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Cadence Design Systems, Inc.
Condensed Consolidated Balance Sheets
March 31, 2018 and December 30, 2017
(In thousands)
(Unaudited)

	March 31, 2018	December 30, 2017
Current assets:		
Cash and cash equivalents	\$ 746,968	\$ 688,087
Short-term investments	5,466	4,455
Receivables, net of allowances of \$666 and \$0, respectively	225,822	190,426
Inventories	30,090	33,209
Prepaid expenses and other	61,597	63,811
Total current assets	1,069,943	979,988
Property, plant and equipment, net of accumulated depreciation of \$673,265 and \$658,377, respectively	249,810	251,342
Goodwill	665,615	666,009
Acquired intangibles, net of accumulated amortization of \$295,018 and \$297,456, respectively	264,927	278,835
Long-term receivables	9,380	12,239
Other assets	226,998	230,301
Total assets	\$ 2,486,673	\$ 2,418,714
Current liabilities:		
Revolving credit facility	\$ 45,000	\$ 85,000
Current portion of long-term debt	299,826	-
Accounts payable and accrued liabilities	210,784	221,101
Current portion of deferred revenue	310,639	336,297
Total current liabilities	866,249	642,398
Long-term liabilities:		
Long-term portion of deferred revenue	56,276	61,513
Long-term debt	344,766	644,369
Other long-term liabilities	77,084	81,232
Total long-term liabilities	478,126	787,114
Stockholders' equity	1,142,298	989,202
Total liabilities and stockholders' equity	\$ 2,486,673	\$ 2,418,714

Cadence Design Systems, Inc.
Trended Condensed Consolidated Balance Sheets
(In thousands)
(Unaudited)

	April 1, 2017	July 1, 2017	September 30, 2017	December 30, 2017	March 31, 2018
Current assets:					
Cash and cash equivalents	\$ 544,128	\$ 655,998	\$ 678,284	\$ 688,087	\$ 746,968
Short-term investments	3,479	3,229	4,135	4,455	5,466
Receivables, net	180,571	153,154	170,312	190,426	225,822
Inventories	30,734	31,894	36,000	33,209	30,090
Prepaid expenses and other	41,092	39,175	42,374	63,811	61,597
Total current assets	800,004	883,450	931,105	979,988	1,069,943
Property, plant and equipment, net	243,949	249,140	244,620	251,342	249,810
Goodwill	574,545	575,025	574,912	666,009	665,615
Acquired intangibles, net	244,445	229,783	216,177	278,835	264,927
Long-term receivables	13,127	13,340	11,590	12,239	9,380
Other assets	315,128	316,961	326,823	230,301	226,998
Total assets	\$ 2,191,198	\$ 2,267,699	\$ 2,305,227	\$ 2,418,714	\$ 2,486,673
Current liabilities:					
Revolving credit facility	\$ 50,000	\$ -	\$ -	\$ 85,000	\$ 45,000
Current portion of long-term debt	-	-	-	-	299,826
Accounts payable and accrued liabilities	193,978	222,216	199,672	221,101	210,784
Current portion of deferred revenue	331,848	322,509	320,462	336,297	310,639
Total current liabilities	575,826	544,725	520,134	642,398	866,249
Long-term liabilities:					
Long-term portion of deferred revenue	66,399	60,158	57,865	61,513	56,276
Long-term debt	643,709	643,927	644,146	644,369	344,766
Other long-term liabilities	64,672	67,096	72,342	81,232	77,084
Total long-term liabilities	774,780	771,181	774,353	787,114	478,126
Stockholders' equity:					
Common stock and capital in excess of par value	1,824,306	1,848,719	1,807,839	1,829,950	1,858,692
Treasury stock, at cost	(1,166,599)	(1,156,626)	(1,142,524)	(1,178,121)	(1,222,151)
Retained earnings	205,161	274,288	355,445	341,003	499,817
Accumulated other comprehensive income (loss)	(22,276)	(14,588)	(10,020)	(3,630)	5,940
Total stockholders' equity	840,592	951,793	1,010,740	989,202	1,142,298
Total liabilities and stockholders' equity	\$ 2,191,198	\$ 2,267,699	\$ 2,305,227	\$ 2,418,714	\$ 2,486,673

