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

	June 30, 2018	December 30, 2017
Current assets:		
Cash and cash equivalents	\$ 819,540	\$ 688,087
Short-term investments	5,842	4,455
Receivables, net of allowances of \$1,015 and \$0, respectively	219,072	190,426
Inventories	28,558	33,209
Prepaid expenses and other	56,042	63,811
Total current assets	1,129,054	979,988
Property, plant and equipment, net of accumulated depreciation of \$677,737 and \$658,377, respectively		
	252,193	251,342
Goodwill	663,320	666,009
Acquired intangibles, net of accumulated amortization of \$308,055 and \$297,456, respectively	251,385	278,835
Long-term receivables	4,740	12,239
Other assets	227,173	230,301
Total assets	\$ 2,527,865	\$ 2,418,714
Current liabilities:		
Revolving credit facility	\$ -	\$ 85,000
Current portion of long-term debt	299,879	-
Accounts payable and accrued liabilities	243,158	221,101
Current portion of deferred revenue	327,078	336,297
Total current liabilities	870,115	642,398
Long-term liabilities:		
Long-term portion of deferred revenue	46,912	61,513
Long-term debt	344,939	644,369
Other long-term liabilities	77,911	81,232
Total long-term liabilities	469,762	787,114
Stockholders' equity	1,187,988	989,202
Total liabilities and stockholders' equity	\$ 2,527,865	\$ 2,418,714

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

	July 1, 2017	September 30, 2017	December 30, 2017	March 31, 2018	June 30, 2018
Current assets:					
Cash and cash equivalents	\$ 655,998	\$ 678,284	\$ 688,087	\$ 746,968	\$ 819,540
Short-term investments	3,229	4,135	4,455	5,466	5,842
Receivables, net	153,154	170,312	190,426	225,822	219,072
Inventories	31,894	36,000	33,209	30,090	28,558
Prepaid expenses and other	39,175	42,374	63,811	61,597	56,042
Total current assets	<u>883,450</u>	<u>931,105</u>	<u>979,988</u>	<u>1,069,943</u>	<u>1,129,054</u>
Property, plant and equipment, net	249,140	244,620	251,342	249,810	252,193
Goodwill	575,025	574,912	666,009	665,615	663,320
Acquired intangibles, net	229,783	216,177	278,835	264,927	251,385
Long-term receivables	13,340	11,590	12,239	9,380	4,740
Other assets	316,961	326,823	230,301	226,998	227,173
Total assets	<u>\$ 2,267,699</u>	<u>\$ 2,305,227</u>	<u>\$ 2,418,714</u>	<u>\$ 2,486,673</u>	<u>\$ 2,527,865</u>
Current liabilities:					
Revolving credit facility	\$ -	\$ -	\$ 85,000	\$ 45,000	\$ -
Current portion of long-term debt	-	-	-	299,826	299,879
Accounts payable and accrued liabilities	222,216	199,672	221,101	210,784	243,158
Current portion of deferred revenue	322,509	320,462	336,297	310,639	327,078
Total current liabilities	<u>544,725</u>	<u>520,134</u>	<u>642,398</u>	<u>866,249</u>	<u>870,115</u>
Long-term liabilities:					
Long-term portion of deferred revenue	60,158	57,865	61,513	56,276	46,912
Long-term debt	643,927	644,146	644,369	344,766	344,939
Other long-term liabilities	67,096	72,342	81,232	77,084	77,911
Total long-term liabilities	<u>771,181</u>	<u>774,353</u>	<u>787,114</u>	<u>478,126</u>	<u>469,762</u>
Stockholders' equity:					
Common stock and capital in excess of par value	1,848,719	1,807,839	1,829,950	1,858,692	1,861,135
Treasury stock, at cost	(1,156,626)	(1,142,524)	(1,178,121)	(1,222,151)	(1,234,941)
Retained earnings	274,288	355,445	341,003	499,817	574,966
Accumulated other comprehensive income (loss)	(14,588)	(10,020)	(3,630)	5,940	(13,172)
Total stockholders' equity	<u>951,793</u>	<u>1,010,740</u>	<u>989,202</u>	<u>1,142,298</u>	<u>1,187,988</u>
Total liabilities and stockholders' equity	<u>\$ 2,267,699</u>	<u>\$ 2,305,227</u>	<u>\$ 2,418,714</u>	<u>\$ 2,486,673</u>	<u>\$ 2,527,865</u>

