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Cadence Design Systems, Inc.
Condensed Consolidated Balance Sheets
March 30, 2019 and December 29, 2018
(In thousands)
(Unaudited)

	March 30, 2019	December 29, 2018
Current assets:		
Cash and cash equivalents	\$ 538,898	\$ 533,298
Receivables, net of allowances of \$3,566 and \$3,936, respectively	264,767	297,082
Inventories	37,480	28,162
Prepaid expenses and other	76,802	92,550
Total current assets	917,947	951,092
Property, plant and equipment, net of accumulated depreciation of \$712,996 and \$698,493, respectively	253,392	252,630
Goodwill	662,871	662,272
Acquired intangibles, net of accumulated amortization of \$324,393 and \$333,687, respectively	212,298	225,457
Long-term receivables	3,241	5,972
Other assets	496,562	371,231
Total assets	\$ 2,546,311	\$ 2,468,654
Current liabilities:		
Revolving credit facility	\$ 50,000	\$ 100,000
Accounts payable and accrued liabilities	235,688	256,526
Current portion of deferred revenue	345,751	352,456
Total current liabilities	631,439	708,982
Long-term liabilities:		
Long-term portion of deferred revenue	51,312	48,718
Long-term debt	345,470	345,291
Other long-term liabilities	152,253	77,262
Total long-term liabilities	549,035	471,271
Stockholders' equity	1,365,837	1,288,401
Total liabilities and stockholders' equity	\$ 2,546,311	\$ 2,468,654

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

	March 31, 2018	June 30, 2018	September 29, 2018	December 29, 2018	March 30, 2019
Current assets:					
Cash and cash equivalents	\$ 746,968	\$ 819,540	\$ 544,585	\$ 533,298	\$ 538,898
Receivables, net	225,822	219,072	240,836	297,082	264,767
Inventories	30,090	28,558	30,535	28,162	37,480
Prepaid expenses and other	67,063	61,884	72,425	92,550	76,802
Total current assets	1,069,943	1,129,054	888,381	951,092	917,947
Property, plant and equipment, net	249,810	252,193	248,165	252,630	253,392
Goodwill	665,615	663,320	661,341	662,272	662,871
Acquired intangibles, net	264,927	251,385	238,385	225,457	212,298
Long-term receivables	9,380	4,740	4,395	5,972	3,241
Other assets	226,998	227,173	232,540	371,231	496,562
Total assets	\$ 2,486,673	\$ 2,527,865	\$ 2,273,207	\$ 2,468,654	\$ 2,546,311
Current liabilities:					
Revolving credit facility	\$ 45,000	\$ -	\$ -	\$ 100,000	\$ 50,000
Current portion of long-term debt	299,826	299,879	-	-	-
Accounts payable and accrued liabilities	210,784	243,158	212,153	256,526	235,688
Current portion of deferred revenue	310,639	327,078	329,168	352,456	345,751
Total current liabilities	866,249	870,115	541,321	708,982	631,439
Long-term liabilities:					
Long-term portion of deferred revenue	56,276	46,912	49,343	48,718	51,312
Long-term debt	344,766	344,939	345,113	345,291	345,470
Other long-term liabilities	77,084	77,911	80,013	77,262	152,253
Total long-term liabilities	478,126	469,762	474,469	471,271	549,035
Stockholders' equity:					
Common stock and capital in excess of par value	1,858,692	1,861,135	1,897,749	1,936,124	1,944,895
Treasury stock, at cost	(1,222,151)	(1,234,941)	(1,292,265)	(1,395,652)	(1,446,247)
Retained earnings	499,817	574,966	674,284	772,709	893,264
Accumulated other comprehensive income (loss)	5,940	(13,172)	(22,351)	(24,780)	(26,075)
Total stockholders' equity	1,142,298	1,187,988	1,257,417	1,288,401	1,365,837
Total liabilities and stockholders' equity	\$ 2,486,673	\$ 2,527,865	\$ 2,273,207	\$ 2,468,654	\$ 2,546,311