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three Months Ended March 31, 2018 and April 1, 2017
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended	
	March 31, 2018	April 1, 2017
Revenue:		
Product and maintenance	\$ 480,609	\$ 451,407
Services	36,704	25,504
Total revenue	<u>517,313</u>	<u>476,911</u>
Costs and expenses:		
Cost of product and maintenance	41,730	43,717
Cost of services	21,479	18,075
Marketing and sales	109,148	103,347
Research and development	224,185	198,286
General and administrative	33,299	31,816
Amortization of acquired intangibles	3,630	3,856
Restructuring and other credits	(1,991)	(1,788)
Total costs and expenses	<u>431,480</u>	<u>397,309</u>
Income from operations	85,833	79,602
Interest expense	(6,975)	(6,479)
Other income (expense), net	(689)	1,059
Income before provision for income taxes	78,169	74,182
Provision for income taxes	5,284	5,923
Net income	<u>\$ 72,885</u>	<u>\$ 68,259</u>
Net income per share - basic	<u>\$ 0.27</u>	<u>\$ 0.25</u>
Net income per share - diluted	<u>\$ 0.26</u>	<u>\$ 0.25</u>
Weighted average common shares outstanding - basic	<u>273,773</u>	<u>270,173</u>
Weighted average common shares outstanding - diluted	<u>281,651</u>	<u>277,736</u>

Cadence Design Systems, Inc.
Trended Condensed Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended				
	April 1, 2017	July 1, 2017	September 30, 2017	December 30, 2017	March 31, 2018
Revenue:					
Product and maintenance	\$ 451,407	\$ 443,847	\$ 451,229	\$ 467,504	\$ 480,609
Services	25,504	35,154	34,169	34,218	36,704
Total revenue	<u>476,911</u>	<u>479,001</u>	<u>485,398</u>	<u>501,722</u>	<u>517,313</u>
Costs and expenses:					
Cost of product and maintenance	43,717	38,829	34,825	39,305	41,730
Cost of services	18,075	22,003	19,657	20,979	21,479
Marketing and sales	103,347	103,897	104,263	107,654	109,148
Research and development	198,286	195,901	206,568	203,468	224,185
General and administrative	31,816	32,774	36,302	33,289	33,299
Amortization of acquired intangibles	3,856	3,836	3,453	3,571	3,630
Restructuring and other charges (credits)	(1,788)	(929)	(55)	12,178	(1,991)
Total costs and expenses	<u>397,309</u>	<u>396,311</u>	<u>405,013</u>	<u>420,444</u>	<u>431,480</u>
Income from operations	79,602	82,690	80,385	81,278	85,833
Interest expense	(6,479)	(6,248)	(6,225)	(6,712)	(6,975)
Other income (expense), net	1,059	924	12,387	2,385	(689)
Income before provision for income taxes	74,182	77,366	86,547	76,951	78,169
Provision for income taxes	5,923	8,239	5,390	91,393	5,284
Net income (loss)	<u>\$ 68,259</u>	<u>\$ 69,127</u>	<u>\$ 81,157</u>	<u>\$ (14,442)</u>	<u>\$ 72,885</u>
Net income (loss) per share - basic	<u>\$ 0.25</u>	<u>\$ 0.25</u>	<u>\$ 0.30</u>	<u>\$ (0.05)</u>	<u>\$ 0.27</u>
Net income (loss) per share - diluted	<u>\$ 0.25</u>	<u>\$ 0.25</u>	<u>\$ 0.29</u>	<u>\$ (0.05)</u>	<u>\$ 0.26</u>
Weighted average common shares outstanding - basic	<u>270,173</u>	<u>271,887</u>	<u>273,156</u>	<u>273,157</u>	<u>273,773</u>
Weighted average common shares outstanding - diluted	<u>277,736</u>	<u>279,526</u>	<u>281,400</u>	<u>273,157</u>	<u>281,651</u>

