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

	Three Months Ended		Six Months Ended	
	March 31, 2018	April 1, 2017	March 31, 2018	April 1, 2017
Revenue:				
Subscription	$ 112,931	$ 65,780	$ 212,939	$ 120,142
Support	126,683	141,718	257,880	293,196
Total recurring revenue	239,614	207,498	470,819	413,338
Perpetual license	22,839	27,372	56,824	61,751
Total subscription, support and license revenue	262,453	234,870	527,643	475,089
Professional services	45,430	45,170	86,884	91,278
Total revenue	307,883	280,040	614,527	566,367
Cost of revenue:				
Cost of license and subscription revenue (1) (2)	23,119	20,555	47,495	40,685
Cost of support revenue (1) (2)	23,030	22,576	45,230	45,393
Total cost of software revenue	46,149	43,131	92,725	86,078
Cost of professional services revenue (1)	37,482	38,699	73,864	77,867
Total cost of revenue	83,631	81,830	166,589	163,945
Gross margin	224,252	198,210	447,938	402,422
Operating expenses:				
Sales and marketing (1)	98,330	87,777	197,645	178,467
Research and development (1)	62,194	57,710	126,163	115,624
General and administrative (1)	33,353	36,800	68,357	73,495
Amortization of acquired intangible assets	7,895	7,946	15,716	16,013
Restructuring and headquarters charges, net (3)	114	464	219	6,749
Total operating expenses	201,886	190,697	408,100	390,348
Operating income	22,366	7,513	39,838	12,074
Other expense, net	(10,820)	(8,569)	(21,821)	(19,633)
Income (loss) before income taxes	11,546	(1,056)	18,017	(7,559)
Provision (benefit) for income taxes (4)	3,624	48	(3,782)	2,686
Net income (loss)	$ 7,922	$ (1,104)	$ 21,799	$ (10,245)
Earnings (loss) per share:				
Basic	$ 0.07	$ (0.01)	$ 0.19	$ (0.09)
Weighted average shares outstanding	116,241	115,709	115,986	115,498
Diluted	$ 0.07	$ (0.01)	$ 0.19	$ (0.09)
Weighted average shares outstanding	117,905	115,709	117,780	115,498

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

	Three Months Ended		Six Months Ended	
	March 31, 2018	April 1, 2017	March 31, 2018	April 1, 2017
Cost of license and subscription revenue	$ 408	$ 314	$ 821	$ 607
Cost of support	690	1,355	1,498	2,499
Cost of professional services revenue	1,669	1,538	3,375	2,995
Sales and marketing	5,038	4,130	9,917	7,751
Research and development	3,383	3,951	6,343	6,948
General and administrative	5,838	10,289	13,403	18,765
Total stock-based compensation	$ 17,026	$ 21,577	$ 35,357	$ 39,565

(2) In the third quarter of 2017, PTC began reporting cost of support revenue separate from cost of license and subscription revenue. Costs for previous periods have also been separately reported to conform to the current period presentation.

(3) Headquarters relocation charges represent accelerated depreciation expense recorded in anticipation of the exit of our current headquarters facility.

(4) Our 2018 year-to-date tax rate includes a benefit of $7 million relating to the enactment of the Tax Cuts and Jobs Act.

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

	Three Months Ended		Six Months Ended	
	March 31, 2018	**April 1, 2017**	**March 31, 2018**	**April 1, 2017**
GAAP revenue	$ 307,883	$ 280,040	$ 614,527	$ 566,367
Fair value adjustment of acquired deferred subscription revenue	75	411	191	1,057
Fair value adjustment of acquired deferred services revenue	233	262	480	530
Non-GAAP revenue	$ 308,191	$ 280,713	$ 615,198	$ 567,954
GAAP gross margin	$ 224,252	$ 198,210	$ 447,938	$ 402,422
Fair value adjustment of acquired deferred revenue	308	673	671	1,587
Fair value adjustment to deferred services cost	(96)	(108)	(200)	(221)
Stock-based compensation	2,767	3,207	5,694	6,101
Amortization of acquired intangible assets included in cost of revenue	6,556	6,389	13,231	12,777
Non-GAAP gross margin	$ 233,787	$ 208,371	$ 467,334	$ 422,666
GAAP operating income	$ 22,366	$ 7,513	$ 39,838	$ 12,074
Fair value adjustment of acquired deferred revenue	308	673	671	1,587
Fair value adjustment to deferred services cost	(96)	(108)	(200)	(221)
Stock-based compensation	17,026	21,577	35,357	39,565
Amortization of acquired intangible assets included in cost of revenue	6,556	6,389	13,231	12,777
Amortization of acquired intangible assets	7,895	7,946	15,716	16,013
Acquisition-related charges included in general and administrative costs	133	554	140	723
Restructuring charges, net	(839)	464	(734)	6,749
Headquarters relocation charges	953	-	953	-
Non-GAAP operating income [(1)]	$ 54,302	$ 45,008	$ 104,972	$ 89,267
GAAP net income (loss)	$ 7,922	$ (1,104)	$ 21,799	$ (10,245)
Fair value adjustment of acquired deferred revenue	308	673	671	1,587
Fair value adjustment to deferred services cost	(96)	(108)	(200)	(221)
Stock-based compensation	17,026	21,577	35,357	39,565
Amortization of acquired intangible assets included in cost of revenue	6,556	6,389	13,231	12,777
Amortization of acquired intangible assets	7,895	7,946	15,716	16,013
Acquisition-related charges included in general and administrative costs	133	554	140	723
Restructuring charges, net	(839)	464	(734)	6,749
Headquarters relocation charges	953	-	953	-
Non-operating credit facility refinancing costs	-	1,152	-	1,152
Income tax adjustments [(2)]	(80)	(2,787)	(11,080)	(2,639)
Non-GAAP net income	$ 39,778	$ 34,756	$ 75,853	$ 65,461
GAAP diluted earnings (loss) per share	$ 0.07	$ (0.01)	$ 0.19	$ (0.09)
Fair value adjustment of acquired deferred revenue	-	0.01	0.01	0.01
Stock-based compensation	0.14	0.18	0.30	0.34
Amortization of acquired intangibles	0.12	0.12	0.25	0.25
Acquisition-related charges	-	-	-	0.01
Restructuring charges, net	(0.01)	-	(0.01)	0.06
Headquarters relocation charges	0.01	-	0.01	-
Non-operating credit facility refinancing costs		0.01	-	0.01
Income tax adjustments	-	(0.02)	(0.09)	(0.02)
Non-GAAP diluted earnings per share	$ 0.34	$ 0.30	$ 0.64	$ 0.56
GAAP diluted weighted average shares outstanding	117,905	115,709	117,780	115,498
Dilutive effect of stock-based compensation plans	-	1,737	-	1,736
Non-GAAP diluted weighted average shares outstanding	117,905	117,446	117,780	117,234