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three Months Ended March 30, 2019 and March 31, 2018
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended	
	March 30, 2019	March 31, 2018
Revenue:		
Product and maintenance	\$ 543,518	\$ 480,609
Services	33,224	36,704
Total revenue	<u>576,742</u>	<u>517,313</u>
Costs and expenses:		
Cost of product and maintenance	50,522	41,730
Cost of services	20,063	21,479
Marketing and sales	116,830	109,148
Research and development	228,210	224,185
General and administrative	30,102	33,299
Amortization of acquired intangibles	3,308	3,630
Restructuring and other credits	(689)	(1,991)
Total costs and expenses	<u>448,346</u>	<u>431,480</u>
Income from operations	128,396	85,833
Interest expense	(5,391)	(6,975)
Other income (expense), net	5,241	(689)
Income before provision for income taxes	128,246	78,169
Provision for income taxes	7,691	5,284
Net income	<u>\$ 120,555</u>	<u>\$ 72,885</u>
Net income per share - basic	<u>\$ 0.44</u>	<u>\$ 0.27</u>
Net income per share - diluted	<u>\$ 0.43</u>	<u>\$ 0.26</u>
Weighted average common shares outstanding - basic	<u>273,066</u>	<u>273,773</u>
Weighted average common shares outstanding - diluted	<u>280,615</u>	<u>281,651</u>

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

	Three Months Ended				
	March 31, 2018	June 30, 2018	September 29, 2018	December 29, 2018	March 30, 2019
Revenue:					
Product and maintenance	\$ 480,609	\$ 487,870	\$ 494,990	\$ 534,418	\$ 543,518
Services	36,704	30,521	37,478	35,432	33,224
Total revenue	<u>517,313</u>	<u>518,391</u>	<u>532,468</u>	<u>569,850</u>	<u>576,742</u>
Costs and expenses:					
Cost of product and maintenance	41,730	40,127	36,406	54,748	50,522
Cost of services	21,479	18,833	24,048	21,376	20,063
Marketing and sales	109,148	109,300	108,608	112,613	116,830
Research and development	224,185	219,129	223,231	218,271	228,210
General and administrative	33,299	34,875	33,247	31,985	30,102
Amortization of acquired intangibles	3,630	3,518	3,470	3,468	3,308
Restructuring and other charges (credits)	(1,991)	(447)	(172)	13,699	(689)
Total costs and expenses	<u>431,480</u>	<u>425,335</u>	<u>428,838</u>	<u>456,160</u>	<u>448,346</u>
Income from operations	85,833	93,056	103,630	113,690	128,396
Interest expense	(6,975)	(6,669)	(5,177)	(4,318)	(5,391)
Other income (expense), net	(689)	3,638	1,106	(735)	5,241
Income before provision for income taxes	78,169	90,025	99,559	108,637	128,246
Provision for income taxes	5,284	14,876	241	10,212	7,691
Net income	<u>\$ 72,885</u>	<u>\$ 75,149</u>	<u>\$ 99,318</u>	<u>\$ 98,425</u>	<u>\$ 120,555</u>
Net income per share - basic	<u>\$ 0.27</u>	<u>\$ 0.27</u>	<u>\$ 0.36</u>	<u>\$ 0.36</u>	<u>\$ 0.44</u>
Net income per share - diluted	<u>\$ 0.26</u>	<u>\$ 0.27</u>	<u>\$ 0.35</u>	<u>\$ 0.35</u>	<u>\$ 0.43</u>
Weighted average common shares outstanding - basic	<u>273,773</u>	<u>273,564</u>	<u>273,716</u>	<u>273,680</u>	<u>273,066</u>
Weighted average common shares outstanding - diluted	<u>281,651</u>	<u>280,774</u>	<u>281,646</u>	<u>280,321</u>	<u>280,615</u>

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Three Months Ended March 30, 2019 and March 31, 2018
(In thousands)
(Unaudited)

	Three Months Ended	
	March 30, 2019	March 31, 2018
Cash and cash equivalents at beginning of period	\$ 533,298	\$ 688,087
Cash flows from operating activities:		
Net income	120,555	72,885
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	29,740	29,389
Amortization of debt discount and fees	247	292
Stock-based compensation	42,253	37,901
Gain on investments, net	(2,646)	(996)
Deferred income taxes	(4,966)	1,363
Provisions for losses (recoveries) on receivables	(183)	666
Other non-cash items	122	(170)
Changes in operating assets and liabilities:		
Receivables	35,681	(10,988)
Inventories	(10,618)	2,105
Prepaid expenses and other	15,618	8,392
Other assets	10,729	8,025
Accounts payable and accrued liabilities	(43,954)	(46,956)
Deferred revenue	(4,451)	59,854
Other long-term liabilities	(2,713)	(4,115)
Net cash provided by operating activities	<u>185,414</u>	<u>157,647</u>
Cash flows from investing activities:		
Purchases of non-marketable investments	(33,664)	-
Proceeds from the sale of non-marketable investments	2,952	-
Purchases of property, plant and equipment	(15,275)	(13,128)
Net cash used for investing activities	<u>(45,987)</u>	<u>(13,128)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility	50,000	-
Payment on revolving credit facility	(100,000)	(40,000)
Proceeds from issuance of common stock	29,858	23,339
Stock received for payment of employee taxes on vesting of restricted stock	(32,822)	(26,515)
Payments for repurchases of common stock	(81,114)	(50,013)
Change in book overdraft	-	(3,867)
Net cash used for financing activities	<u>(134,078)</u>	<u>(97,056)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>251</u>	<u>11,418</u>
Increase in cash and cash equivalents	<u>5,600</u>	<u>58,881</u>
Cash and cash equivalents at end of period	<u>\$ 538,898</u>	<u>\$ 746,968</u>