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2018 and April 1, 2017
(In thousands)
(Unaudited)

	Three Months Ended	
	March 31, 2018	April 1, 2017
Cash and cash equivalents at beginning of period	\$ 688,087	\$ 465,232
Cash flows from operating activities:		
Net income	72,885	68,259
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	29,389	28,894
Amortization of debt discount and fees	292	350
Stock-based compensation	37,901	27,436
Gain on investments, net	(1,123)	(1,228)
Deferred income taxes	1,363	1,990
Provisions for losses on receivables	666	-
Other non-cash items	(43)	1,359
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	(10,988)	(22,475)
Inventories	2,105	6,000
Prepaid expenses and other	8,392	(3,777)
Other assets	8,152	(3,657)
Accounts payable and accrued liabilities	(46,956)	(46,159)
Deferred revenue	59,854	34,325
Other long-term liabilities	(4,242)	1,113
Net cash provided by operating activities	<u>157,647</u>	<u>92,430</u>
Cash flows from investing activities:		
Proceeds from the sale of available-for-sale securities	-	107
Purchases of property, plant and equipment	(13,128)	(14,843)
Net cash used for investing activities	<u>(13,128)</u>	<u>(14,736)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility	-	50,000
Payment on revolving credit facility	(40,000)	(50,000)
Payment of debt issuance costs	-	(793)
Proceeds from issuance of common stock	23,339	22,715
Stock received for payment of employee taxes on vesting of restricted stock	(26,515)	(22,470)
Payments for repurchases of common stock	(50,013)	-
Change in book overdraft	(3,867)	-
Net cash used for financing activities	<u>(97,056)</u>	<u>(548)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>11,418</u>	<u>1,750</u>
Increase in cash and cash equivalents	<u>58,881</u>	<u>78,896</u>
Cash and cash equivalents at end of period	<u>\$ 746,968</u>	<u>\$ 544,128</u>

Cadence Design Systems, Inc.
Trended Condensed Consolidated Statements of Cash Flows
For the Five Quarters Ended March 31, 2018
(In thousands)
(Unaudited)

