenue	0.4%	0.4%	0.3%	0.4%
Fair value adjustment to deferred services cost	0.0%	0.0%	0.0%	0.0%
Stock-based compensation	5.4%	4.1%	6.7%	3.8%
Amortization of acquired intangibles	5.5%	4.4%	5.1%	4.4%
Acquisition-related charges	0.4%	0.6%	0.4%	0.9%
US pension plan termination-related costs	0.0%	0.5%	0.0%	0.5%
Restructuring charges	1.7%	12.3%	7.4%	6.0%
Non-GAAP operating margin	<u>14.0%</u>	<u>23.4%</u>	<u>17.8%</u>	<u>22.4%</u>

(3) We have recorded a full valuation allowance against our U.S. net deferred tax assets and a valuation allowance against net deferred tax assets in certain foreign jurisdictions. As we are profitable on a non-GAAP basis, the 2016 and 2015 non-GAAP tax provisions are being calculated assuming there is no valuation allowance. Income tax adjustments for the three and six months ended April 4, 2015 reflect the tax effects of non-GAAP adjustments which are calculated by applying the applicable tax rate by jurisdiction to the non-GAAP adjustments listed above. However, for the six months ended April 2, 2016, because of low expected full year GAAP earnings combined with the relatively large year-to-date GAAP loss, the non-GAAP provision for the second quarter and first six months of 2016 calculated based on our historical methodology is not reflective of our full year expected non-GAAP tax rate. As a result, in the second quarter we changed our methodology for calculating our non-GAAP tax provision. For the six months ended April 2, 2016, our non-GAAP tax provision is based on our annual expected non-GAAP tax rate applied to our year-to-date non-GAAP earnings.



**PTC Inc.**  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(in thousands)**

	<u>April 2, 2016</u>	<u>September 30, 2015</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 368,456	\$ 273,417
Accounts receivable, net	146,669	197,275
Property and equipment, net	62,867	65,162
Goodwill and acquired intangible assets, net	1,511,416	1,360,342
Other assets	322,094	313,717
Total assets	<u>\$ 2,411,502</u>	<u>\$ 2,209,913</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Deferred revenue	\$ 446,608	\$ 386,850
Borrowings under credit facility	838,125	668,125
Other liabilities	272,665	294,767
Stockholders' equity	854,104	860,171
Total liabilities and stockholders' equity	<u>\$ 2,411,502</u>	<u>\$ 2,209,913</u>



**PTC Inc.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	Three Months Ended		Six Months Ended	
	April 2, 2016	April 4, 2015	April 2, 2016	April 4, 2015
Cash flows from operating activities:				
Net income (loss)	\$ (5,173)	\$ 5,392	\$ (29,065)	\$ 35,676
Stock-based compensation	14,836	12,822	38,025	24,064
Depreciation and amortization	22,291	20,968	42,904	42,205
Accounts receivable	28,398	(3,089)	63,617	22,711
Accounts payable and accruals	(28,067)	33,720	(17,692)	(17,198)
Deferred revenue	22,757	40,976	24,019	32,200
Income taxes	(5,471)	(13,612)	(8,826)	(16,565)
Excess tax benefits from stock-based awards	-	-	(56)	(163)
Other	(686)	(5,185)	(2,787)	(17,306)
Net cash provided by operating activities <sup>(4)</sup>	48,885	91,992	110,139	105,624
Capital expenditures	(4,681)	(6,160)	(8,866)	(14,107)
Acquisitions of businesses, net of cash acquired <sup>(5)</sup>	(99,411)	-	(164,191)	180
Proceeds (payments) on debt, net	120,000	(75,000)	170,000	(81,250)
Proceeds from issuance of common stock	-	3	1	6
Payments of withholding taxes in connection with vesting of stock-based awards	(638)	(195)	(15,471)	(21,864)
Excess tax benefits from stock-based awards	-	-	56	163
Other financing & investing activities	-	-	(2,300)	(1,000)
Foreign exchange impact on cash	7,504	(3,877)	5,671	(13,591)
Net change in cash and cash equivalents	71,659	6,763	95,039	(25,839)
Cash and cash equivalents, beginning of period	296,797	261,052	273,417	293,654
Cash and cash equivalents, end of period	<u>\$ 368,456</u>	<u>\$ 267,815</u>	<u>\$ 368,456</u>	<u>\$ 267,815</u>

(4) The three months ended April 2, 2016 include a \$28 million legal settlement payment. The three and six months ended April 2, 2016 include \$25 million and \$42 million in restructuring payments, respectively. The three and six months ended April 4, 2015 include \$5 million and \$23 million in restructuring payments, respectively. The three and six months ended April 4, 2015 included \$5 million and \$15 million of voluntary contributions to a non-U.S. pension plan, respectively.

(5) We acquired Kepware, Inc. on January 11, 2016 for \$99 million (net of cash acquired) and Vuforia on November 3, 2015 for \$65 million (net of cash acquired).