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three and Six Months Ended June 30, 2018 and July 1, 2017
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Revenue:				
Product and maintenance	\$ 487,870	\$ 443,847	\$ 968,479	\$ 895,254
Services	30,521	35,154	67,225	60,658
Total revenue	518,391	479,001	1,035,704	955,912
Costs and expenses:				
Cost of product and maintenance	40,127	38,829	81,857	82,546
Cost of services	18,833	22,003	40,312	40,078
Marketing and sales	109,300	103,897	218,448	207,244
Research and development	219,129	195,901	443,314	394,187
General and administrative	34,875	32,774	68,174	64,590
Amortization of acquired intangibles	3,518	3,836	7,148	7,692
Restructuring and other credits	(447)	(929)	(2,438)	(2,717)
Total costs and expenses	425,335	396,311	856,815	793,620
Income from operations	93,056	82,690	178,889	162,292
Interest expense	(6,669)	(6,248)	(13,644)	(12,727)
Other income, net	3,638	924	2,949	1,983
Income before provision for income taxes	90,025	77,366	168,194	151,548
Provision for income taxes	14,876	8,239	20,160	14,162
Net income	\$ 75,149	\$ 69,127	\$ 148,034	\$ 137,386
Net income per share - basic	\$ 0.27	\$ 0.25	\$ 0.54	\$ 0.51
Net income per share - diluted	\$ 0.27	\$ 0.25	\$ 0.53	\$ 0.49
Weighted average common shares outstanding - basic	273,564	271,887	273,703	271,030
Weighted average common shares outstanding - diluted	280,774	279,526	281,247	278,631

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

	Three Months Ended				
	July 1, 2017	September 30, 2017	December 30, 2017	March 31, 2018	June 30, 2018
Revenue:					
Product and maintenance	\$ 443,847	\$ 451,229	\$ 467,504	\$ 480,609	\$ 487,870
Services	35,154	34,169	34,218	36,704	30,521
Total revenue	<u>479,001</u>	<u>485,398</u>	<u>501,722</u>	<u>517,313</u>	<u>518,391</u>
Costs and expenses:					
Cost of product and maintenance	38,829	34,825	39,305	41,730	40,127
Cost of services	22,003	19,657	20,979	21,479	18,833
Marketing and sales	103,897	104,263	107,654	109,148	109,300
Research and development	195,901	206,568	203,468	224,185	219,129
General and administrative	32,774	36,302	33,289	33,299	34,875
Amortization of acquired intangibles	3,836	3,453	3,571	3,630	3,518
Restructuring and other charges (credits)	(929)	(55)	12,178	(1,991)	(447)
Total costs and expenses	<u>396,311</u>	<u>405,013</u>	<u>420,444</u>	<u>431,480</u>	<u>425,335</u>
Income from operations	82,690	80,385	81,278	85,833	93,056
Interest expense	(6,248)	(6,225)	(6,712)	(6,975)	(6,669)
Other income (expense), net	924	12,387	2,385	(689)	3,638
Income before provision for income taxes	77,366	86,547	76,951	78,169	90,025
Provision for income taxes	8,239	5,390	91,393	5,284	14,876
Net income (loss)	<u>\$ 69,127</u>	<u>\$ 81,157</u>	<u>\$ (14,442)</u>	<u>\$ 72,885</u>	<u>\$ 75,149</u>
Net income (loss) per share - basic	<u>\$ 0.25</u>	<u>\$ 0.30</u>	<u>\$ (0.05)</u>	<u>\$ 0.27</u>	<u>\$ 0.27</u>
Net income (loss) per share - diluted	<u>\$ 0.25</u>	<u>\$ 0.29</u>	<u>\$ (0.05)</u>	<u>\$ 0.26</u>	<u>\$ 0.27</u>
Weighted average common shares outstanding - basic	<u>271,887</u>	<u>273,156</u>	<u>273,157</u>	<u>273,773</u>	<u>273,564</u>
Weighted average common shares outstanding - diluted	<u>279,526</u>	<u>281,400</u>	<u>273,157</u>	<u>281,651</u>	<u>280,774</u>