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Cash and cash equivalents at beginning of period	\$ 465,232	\$ 544,128	\$ 655,998	\$ 678,284	\$ 688,087
Cash flows from operating activities:					
Net income (loss)	68,259	69,127	81,157	(14,442)	72,885
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	28,894	29,410	28,301	28,919	29,389
Amortization of debt discount and fees	350	283	287	291	292
Stock-based compensation	27,436	30,482	36,090	36,015	37,901
Gain on investments, net	(1,228)	(855)	(10,419)	(1,367)	(1,123)
Deferred income taxes	1,990	2,823	(4,601)	79,722	1,363
Provisions for losses on receivables	-	-	-	-	666
Other non-cash items	1,359	798	1,606	1,305	(43)
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	(22,475)	28,817	(14,382)	(20,369)	(10,988)
Inventories	6,000	(3,465)	(253)	2,752	2,105
Prepaid expenses and other	(3,777)	2,220	(3,070)	(21,166)	8,392
Other assets	(3,657)	(5,133)	(5,679)	(7,867)	8,152
Accounts payable and accrued liabilities	(46,159)	24,164	(19,132)	15,140	(46,956)
Deferred revenue	34,325	(15,592)	(4,488)	19,369	59,854
Other long-term liabilities	1,113	(939)	3,897	8,554	(4,242)
Net cash provided by operating activities	<u>92,430</u>	<u>162,140</u>	<u>89,314</u>	<u>126,856</u>	<u>157,647</u>
Cash flows from investing activities:					
Proceeds from the sale of available-for-sale securities	107	82	232	412	-
Proceeds from the sale of long-term investments	-	-	9,108	-	-
Purchases of property, plant and equipment	(14,843)	(12,645)	(12,188)	(18,225)	(13,128)
Cash paid in business combinations and asset acquisitions, net of cash acquired	-	-	(550)	(142,699)	-
Net cash used for investing activities	<u>(14,736)</u>	<u>(12,563)</u>	<u>(3,398)</u>	<u>(160,512)</u>	<u>(13,128)</u>
Cash flows from financing activities:					
Proceeds from revolving credit facility	50,000	-	-	85,000	-
Payment on revolving credit facility	(50,000)	(50,000)	-	-	(40,000)
Payment of debt issuance costs	(793)	-	-	-	-
Proceeds from issuance of common stock	22,715	7,252	15,452	3,546	23,339
Stock received for payment of employee taxes on vesting of restricted stock	(22,470)	(3,349)	(28,311)	(3,031)	(26,515)
Payments for repurchases of common stock	-	-	(50,013)	(50,012)	(50,013)
Change in book overdraft	-	-	-	3,867	(3,867)
Net cash provided by (used for) financing activities	<u>(548)</u>	<u>(46,097)</u>	<u>(62,872)</u>	<u>39,370</u>	<u>(97,056)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>1,750</u>	<u>8,390</u>	<u>(758)</u>	<u>4,089</u>	<u>11,418</u>
Increase in cash and cash equivalents	<u>78,896</u>	<u>111,870</u>	<u>22,286</u>	<u>9,803</u>	<u>58,881</u>
Cash and cash equivalents at end of period	<u>\$ 544,128</u>	<u>\$ 655,998</u>	<u>\$ 678,284</u>	<u>\$ 688,087</u>	<u>\$ 746,968</u>

Cadence Design Systems, Inc.
(Unaudited)

Revenue Mix by Geography (% of Total Revenue)

<u>GEOGRAPHY</u>	ASC 605					ASC 605	ASC 606
	2017					2018	2018
	Q1	Q2	Q3	Q4	Year	Q1	Q1
Americas	45%	45%	45%	44%	44%	45%	45%
Asia	26%	28%	27%	28%	27%	26%	27%
Europe, Middle East and Africa	20%	19%	19%	20%	20%	21%	20%
Japan	9%	8%	9%	8%	9%	8%	8%
Total	100%	100%	100%	100%	100%	100%	100%

Revenue Mix by Product Group (% of Total Revenue)

<u>PRODUCT GROUP</u>	ASC 605					ASC 605	ASC 606
	2017					2018	2018
	Q1	Q2	Q3	Q4	Year	Q1	Q1
Functional Verification, including Emulation and Prototyping Hardware	23%	23%	21%	23%	22%	26%	26%
Digital IC Design and Signoff	29%	30%	30%	29%	29%	29%	30%
Custom IC Design	26%	26%	28%	26%	27%	26%	26%
System Interconnect and Analysis	10%	10%	10%	10%	10%	9%	9%
IP	12%	11%	11%	12%	12%	10%	9%
Total	100%	100%	100%	100%	100%	100%	100%

Cadence Design Systems, Inc.
As of April 23, 2018
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share
(Unaudited)

	Three Months Ending June 30, 2018	Year Ending December 29, 2018	Year Ending December 29, 2018
	ASC 606 Forecast	ASC 606 Forecast	ASC 605 Forecast **
Diluted net income per share on a GAAP basis	\$0.20 to \$0.22	\$0.86 to \$0.94	\$0.97 to \$1.05
Amortization of acquired intangibles	0.05	0.19	0.19
Stock-based compensation expense	0.14	0.59	0.59
Restructuring and other charges (credits)	-	(0.01)	(0.01)
Acquisition and integration-related costs	0.02	0.09	0.09
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	-	-
Income tax effect of non-GAAP adjustments	(0.02)	(0.15)	(0.17)
Diluted net income per share on a non-GAAP basis†	<u><u>\$0.39 to \$0.41</u></u>	<u><u>\$1.57 to \$1.65</u></u>	<u><u>\$1.66 to \$1.74</u></u>