Cadence Design Systems, Inc.
Trended Condensed Consolidated Statements of Cash Flows
For the Five Quarters Ended March 30, 2019
(In thousands)
(Unaudited)

	<u>Q1 2018</u>	<u>Q2 2018</u>	<u>Q3 2018</u>	<u>Q4 2018</u>	<u>Q1 2019</u>
Cash and cash equivalents at beginning of period	\$ 688,087	\$ 746,968	\$ 819,540	\$ 544,585	\$ 533,298
Cash flows from operating activities:					
Net income	72,885	75,149	99,318	98,425	120,555
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	29,389	29,893	29,721	29,718	29,740
Amortization of debt discount and fees	292	294	364	246	247
Stock-based compensation	37,901	40,956	46,264	42,594	42,253
(Gain) loss on investments, net	(996)	(545)	639	(1,830)	(2,646)
Deferred income taxes	1,363	301	(4,885)	(8,455)	(4,966)
Provisions for losses (recoveries) on receivables	666	349	3,775	312	(183)
Other non-cash items	(170)	37	7	2,733	122
Changes in operating assets and liabilities:					
Receivables	(10,988)	8,382	(25,865)	(58,612)	35,681
Inventories	2,105	(173)	(3,387)	2,207	(10,618)
Prepaid expenses and other	8,392	4,902	(11,276)	(21,640)	15,618
Other assets	8,025	(2,998)	(3,171)	(16,462)	10,729
Accounts payable and accrued liabilities	(46,956)	35,124	(29,886)	43,271	(43,954)
Deferred revenue	59,854	11,813	5,703	23,326	(4,451)
Other long-term liabilities	(4,115)	1,782	2,633	(3,949)	(2,713)
Net cash provided by operating activities	<u>157,647</u>	<u>205,266</u>	<u>109,954</u>	<u>131,884</u>	<u>185,414</u>
Cash flows from investing activities:					
Purchases of non-marketable investments	-	-	-	(115,839)	(33,664)
Proceeds from the sale of non-marketable investments	-	-	-	3,497	2,952
Purchases of property, plant and equipment	<u>(13,128)</u>	<u>(17,977)</u>	<u>(10,656)</u>	<u>(19,742)</u>	<u>(15,275)</u>
Net cash used for investing activities	<u>(13,128)</u>	<u>(17,977)</u>	<u>(10,656)</u>	<u>(132,084)</u>	<u>(45,987)</u>
Cash flows from financing activities:					
Proceeds from revolving credit facility	-	-	-	100,000	50,000
Payment on revolving credit facility	(40,000)	(45,000)	-	-	(100,000)
Principal payments on term loan	-	-	(300,000)	-	-
Proceeds from issuance of common stock	23,339	2,317	12,534	2,718	29,858
Stock received for payment of employee taxes on vesting of restricted stock	(26,515)	(3,610)	(29,494)	(10,302)	(32,822)
Payments for repurchases of common stock	(50,013)	(50,012)	(50,011)	(100,023)	(81,114)
Change in book overdraft	(3,867)	-	-	-	-
Net cash used for financing activities	<u>(97,056)</u>	<u>(96,305)</u>	<u>(366,971)</u>	<u>(7,607)</u>	<u>(134,078)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>11,418</u>	<u>(18,412)</u>	<u>(7,282)</u>	<u>(3,480)</u>	<u>251</u>
Increase (decrease) in cash and cash equivalents	<u>58,881</u>	<u>72,572</u>	<u>(274,955)</u>	<u>(11,287)</u>	<u>5,600</u>
Cash and cash equivalents at end of period	<u>\$ 746,968</u>	<u>\$ 819,540</u>	<u>\$ 544,585</u>	<u>\$ 533,298</u>	<u>\$ 538,898</u>

Cadence Design Systems, Inc.
(Unaudited)

Revenue Mix by Geography (% of Total Revenue)