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2018 and July 1, 2017
(In thousands)
(Unaudited)

	Six Months Ended	
	June 30, 2018	July 1, 2017
Cash and cash equivalents at beginning of period	\$ 688,087	\$ 465,232
Cash flows from operating activities:		
Net income	148,034	137,386
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	59,282	58,304
Amortization of debt discount and fees	586	633
Stock-based compensation	78,857	57,918
Gain on investments, net	(2,136)	(2,083)
Deferred income taxes	1,664	4,813
Provisions for losses on receivables	1,015	-
Other non-cash items	462	2,157
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	(2,606)	6,342
Inventories	1,932	2,535
Prepaid expenses and other	13,294	(1,557)
Other assets	5,622	(8,790)
Accounts payable and accrued liabilities	(11,832)	(21,995)
Deferred revenue	71,667	18,733
Other long-term liabilities	(2,928)	174
Net cash provided by operating activities	<u>362,913</u>	<u>254,570</u>
Cash flows from investing activities:		
Proceeds from the sale of available-for-sale securities	-	189
Purchases of property, plant and equipment	(31,105)	(27,488)
Net cash used for investing activities	<u>(31,105)</u>	<u>(27,299)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility	-	50,000
Payment on revolving credit facility	(85,000)	(100,000)
Payment of debt issuance costs	-	(793)
Proceeds from issuance of common stock	25,656	29,967
Stock received for payment of employee taxes on vesting of restricted stock	(30,125)	(25,819)
Payments for repurchases of common stock	(100,025)	-
Change in book overdraft	(3,867)	-
Net cash used for financing activities	<u>(193,361)</u>	<u>(46,645)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(6,994)</u>	<u>10,140</u>
Increase in cash and cash equivalents	<u>131,453</u>	<u>190,766</u>
Cash and cash equivalents at end of period	<u>\$ 819,540</u>	<u>\$ 655,998</u>

Cadence Design Systems, Inc.
Trended Condensed Consolidated Statements of Cash Flows
For the Five Quarters Ended June 30, 2018
(In thousands)
(Unaudited)