Cadence Design Systems, Inc.
As of April 23, 2018
Impact of Non-GAAP Adjustments on Forward Looking Net Income
(Unaudited)

	Three Months Ending June 30, 2018	Year Ending December 29, 2018	Year Ending December 29, 2018
(\$ in millions)	ASC 606 Forecast	ASC 606 Forecast	ASC 605 Forecast **
Net income on a GAAP basis	\$57 to \$63	\$243 to \$265	\$273 to \$296
Amortization of acquired intangibles	14	54	54
Stock-based compensation expense	39	166	166
Restructuring and other charges (credits)	-	(2)	(2)
Acquisition and integration-related costs	7	26	26
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	(1)	(1)
Income tax effect of non-GAAP adjustments	(7)	(43)	(48)
Net income on a non-GAAP basis†	<u><u>\$110 to \$116</u></u>	<u><u>\$443 to \$465</u></u>	<u><u>\$468 to \$491</u></u>

†The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings release of Cadence Design Systems, Inc. for its first quarter of 2018 for a further discussion of its non-GAAP measures.

* Includes, as applicable, equity in losses or income from investments, write-down of investments, gains or losses on investments and gains or losses on non-qualified deferred compensation plan assets recorded in other income or expense.

** As required by the new standard, Cadence will report revenue under both methods for the 2018 transition year.

Cadence Design Systems, Inc.
Reconciliation of GAAP Net Income to Non-GAAP Net Income
For the Three Months Ended March 31, 2018 and April 1, 2017
(Unaudited)

(In thousands)	Three Months Ended		
	ASC 606 March 31, 2018	ASC 605 March 31, 2018	ASC 605 April 1, 2017
Net income on a GAAP basis	\$ 72,885	\$ 83,533	\$ 68,259
Amortization of acquired intangibles*	13,907	13,907	14,434
Stock-based compensation expense**	37,901	37,901	27,436
Non-qualified deferred compensation expenses ***	127	127	1,269
Restructuring and other credits	(1,991)	(1,991)	(1,788)
Acquisition and integration-related costs****	7,783	7,783	1,357
Other income or expense related to investments and non-qualified deferred compensation plan assets †	(1,123)	(1,123)	(1,228)
Income tax effect of non-GAAP adjustments	(16,280)	(17,515)	(20,679)
Net income on a non-GAAP basis +	<u>\$ 113,209</u>	<u>\$ 122,622</u>	<u>\$ 89,060</u>

+ The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its first quarter of 2018 for a further discussion of its non-GAAP measures.

† Includes, as applicable, equity in losses or income from investments, write-down of investments, gains or losses on investments and gains or losses on non-qualified deferred compensation plan assets recorded in other income or expense.

* Total amortization of acquired intangibles is reported in the Condensed Consolidated Income Statements as follows:

(In thousands)	Three Months Ended		
	ASC 606 March 31, 2018	ASC 605 March 31, 2018	ASC 605 April 1, 2017
Cost of product and maintenance	\$ 10,277	\$ 10,277	\$ 10,578
Amortization of acquired intangibles	3,630	3,630	3,856
Total amortization of acquired intangibles	<u>\$ 13,907</u>	<u>\$ 13,907</u>	<u>\$ 14,434</u>

