

PARAMETRIC TECHNOLOGY CORPORATION

NON-GAAP FINANCIAL MEASURES AND RECONCILIATIONS (UNAUDITED)

(in thousands, except per share data)

	Three Months Ended	
	December 29,	December 31,
	2012	2011
	<hr/>	<hr/>
GAAP revenue	\$ 319,751	\$ 318,276
Fair value of acquired company's		
deferred maintenance revenue	1,554	1,522
Non-GAAP revenue	<hr/> \$ 321,305	<hr/> \$ 319,798
GAAP gross margin	\$ 222,679	\$ 220,057
Fair value of acquired company's		
deferred maintenance revenue	1,554	1,522
Stock-based compensation	2,443	2,518
Amortization of acquired intangible assets		
included in cost of license revenue	4,639	4,103
Non-GAAP gross margin	<hr/> \$ 231,315	<hr/> \$ 228,200
GAAP operating income	\$ 13,859	\$ 32,505
Fair value of acquired company's		
deferred maintenance revenue	1,554	1,522
Stock-based compensation	11,893	13,382

Amortization of acquired intangible assets		
included in cost of license revenue	4,639	4,103
Amortization of acquired intangible assets	6,623	5,209
Acquisition-related charges included in		
general and administrative expenses	4,599	2,068
Restructuring charges	15,402	-
Non-GAAP operating income ⁽²⁾	<u>\$ 58,569</u>	<u>\$ 58,789</u>
GAAP net income	\$ 35,811	\$ 22,123
Fair value of acquired company's		
deferred maintenance revenue	1,554	1,522
Stock-based compensation	11,893	13,382
Amortization of acquired intangible assets		
included in cost of license revenue	4,639	4,103
Amortization of acquired intangible assets	6,623	5,209
Acquisition-related charges included in		
general and administrative expenses	4,599	2,068
Restructuring charges	15,402	-
Non-operating foreign currency transaction losses ⁽³⁾	-	761
Income tax adjustments ⁽⁴⁾	(36,400)	(6,678)
Non-GAAP net income	<u>\$ 44,121</u>	<u>\$ 42,490</u>
GAAP diluted earnings per share	\$ 0.29	\$ 0.18
Fair value of deferred maintenance revenue	0.01	0.01

Stock-based compensation	0.10	0.11
Amortization of acquired intangibles	0.09	0.08
Acquisition-related charges	0.04	0.02
Restructuring charges and other	0.13	0.01
Income tax adjustments	(0.30)	(0.06)
Non-GAAP diluted earnings per share	<u>\$ 0.36</u>	<u>\$ 0.35</u>

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

	Three Months Ended	
	December 29,	December 31,
	2012	2011
GAAP operating margin	4.3%	10.2%
Fair value of deferred maintenance revenue	0.5%	0.5%
Stock-based compensation	3.7%	4.2%
Amortization of acquired intangibles	3.5%	2.9%
Acquisition-related charges	1.4%	0.6%
Restructuring charges	4.8%	0.0%
Non-GAAP operating margin	<u>18.2%</u>	<u>18.4%</u>

(3) In the first quarter of 2012 we recorded \$0.8 million of foreign currency transaction losses related to legal entity mergers completed during the quarter.

Reflects the tax effects of non-GAAP adjustments for the first quarter of 2013 and 2012, which are calculated by applying the applicable tax rate by jurisdiction to the non-GAAP adjustments listed above, as well as one-time non-cash GAAP charges. In the fourth quarter of 2012, a valuation allowance was established against our U.S. net deferred tax assets. As the U.S. is profitable on a non-GAAP basis, the 2013 non-GAAP tax provision is being calculated assuming there is no U.S. valuation allowance and as a result an income tax benefit of \$6.2 million is (4) included in the first quarter of 2013. The first quarter of 2013 also includes a one-time non-cash tax benefit of \$32.6 million related to the release of a portion of the valuation allowance as a result of deferred tax liabilities established in accounting for the acquisition of Servigistics. In the first quarter of 2012, the tax effects exclude one-time non-cash GAAP charges net, of \$1.4 million related to the impact from a reduction in the statutory tax rate in Japan on deferred tax assets from a litigation settlement.