	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Cash and cash equivalents at beginning of period	\$ 544,128	\$ 655,998	\$ 678,284	\$ 688,087	\$ 746,968
Cash flows from operating activities:					
Net income (loss)	69,127	81,157	(14,442)	72,885	75,149
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	29,410	28,301	28,919	29,389	29,893
Amortization of debt discount and fees	283	287	291	292	294
Stock-based compensation	30,482	36,090	36,015	37,901	40,956
Gain on investments, net	(855)	(10,419)	(1,367)	(1,123)	(1,013)
Deferred income taxes	2,823	(4,601)	79,722	1,363	301
Provisions for losses on receivables	-	-	-	666	349
Other non-cash items	798	1,606	1,305	(43)	505
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	28,817	(14,382)	(20,369)	(10,988)	8,382
Inventories	(3,465)	(253)	2,752	2,105	(173)
Prepaid expenses and other	2,220	(3,070)	(21,166)	8,392	4,902
Other assets	(5,133)	(5,679)	(7,867)	8,152	(2,530)
Accounts payable and accrued liabilities	24,164	(19,132)	15,140	(46,956)	35,124
Deferred revenue	(15,592)	(4,488)	19,369	59,854	11,813
Other long-term liabilities	(939)	3,897	8,554	(4,242)	1,314
Net cash provided by operating activities	<u>162,140</u>	<u>89,314</u>	<u>126,856</u>	<u>157,647</u>	<u>205,266</u>
Cash flows from investing activities:					
Proceeds from the sale of available-for-sale securities	82	232	412	-	-
Proceeds from the sale of long-term investments	-	9,108	-	-	-
Purchases of property, plant and equipment	(12,645)	(12,188)	(18,225)	(13,128)	(17,977)
Cash paid in business combinations and asset acquisitions, net of cash acquired	-	(550)	(142,699)	-	-
Net cash used for investing activities	<u>(12,563)</u>	<u>(3,398)</u>	<u>(160,512)</u>	<u>(13,128)</u>	<u>(17,977)</u>
Cash flows from financing activities:					
Proceeds from revolving credit facility	-	-	85,000	-	-
Payment on revolving credit facility	(50,000)	-	-	(40,000)	(45,000)
Proceeds from issuance of common stock	7,252	15,452	3,546	23,339	2,317
Stock received for payment of employee taxes on vesting of restricted stock	(3,349)	(28,311)	(3,031)	(26,515)	(3,610)
Payments for repurchases of common stock	-	(50,013)	(50,012)	(50,013)	(50,012)
Change in book overdraft	-	-	3,867	(3,867)	-
Net cash provided by (used for) financing activities	<u>(46,097)</u>	<u>(62,872)</u>	<u>39,370</u>	<u>(97,056)</u>	<u>(96,305)</u>
Effect of exchange rate changes on cash and cash equivalents	8,390	(758)	4,089	11,418	(18,412)
Increase in cash and cash equivalents	<u>111,870</u>	<u>22,286</u>	<u>9,803</u>	<u>58,881</u>	<u>72,572</u>
Cash and cash equivalents at end of period	<u>\$ 655,998</u>	<u>\$ 678,284</u>	<u>\$ 688,087</u>	<u>\$ 746,968</u>	<u>\$ 819,540</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	
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Year</u>	<u>Q1</u>	<u>Q2</u>	<u>Q1</u>	<u>Q2</u>
Americas	45%	45%	45%	44%	44%	45%	45%	45%	46%
Asia	26%	28%	27%	28%	27%	26%	26%	27%	26%
Europe, Middle East and Africa	20%	19%	19%	20%	20%	21%	21%	20%	20%
Japan	9%	8%	9%	8%	9%	8%	8%	8%	8%
Total	100%	100%	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	
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Year</u>	<u>Q1</u>	<u>Q2</u>	<u>Q1</u>	<u>Q2</u>
Functional Verification, including Emulation and Prototyping Hardware	23%	23%	21%	23%	22%	26%	23%	26%	23%
Digital IC Design and Signoff	29%	30%	30%	29%	29%	29%	29%	30%	30%
Custom IC Design	26%	26%	28%	26%	27%	26%	26%	26%	26%
System Interconnect and Analysis	10%	10%	10%	10%	10%	9%	10%	9%	9%
IP	12%	11%	11%	12%	12%	10%	12%	9%	12%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

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

	<u>Three Months Ending</u> <u>September 29, 2018</u>	<u>Year Ending</u> <u>December 29, 2018</u>	<u>Year Ending</u> <u>December 29, 2018</u>
	<u>ASC 606 Forecast</u>	<u>ASC 606 Forecast</u>	<u>ASC 605 Forecast **</u>
Diluted net income per share on a GAAP basis	\$0.22 to \$0.24	\$0.95 to \$1.01	~ \$1.06
Amortization of acquired intangibles	0.05	0.19	0.19
Stock-based compensation expense	0.17	0.60	0.60
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*	-	(0.01)	(0.01)
Income tax effect of non-GAAP adjustments	(0.06)	(0.17)	(0.18)
Diluted net income per share on a non-GAAP basis†	<u><u>\$0.40 to \$0.42</u></u>	<u><u>\$1.64 to \$1.70</u></u>	<u><u>~ \$1.74</u></u>