** Total stock-based compensation expense is reported in the Condensed Consolidated Income Statements as follows:

(In thousands)	Three Months Ended		
	ASC 606 March 31, 2018	ASC 605 March 31, 2018	ASC 605 April 1, 2017
Cost of product and maintenance	\$ 590	\$ 590	\$ 529
Cost of services	863	863	761
Marketing and sales	7,614	7,614	6,008
Research and development	23,235	23,235	15,482
General and administrative	5,599	5,599	4,656
Total stock-based compensation expense	<u>\$ 37,901</u>	<u>\$ 37,901</u>	<u>\$ 27,436</u>

***Cadence records operating expenses (credits) related to its non-qualified deferred compensation plan assets as those assets increase or decrease in value. An offsetting gain or loss is recorded in other income or expense, such that the net impact on Cadence's net income is not significant. The operating expenses (credits) are reported in the Condensed Consolidated Income Statements as follows:

(In thousands)	Three Months Ended		
	ASC 606 March 31, 2018	ASC 605 March 31, 2018	ASC 605 April 1, 2017
Cost of product and maintenance	\$ -	\$ -	\$ 7
Cost of services	-	-	11
Marketing and sales	(11)	(11)	83
Research and development	109	109	840
General and administrative	29	29	328
Total non-qualified deferred compensation expenses	<u>\$ 127</u>	<u>\$ 127</u>	<u>\$ 1,269</u>

**** Total acquisition and integration-related costs are reported in the Condensed Consolidated Income Statements as follows:

(In thousands)	Three Months Ended		
	ASC 606 March 31, 2018	ASC 605 March 31, 2018	ASC 605 April 1, 2017
Marketing and sales	\$ -	\$ -	\$ 41
Research and development	7,684	7,684	1,316
General and administrative	99	99	-
Total acquisition and integration-related costs	<u>\$ 7,783</u>	<u>\$ 7,783</u>	<u>\$ 1,357</u>

Cadence Design Systems, Inc.
Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share
For the Three Months Ended March 31, 2018 and April 1, 2017
(Unaudited)

(In thousands, except per share data)	Three Months Ended		
	ASC 606	ASC 605	ASC 605
	March 31, 2018	March 31, 2018	April 1, 2017
Diluted net income per share on a GAAP basis	\$ 0.26	\$ 0.30	\$ 0.25
Amortization of acquired intangibles	0.05	0.05	0.05
Stock-based compensation expense	0.13	0.13	0.10
Non-qualified deferred compensation expenses	-	-	-
Restructuring and other credits	(0.01)	(0.01)	(0.01)
Acquisition and integration-related costs	0.03	0.03	-
Other income or expense related to investments and non-qualified deferred compensation plan assets *	-	-	-
Income tax effect of non-GAAP adjustments	(0.06)	(0.06)	(0.07)
Diluted net income per share on a non-GAAP basis +	<u>\$ 0.40</u>	<u>\$ 0.44</u>	<u>\$ 0.32</u>
Shares used in calculation of diluted net income per share - GAAP **	281,651	281,651	277,736
Shares used in calculation of diluted net income per share - non-GAAP **	281,651	281,651	277,736

+ **The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its first quarter of 2018 for a further discussion of its non-GAAP measures.**

* Includes, as applicable, equity in losses or income from investments, write-down of investments, gains or losses on investments and gains or losses on non-qualified deferred compensation plan assets recorded in other income or expense.

** Shares used in the calculation of GAAP net income per share are expected to be the same as shares used in the calculation of non-GAAP net income per share, except when the company reports a GAAP net loss and non-GAAP net income, or GAAP net income and a non-GAAP net loss.