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

	Three Months Ended		Six Months Ended	
	March 31, 2018	**April 1, 2017**	**March 31, 2018**	**April 1, 2017**
GAAP operating margin	7.3%	2.7%	6.5%	2.1%
Fair value of acquired deferred revenue	0.1%	0.2%	0.1%	0.3%
Fair value adjustment to deferred services cost	0.0%	0.0%	0.0%	0.0%
Stock-based compensation	5.5%	7.7%	5.8%	7.0%
Amortization of acquired intangibles	4.7%	5.1%	4.7%	5.1%
Acquisition-related charges	0.0%	0.2%	0.0%	0.1%
Restructuring charges, net	-0.3%	0.2%	-0.1%	1.2%
Headquarters relocation charges	0.3%	0.0%	0.2%	0.0%
Non-GAAP operating margin	17.6%	16.0%	17.1%	15.7%

(2) 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 2018 and 2017 non-GAAP tax provisions are being calculated assuming there is no valuation allowance. Income tax adjustments 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. We have recorded the impact of the Tax Cuts and Jobs Act in our Q1'18 GAAP earnings, resulting in a non-cash benefit of approximately $7 million. We have excluded this benefit from our non-GAAP results.

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

	March 31, 2018	September 30, 2017
ASSETS		
Cash and cash equivalents	$ 299,776	$ 280,003
Marketable securities	55,264	50,315
Accounts receivable, net	127,151	152,299
Property and equipment, net	59,210	63,600
Goodwill and acquired intangible assets, net	1,421,633	1,440,680
Other assets	365,780	373,487
Total assets	$ 2,328,814	$ 2,360,384
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deferred revenue	$ 497,777	$ 458,907
Debt, net of deferred issuance costs	642,837	712,406
Other liabilities	260,476	303,635
Stockholders' equity	927,724	885,436
Total liabilities and stockholders' equity	$ 2,328,814	$ 2,360,384

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

	Three Months Ended		Six Months Ended	
	March 31, 2018	April 1, 2017	March 31, 2018	April 1, 2017
Cash flows from operating activities:				
Net income (loss)	$ 7,922	$ (1,104)	$ 21,799	$ (10,245)
Stock-based compensation	17,026	21,577	35,357	39,565
Depreciation and amortization	21,681	21,229	42,727	42,683
Accounts receivable	10,424	(5,811)	32,027	15,373
Accounts payable and accruals	13,927	13,022	(39,130)	(40,586)
Deferred revenue	36,972	39,183	59,027	27,457
Income taxes	138	(8,584)	(14,134)	(14,680)
Other	3,058	(3,086)	(1,398)	(31,017)
Net cash provided by operating activities [1]	111,148	76,426	136,275	28,550
Capital expenditures	(4,762)	(7,689)	(11,139)	(14,789)
Acquisition of businesses, net of cash acquired	(3,000)	-	(3,000)	-
Purchase of intangible asset	(500)	-	(3,000)	-
Proceeds (payments) on debt, net	(100,000)	(20,000)	(70,000)	(40,000)
Proceeds from issuance of common stock	7,472	3,978	7,472	3,978
Payments of withholding taxes in connection with vesting of stock-based awards	(454)	(543)	(33,942)	(19,166)
Proceeds from investments	-	13,716	-	15,218
Contingent consideration	-	-	(3,176)	(2,711)
Purchases of marketable securities, net	(5,046)	1,280	(5,554)	1,280
Other financing & investing activities	-	(184)	-	(184)
Foreign exchange impact on cash	3,239	2,965	5,837	(6,795)
Net change in cash and cash equivalents	8,097	69,949	19,773	(34,619)
Cash and cash equivalents, beginning of period	291,679	173,367	280,003	277,935
Cash and cash equivalents, end of period	$ 299,776	$ 243,316	$ 299,776	$ 243,316

(1) Effective the beginning of fiscal 2018, in accordance with the adoption of ASU 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting," excess tax benefits are now classified as an operating activity on the statement of cash flows rather than as a financing activity. The prior period excess tax benefits have been reclassified for comparability.