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

	<u>Three Months Ending</u> <u>September 29, 2018</u>	<u>Year Ending</u> <u>December 29, 2018</u>	<u>Year Ending</u> <u>December 29, 2018</u>
(\$ in millions)	<u>ASC 606 Forecast</u>	<u>ASC 606 Forecast</u>	<u>ASC 605 Forecast **</u>
Net income on a GAAP basis	\$61 to \$67	\$267 to \$283	~ \$298
Amortization of acquired intangibles	13	54	54
Stock-based compensation expense	47	169	169
Restructuring and other charges (credits)	-	(2)	(2)
Acquisition and integration-related costs	6	26	26
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	(2)	(2)
Income tax effect of non-GAAP adjustments	(16)	(49)	(51)
Net income on a non-GAAP basis†	<u><u>\$111 to \$117</u></u>	<u><u>\$463 to \$479</u></u>	<u><u>~\$492</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 press release of Cadence Design Systems, Inc. for its second 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. ASC Topic 605 forecast at midpoint.

Cadence Design Systems, Inc.
Reconciliation of GAAP Net Income to Non-GAAP Net Income
For the Three and Six Months Ended June 30, 2018 and July 1, 2017
(Unaudited)

(In thousands)	Three Months Ended			Six Months Ended	
	ASC 606	ASC 605	ASC 605	ASC 606	ASC 605
	June 30, 2018	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Net income on a GAAP basis	\$ 75,149	\$ 73,072	\$ 69,127	\$ 148,034	\$ 137,386
Amortization of acquired intangibles*	13,509	13,509	14,704	27,416	29,138
Stock-based compensation expense**	40,956	40,956	30,482	78,857	57,918
Non-qualified deferred compensation expenses ***	468	468	756	595	2,025
Restructuring and other credits	(447)	(447)	(929)	(2,438)	(2,717)
Acquisition and integration-related costs****	6,765	6,765	651	14,548	2,008
Other income or expense related to investments and non-qualified deferred compensation plan assets †	(1,013)	(1,013)	(855)	(2,136)	(2,083)
Income tax effect of non-GAAP adjustments	(9,166)	(8,961)	(19,861)	(25,446)	(40,540)
Net income on a non-GAAP basis +	<u>\$ 126,221</u>	<u>\$ 124,349</u>	<u>\$ 94,075</u>	<u>\$ 239,430</u>	<u>\$ 183,135</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 second 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			Six Months Ended	
	ASC 606	ASC 605	ASC 605	ASC 606	ASC 605
	June 30, 2018	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Cost of product and maintenance	\$ 9,991	\$ 9,991	\$ 10,868	\$ 20,268	\$ 21,446
Amortization of acquired intangibles	3,518	3,518	3,836	7,148	7,692
Total amortization of acquired intangibles	<u>\$ 13,509</u>	<u>\$ 13,509</u>	<u>\$ 14,704</u>	<u>\$ 27,416</u>	<u>\$ 29,138</u>

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

(In thousands)	Three Months Ended			Six Months Ended	
	ASC 606	ASC 605	ASC 605	ASC 606	ASC 605
	June 30, 2018	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Cost of product and maintenance	\$ 606	\$ 606	\$ 491	\$ 1,196	\$ 1,020
Cost of services	884	884	717	1,747	1,478
Marketing and sales	8,268	8,268	6,237	15,882	12,245
Research and development	25,100	25,100	18,014	48,335	33,496
General and administrative	6,098	6,098	5,023	11,697	9,679
Total stock-based compensation expense	<u>\$ 40,956</u>	<u>\$ 40,956</u>	<u>\$ 30,482</u>	<u>\$ 78,857</u>	<u>\$ 57,918</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			Six Months Ended	
	ASC 606	ASC 605	ASC 605	ASC 606	ASC 605
	June 30, 2018	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Cost of product and maintenance	\$ 3	\$ 3	\$ 6	\$ 3	\$ 13
Cost of services	4	4	8	4	19
Marketing and sales	30	30	44	19	127
Research and development	351	351	524	460	1,364
General and administrative	80	80	174	109	502
Total non-qualified deferred compensation expenses	<u>\$ 468</u>	<u>\$ 468</u>	<u>\$ 756</u>	<u>\$ 595</u>	<u>\$ 2,025</u>