Cadence Design Systems, Inc.
Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures
(Unaudited)

	ASC 606	ASC 605	ASC 605
	Three Months Ended March 31, 2018	Three Months Ended March 31, 2018	Three Months Ended April 1, 2017
	Actual (In thousands)	Actual (In thousands)	Actual (In thousands)
GAAP total costs and expenses	\$ 431,480	\$ 428,419	\$ 397,309
Reconciling items to non-GAAP total costs and expenses			
Amortization of acquired intangibles	(13,907)	(13,907)	(14,434)
Stock-based compensation expense	(37,901)	(37,901)	(27,436)
Non-qualified deferred compensation expenses	(127)	(127)	(1,269)
Restructuring and other credits	1,991	1,991	1,788
Acquisition and integration-related costs	(7,783)	(7,783)	(1,357)
Non-GAAP total costs and expenses†	<u>\$ 373,753</u>	<u>\$ 370,692</u>	<u>\$ 354,601</u>

†The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings release of Cadence Design Systems, Inc. for its first quarter of 2018 for a further discussion of its non-GAAP financial measures.

	ASC 606	ASC 605	ASC 605	ASC 606	ASC 606	ASC 605
	Three Months Ended March 31, 2018	Three Months Ended March 31, 2018	Three Months Ended April 1, 2017	Three Months Ending June 30, 2018	Year Ending December 29, 2018	Year Ending December 29, 2018
	Actual	Actual	Actual	Forecast	Forecast	Forecast
GAAP operating margin as a percent of total revenue	17%	18%	17%	15% - 16%	15% - 16%	~17.0%
Reconciling items to non-GAAP operating margin as a percent of total revenue						
Amortization of acquired intangibles	3%	3%	3%	3%	3%	2.6%
Stock-based compensation expense	7%	7%	6%	8%	8%	7.9%
Non-qualified deferred compensation expenses	0%	0%	0%	0%	0%	0.0%
Restructuring and other charges (credits)	0%	0%	0%	0%	0%	-0.1%
Acquisition and integration-related costs	1%	1%	0%	1%	1%	1.2%
Non-GAAP operating margin as a percent of total revenue†	<u>28%</u>	<u>29%</u>	<u>26%</u>	<u>27% - 28%</u>	<u>27% - 28%</u>	<u>~28.6%</u>

†The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings release of Cadence Design Systems, Inc. for its first quarter of 2018 for a further discussion of its non-GAAP financial measures.

(In millions)	Year Ending December 29, 2018 Forecast
	GAAP total other income (expense), net
Reconciling items to non-GAAP total other income (expense), net	
Other income or expense related to investments and non-qualified deferred compensation plan assets*	(1)
Non-GAAP total other income (expense), net†	<u>\$(32) to \$(24)</u>

†The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings release of Cadence Design Systems, Inc. for its first quarter of 2018 for a further discussion of its non-GAAP financial measures.

* Includes, as applicable, equity in losses or income from investments, write-down of investments, gains or losses on investments and gains or losses on non-qualified deferred compensation plan assets recorded in other income or expense.

Cadence Design Systems, Inc.
Reconciliation of Selected GAAP Operating Expenses to Non-GAAP Operating Expenses
(Unaudited)

(In thousands)	For the three months ended March 31, 2018					
	Operating expenses on a GAAP basis†	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Acquisition and integration- related costs	Operating expenses on a non-GAAP basis
Cost of product and maintenance	41,730	(10,277)	(590)	-	-	30,863
Cost of services	21,479	-	(863)	-	-	20,616
Marketing and sales	109,148	-	(7,614)	11	-	101,545
Research and development	224,185	-	(23,235)	(109)	(7,684)	193,157
General and administrative	33,299	-	(5,599)	(29)	(99)	27,572
Amortization of acquired intangibles	3,630	(3,630)	-	-	-	-
		<u>(13,907)</u>	<u>(37,901)</u>	<u>(127)</u>	<u>(7,783)</u>	

†The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings release of Cadence Design Systems, Inc. for its first quarter of 2018 for a further discussion of its non-GAAP financial measures.