<u>GEOGRAPHY</u>	2018					2019
	Q1	Q2	Q3	Q4	Year	Q1
Americas	45%	46%	44%	44%	45%	44%
China	9%	8%	9%	13%	10%	10%
Other Asia	18%	18%	20%	18%	18%	19%
Europe, Middle East and Africa	20%	20%	19%	17%	19%	18%
Japan	8%	8%	8%	8%	8%	9%
Total	100%	100%	100%	100%	100%	100%

Revenue Mix by Product Group (% of Total Revenue)

<u>PRODUCT GROUP</u>	2018					2019
	Q1	Q2	Q3	Q4	Year	Q1
Functional Verification, including Emulation and Prototyping Hardware	26%	23%	22%	25%	24%	24%
Digital IC Design and Signoff	30%	30%	30%	28%	29%	30%
Custom IC Design and Simulation	26%	26%	26%	25%	26%	25%
System Interconnect and Analysis	9%	9%	9%	9%	9%	9%
IP	9%	12%	13%	13%	12%	12%
Total	100%	100%	100%	100%	100%	100%

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Operating Margin
As of April 22, 2019
(Unaudited)

	Three Months Ending June 29, 2019	Year Ending December 28, 2019
	Forecast	Forecast
GAAP operating margin as a percent of total revenue	21% - 22%	~21%
Reconciling items to non-GAAP operating margin as a percent of total revenue:		
Amortization of acquired intangibles	2%	2%
Stock-based compensation expense	8%	8%
Non-qualified deferred compensation expenses	0%	0%
Restructuring and other charges (credits)	0%	0%
Acquisition and integration-related costs	0%	0%
Non-GAAP operating margin as a percent of total revenue†	31% - 32%	~31%

†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.

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share
As of April 22, 2019
(Unaudited)

	Three Months Ending June 29, 2019 Forecast	Year Ending December 28, 2019 Forecast
Diluted net income per share on a GAAP basis	\$0.34 to \$0.36	\$1.39 to \$1.47
Amortization of acquired intangibles	0.05	0.19
Stock-based compensation expense	0.16	0.65
Non-qualified deferred compensation expenses	-	0.01
Restructuring and other charges (credits)	-	-
Acquisition and integration-related costs	0.01	0.02
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	(0.02)
Income tax effect of non-GAAP adjustments	(0.04)	(0.20)
Diluted net income per share on a non-GAAP basis†	\$0.52 to \$0.54	\$2.04 to \$2.12

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Net Income
As of April 22, 2019
(Unaudited)

(\$ in millions)	Three Months Ending June 29, 2019 Forecast	Year Ending December 28, 2019 Forecast
Net income on a GAAP basis	\$96 to \$102	\$390 to \$412
Amortization of acquired intangibles	14	53
Stock-based compensation expense	44	182
Non-qualified deferred compensation expenses	-	3
Restructuring and other charges (credits)	-	(1)
Acquisition and integration-related costs	2	6
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	(5)
Income tax effect of non-GAAP adjustments	(11)	(56)
Net income on a non-GAAP basis†	\$145 to \$151	\$572 to \$594

†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 2019 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.

Cadence Design Systems, Inc.
Reconciliation of GAAP Net Income to Non-GAAP Net Income
For the Three Months Ended March 30, 2019 and March 31, 2018
(Unaudited)

(In thousands)	Three Months Ended	
	March 30, 2019	March 31, 2018
Net income on a GAAP basis	\$ 120,555	\$ 72,885
Amortization of acquired intangibles*	13,162	13,907
Stock-based compensation expense**	42,253	37,901
Non-qualified deferred compensation expenses***	2,540	127
Restructuring and other credits	(689)	(1,991)
Acquisition and integration-related costs ****	914	7,783
Other income or expense related to investments and non-qualified deferred compensation plan assets †	(5,187)	(1,123)
Income tax effect of non-GAAP adjustments	(21,307)	(16,280)
Net income on a non-GAAP basis +	<u>\$ 152,241</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 2019 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	
	March 30, 2019	March 31, 2018
Cost of product and maintenance	\$ 9,854	\$ 10,277
Amortization of acquired intangibles	3,308	3,630
Total amortization of acquired intangibles	<u>\$ 13,162</u>	<u>\$ 13,907</u>

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

(In thousands)	Three Months Ended	
	March 30, 2019	March 31, 2018
Cost of product and maintenance	\$ 681	\$ 590
Cost of services	866	863
Marketing and sales	9,106	7,614
Research and development	26,898	23,235
General and administrative	4,702	5,599
Total stock-based compensation expense	<u>\$ 42,253</u>	<u>\$ 37,901</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	
	March 30, 2019	March 31, 2018
Cost of product and maintenance	\$ 23	\$ -
Cost of services	32	-
Marketing and sales	253	(11)
Research and development	1,663	109
General and administrative	569	29
Total non-qualified deferred compensation expenses (credits)	<u>\$ 2,540</u>	<u>\$ 127</u>