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

(In thousands)	Three Months Ended			Six Months Ended	
	ASC 606	ASC 605	ASC 605	ASC 606	ASC 605
	June 30, 2018	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Marketing and sales	\$ -	\$ -	\$ 127	\$ -	\$ 168
Research and development	6,736	6,736	524	14,420	1,840
General and administrative	29	29	-	128	-
Total acquisition and integration-related costs	<u>\$ 6,765</u>	<u>\$ 6,765</u>	<u>\$ 651</u>	<u>\$ 14,548</u>	<u>\$ 2,008</u>

Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share
For the Three and Six Months Ended June 30, 2018 and July 1, 2017
(Unaudited)

(In thousands, except per share data)	Three Months Ended			Six Months Ended	
	ASC 606	ASC 605	ASC 605	ASC 606	ASC 605
	June 30, 2018	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Diluted net income per share on a GAAP basis	\$ 0.27	\$ 0.26	\$ 0.25	\$ 0.53	\$ 0.49
Amortization of acquired intangibles	0.05	0.05	0.05	0.10	0.10
Stock-based compensation expense	0.14	0.14	0.11	0.28	0.21
Non-qualified deferred compensation expenses	-	-	-	-	0.01
Restructuring and other credits	-	-	-	(0.01)	(0.01)
Acquisition and integration-related costs	0.02	0.02	-	0.05	0.01
Other income or expense related to investments and non-qualified deferred compensation plan assets *	-	-	-	(0.01)	(0.01)
Income tax effect of non-GAAP adjustments	(0.03)	(0.03)	(0.07)	(0.09)	(0.14)
Diluted net income per share on a non-GAAP basis +	\$ 0.45	\$ 0.44	\$ 0.34	\$ 0.85	\$ 0.66
Shares used in calculation of diluted net income per share - GAAP **	280,774	280,774	279,526	281,247	278,631
Shares used in calculation of diluted net income per share - non-GAAP **	280,774	280,774	279,526	281,247	278,631

+ 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 second 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 Three Months Ended June 30, 2018 Actual (In thousands)	ASC 605 Three Months Ended June 30, 2018 Actual (In thousands)	ASC 605 Three Months Ended July 1, 2017 Actual (In thousands)
GAAP total costs and expenses	\$ 425,335	\$ 424,283	\$ 396,311
Reconciling items to non-GAAP total costs and expenses			
Amortization of acquired intangibles	(13,509)	(13,509)	(14,704)
Stock-based compensation expense	(40,956)	(40,956)	(30,482)
Non-qualified deferred compensation expenses	(468)	(468)	(756)
Restructuring and other credits	447	447	929
Acquisition and integration-related costs	(6,765)	(6,765)	(651)
Non-GAAP total costs and expenses†	<u>\$ 364,084</u>	<u>\$ 363,032</u>	<u>\$ 350,647</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 second quarter of 2018 for a further discussion of its non-GAAP financial measures.

	ASC 606 Three Months Ended June 30, 2018 Actual	ASC 605 Three Months Ended June 30, 2018 Actual	ASC 605 Three Months Ended July 1, 2017 Actual	ASC 606 Three Months Ending September 29, 2018 Forecast	ASC 606 Year Ending December 29, 2018 Forecast	ASC 605 Year Ending December 29, 2018 Forecast
GAAP operating margin as a percent of total revenue	18%	18%	17%	14% - 15%	~16%	~17%
Reconciling items to non-GAAP operating margin as a percent of total revenue						
Amortization of acquired intangibles	3%	3%	3%	3%	3%	3%
Stock-based compensation expense	8%	8%	7%	9%	8%	8%
Non-qualified deferred compensation expenses	0%	0%	0%	0%	0%	0%
Restructuring and other charges (credits)	0%	0%	0%	0%	0%	0%
Acquisition and integration-related costs	1%	1%	0%	1%	1%	1%
Non-GAAP operating margin as a percent of total revenue†	<u>30%</u>	<u>30%</u>	<u>27%</u>	<u>27% - 28%</u>	<u>~28%</u>	<u>~29%</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 second quarter of 2018 for a further discussion of its non-GAAP financial measures.