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Three Months Ended March 31, 2018
(In thousands)
(Unaudited)

	Three Months Ended March 31, 2018		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 480,609	\$ -	\$ 480,609
Services	36,704	-	36,704
Total revenue	<u>517,313</u>	<u>-</u>	<u>517,313</u>
Costs and expenses:			
Cost of product and maintenance	41,730	(10,867) (A)	30,863
Cost of services	21,479	(863) (A)	20,616
Marketing and sales	109,148	(7,603) (A)	101,545
Research and development	224,185	(31,028) (A)	193,157
General and administrative	33,299	(5,727) (A)	27,572
Amortization of acquired intangibles	3,630	(3,630) (A)	-
Restructuring and other credits	(1,991)	1,991	-
Total costs and expenses	<u>431,480</u>	<u>(57,727)</u>	<u>373,753</u>
Income from operations	85,833	57,727	143,560
Interest expense	(6,975)	-	(6,975)
Other expense, net	(689)	(1,123) (B)	(1,812)
Income before provision for income taxes	78,169	56,604	134,773
Provision for income taxes	5,284	16,280 (C)	21,564
Net income	<u>\$ 72,885</u>	<u>\$ 40,324</u>	<u>\$ 113,209</u>

*The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its first quarter of 2018 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended March 31, 2018, adjustments to GAAP are as follows for the line items specified:

	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Acquisition and integration-related costs	Total adjustments
Cost of product and maintenance	\$ 10,277	\$ 590	\$ -	\$ -	\$ 10,867
Cost of services	-	863	-	-	863
Marketing and sales	-	7,614	(11)	-	7,603
Research and development	-	23,235	109	7,684	31,028
General and administrative	-	5,599	29	99	5,727
Amortization of acquired intangibles	3,630	-	-	-	3,630
Total	<u>\$ 13,907</u>	<u>\$ 37,901</u>	<u>\$ 127</u>	<u>\$ 7,783</u>	<u>\$ 59,718</u>

(B) Other income or expense related to investments and non-qualified deferred compensation plan assets

(C) Income tax effect of non-GAAP adjustments

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Three Months Ended April 1, 2017
(In thousands)
(Unaudited)

	Three Months Ended April 1, 2017		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 451,407	\$ -	\$ 451,407
Services	25,504	-	25,504
Total revenue	<u>476,911</u>	<u>-</u>	<u>476,911</u>
Costs and expenses:			
Cost of product and maintenance	43,717	(11,114) (A)	32,603
Cost of services	18,075	(772) (A)	17,303
Marketing and sales	103,347	(6,132) (A)	97,215
Research and development	198,286	(17,638) (A)	180,648
General and administrative	31,816	(4,984) (A)	26,832
Amortization of acquired intangibles	3,856	(3,856) (A)	-
Restructuring and other credits	(1,788)	1,788	-
Total costs and expenses	<u>397,309</u>	<u>(42,708)</u>	<u>354,601</u>
Income from operations	79,602	42,708	122,310
Interest expense	(6,479)	-	(6,479)
Other income (expense), net	1,059	(1,228) (B)	(169)
Income before provision for income taxes	74,182	41,480	115,662
Provision for income taxes	5,923	20,679 (C)	26,602
Net income	<u>\$ 68,259</u>	<u>\$ 20,801</u>	<u>\$ 89,060</u>

*The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its first quarter of 2018 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended April 1, 2017, adjustments to GAAP are as follows for the line items specified:

	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Acquisition and integration-related costs	Total adjustments
Cost of product and maintenance	\$ 10,578	\$ 529	\$ 7	\$ -	\$ 11,114
Cost of services	-	761	11	-	772
Marketing and sales	-	6,008	83	41	6,132
Research and development	-	15,482	840	1,316	17,638
General and administrative	-	4,656	328	-	4,984
Amortization of acquired intangibles	3,856	-	-	-	3,856
Total	<u>\$ 14,434</u>	<u>\$ 27,436</u>	<u>\$ 1,269</u>	<u>\$ 1,357</u>	<u>\$ 44,496</u>

(B) Other income or expense related to investments and non-qualified deferred compensation plan assets

(C) Income tax effect of non-GAAP adjustments