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

(In thousands)	Three Months Ended	
	March 30, 2019	March 31, 2018
Research and development	\$ 912	\$ 7,684
General and administrative	2	99
Total acquisition and integration-related costs	<u>\$ 914</u>	<u>\$ 7,783</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 30, 2019 and March 31, 2018
(Unaudited)

(In thousands, except per share data)	Three Months Ended	
	March 30, 2019	March 31, 2018
Diluted net income per share on a GAAP basis	\$ 0.43	\$ 0.26
Amortization of acquired intangibles	0.05	0.05
Stock-based compensation expense	0.15	0.13
Non-qualified deferred compensation expenses	0.01	-
Restructuring and other credits	-	(0.01)
Acquisition and integration-related costs	-	0.03
Other income or expense related to investments and non-qualified deferred compensation plan assets *	(0.02)	-
Income tax effect of non-GAAP adjustments	(0.08)	(0.06)
Diluted net income per share on a non-GAAP basis +	\$ 0.54	\$ 0.40
Shares used in calculation of diluted net income per share - GAAP **	280,615	281,651
Shares used in calculation of diluted net income per share - non-GAAP **	280,615	281,651

+ **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 2019 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)

	Three Months Ended	Three Months Ended
	March 30, 2019	March 31, 2018
	Actual	Actual
	(In thousands)	(In thousands)
GAAP total costs and expenses	\$ 448,346	\$ 431,480
Reconciling items to non-GAAP total costs and expenses		
Amortization of acquired intangibles	(13,162)	(13,907)
Stock-based compensation expense	(42,253)	(37,901)
Non-qualified deferred compensation expenses	(2,540)	(127)
Restructuring and other credits	689	1,991
Acquisition and integration-related costs	(914)	(7,783)
Non-GAAP total costs and expenses†	<u>\$ 390,166</u>	<u>\$ 373,753</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 2019 for a further discussion of its non-GAAP financial measures.

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

	For the three months ended March 30, 2019					
	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
(In thousands)						
Cost of product and maintenance	50,522	(9,854)	(681)	(23)	-	39,964
Cost of services	20,063	-	(866)	(32)	-	19,165
Marketing and sales	116,830	-	(9,106)	(253)	-	107,471
Research and development	228,210	-	(26,898)	(1,663)	(912)	198,737
General and administrative	30,102	-	(4,702)	(569)	(2)	24,829
Amortization of acquired intangibles	3,308	(3,308)	-	-	-	-
		<u>(13,162)</u>	<u>(42,253)</u>	<u>(2,540)</u>	<u>(914)</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 2019 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 30, 2019
(In thousands)
(Unaudited)

	Three Months Ended March 30, 2019		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 543,518	\$ -	\$ 543,518
Services	33,224	-	33,224
Total revenue	<u>576,742</u>	<u>-</u>	<u>576,742</u>
Costs and expenses:			
Cost of product and maintenance	50,522	(10,558) (A)	39,964
Cost of services	20,063	(898) (A)	19,165
Marketing and sales	116,830	(9,359) (A)	107,471
Research and development	228,210	(29,473) (A)	198,737
General and administrative	30,102	(5,273) (A)	24,829
Amortization of acquired intangibles	3,308	(3,308) (A)	-
Restructuring and other credits	(689)	689	-
Total costs and expenses	<u>448,346</u>	<u>(58,180)</u>	<u>390,166</u>
Income from operations	128,396	58,180	186,576
Interest expense	(5,391)	-	(5,391)
Other income, net	5,241	(5,187) (B)	54
Income before provision for income taxes	128,246	52,993	181,239
Provision for income taxes	7,691	21,307 (C)	28,998
Net income	<u>\$ 120,555</u>	<u>\$ 31,686</u>	<u>\$ 152,241</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 2019 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended March 30, 2019, 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	\$ 9,854	\$ 681	\$ 23	\$ -	\$ 10,558
Cost of services	-	866	32	-	898
Marketing and sales	-	9,106	253	-	9,359
Research and development	-	26,898	1,663	912	29,473
General and administrative	-	4,702	569	2	5,273
Amortization of acquired intangibles	3,308	-	-	-	3,308
Total	<u>\$ 13,162</u>	<u>\$ 42,253</u>	<u>\$ 2,540</u>	<u>\$ 914</u>	<u>\$ 58,869</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 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 2019 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