	Year Ending December 29, 2018 Forecast
(In millions)	
GAAP total other income (expense), net	\$(26) to \$(19)
Reconciling items to non-GAAP total other income (expense), net	
Other income or expense related to investments and non-qualified deferred compensation plan assets*	(2)
Non-GAAP total other income (expense), net†	<u>\$(28) to \$(21)</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 second 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 June 30, 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	40,127	(9,991)	(606)	(3)	-	29,527
Cost of services	18,833	-	(884)	(4)	-	17,945
Marketing and sales	109,300	-	(8,268)	(30)	-	101,002
Research and development	219,129	-	(25,100)	(351)	(6,736)	186,942
General and administrative	34,875	-	(6,098)	(80)	(29)	28,668
Amortization of acquired intangibles	3,518	(3,518)	-	-	-	-
		<u>(13,509)</u>	<u>(40,956)</u>	<u>(468)</u>	<u>(6,765)</u>	
	For the six months ended June 30, 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	81,857	(20,268)	(1,196)	(3)	-	60,390
Cost of services	40,312	-	(1,747)	(4)	-	38,561
Marketing and sales	218,448	-	(15,882)	(19)	-	202,547
Research and development	443,314	-	(48,335)	(460)	(14,420)	380,099
General and administrative	68,174	-	(11,697)	(109)	(128)	56,240
Amortization of acquired intangibles	7,148	(7,148)	-	-	-	-
		<u>(27,416)</u>	<u>(78,857)</u>	<u>(595)</u>	<u>(14,548)</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 second 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 June 30, 2018
(In thousands)
(Unaudited)

	Three Months Ended June 30, 2018		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 487,870	\$ -	\$ 487,870
Services	30,521	-	30,521
Total revenue	<u>518,391</u>	<u>-</u>	<u>518,391</u>
Costs and expenses:			
Cost of product and maintenance	40,127	(10,600) (A)	29,527
Cost of services	18,833	(888) (A)	17,945
Marketing and sales	109,300	(8,298) (A)	101,002
Research and development	219,129	(32,187) (A)	186,942
General and administrative	34,875	(6,207) (A)	28,668
Amortization of acquired intangibles	3,518	(3,518) (A)	-
Restructuring and other credits	(447)	447	-
Total costs and expenses	<u>425,335</u>	<u>(61,251)</u>	<u>364,084</u>
Income from operations	93,056	61,251	154,307
Interest expense	(6,669)	-	(6,669)
Other income, net	3,638	(1,013) (B)	2,625
Income before provision for income taxes	90,025	60,238	150,263
Provision for income taxes	14,876	9,166 (C)	24,042
Net income	<u>\$ 75,149</u>	<u>\$ 51,072</u>	<u>\$ 126,221</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 second quarter of 2018 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended June 30, 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	\$ 9,991	\$ 606	\$ 3	\$ -	\$ 10,600
Cost of services	-	884	4	-	888
Marketing and sales	-	8,268	30	-	8,298
Research and development	-	25,100	351	6,736	32,187
General and administrative	-	6,098	80	29	6,207
Amortization of acquired intangibles	3,518	-	-	-	3,518
Total	<u>\$ 13,509</u>	<u>\$ 40,956</u>	<u>\$ 468</u>	<u>\$ 6,765</u>	<u>\$ 61,698</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 July 1, 2017
(In thousands)
(Unaudited)

	Three Months Ended July 1, 2017		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 443,847	\$ -	\$ 443,847
Services	35,154	-	35,154
Total revenue	<u>479,001</u>	<u>-</u>	<u>479,001</u>
Costs and expenses:			
Cost of product and maintenance	38,829	(11,365) (A)	27,464
Cost of services	22,003	(725) (A)	21,278
Marketing and sales	103,897	(6,408) (A)	97,489
Research and development	195,901	(19,062) (A)	176,839
General and administrative	32,774	(5,197) (A)	27,577
Amortization of acquired intangibles	3,836	(3,836) (A)	-
Restructuring and other credits	(929)	929	-
Total costs and expenses	<u>396,311</u>	<u>(45,664)</u>	<u>350,647</u>
Income from operations	82,690	45,664	128,354
Interest expense	(6,248)	-	(6,248)
Other income, net	924	(855) (B)	69
Income before provision for income taxes	77,366	44,809	122,175
Provision for income taxes	8,239	19,861 (C)	28,100
Net income	<u>\$ 69,127</u>	<u>\$ 24,948</u>	<u>\$ 94,075</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 second quarter of 2018 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended July 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	\$ 10,868	\$ 491	\$ 6	\$ -	\$ 11,365
Cost of services	-	717	8	-	725
Marketing and sales	-	6,237	44	127	6,408
Research and development	-	18,014	524	524	19,062
General and administrative	-	5,023	174	-	5,197
Amortization of acquired intangibles	3,836	-	-	-	3,836
Total	<u>\$ 14,704</u>	<u>\$ 30,482</u>	<u>\$ 756</u>	<u>\$ 651</u>	<u>\$ 46,593</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 Six Months Ended June 30, 2018
(In thousands)
(Unaudited)

	Six Months Ended June 30, 2018		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 968,479	\$ -	\$ 968,479
Services	67,225	-	67,225
Total revenue	1,035,704	-	1,035,704
Costs and expenses:			
Cost of product and maintenance	81,857	(21,467) (A)	60,390
Cost of services	40,312	(1,751) (A)	38,561
Marketing and sales	218,448	(15,901) (A)	202,547
Research and development	443,314	(63,215) (A)	380,099
General and administrative	68,174	(11,934) (A)	56,240
Amortization of acquired intangibles	7,148	(7,148) (A)	-
Restructuring and other credits	(2,438)	2,438	-
Total costs and expenses	856,815	(118,978)	737,837
Income from operations	178,889	118,978	297,867
Interest expense	(13,644)	-	(13,644)
Other income, net	2,949	(2,136) (B)	813
Income before provision for income taxes	168,194	116,842	285,036
Provision for income taxes	20,160	25,446 (C)	45,606
Net income	\$ 148,034	\$ 91,396	\$ 239,430

*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 second quarter of 2018 for a further discussion of its non-GAAP measures.

Notes:

(A) For the six months ended June 30, 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	\$ 20,268	\$ 1,196	\$ 3	\$ -	\$ 21,467
Cost of services	-	1,747	4	-	1,751
Marketing and sales	-	15,882	19	-	15,901
Research and development	-	48,335	460	14,420	63,215
General and administrative	-	11,697	109	128	11,934
Amortization of acquired intangibles	7,148	-	-	-	7,148
Total	\$ 27,416	\$ 78,857	\$ 595	\$ 14,548	\$ 121,416

(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 Six Months Ended July 1, 2017
(In thousands)
(Unaudited)

	Six Months Ended July 1, 2017		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 895,254	\$ -	\$ 895,254
Services	60,658	-	60,658
Total revenue	955,912	-	955,912
Costs and expenses:			
Cost of product and maintenance	82,546	(22,479) (A)	60,067
Cost of services	40,078	(1,497) (A)	38,581
Marketing and sales	207,244	(12,540) (A)	194,704
Research and development	394,187	(36,700) (A)	357,487
General and administrative	64,590	(10,181) (A)	54,409
Amortization of acquired intangibles	7,692	(7,692) (A)	-
Restructuring and other credits	(2,717)	2,717	-
Total costs and expenses	793,620	(88,372)	705,248
Income from operations	162,292	88,372	250,664
Interest expense	(12,727)	-	(12,727)
Other income (expense), net	1,983	(2,083) (B)	(100)
Income before provision for income taxes	151,548	86,289	237,837
Provision for income taxes	14,162	40,540 (C)	54,702
Net income	\$ 137,386	\$ 45,749	\$ 183,135

*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 second quarter of 2018 for a further discussion of its non-GAAP measures.

Notes:

(A) For the six months ended July 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	\$ 21,446	\$ 1,020	\$ 13	\$ -	\$ 22,479
Cost of services	-	1,478	19	-	1,497
Marketing and sales	-	12,245	127	168	12,540
Research and development	-	33,496	1,364	1,840	36,700
General and administrative	-	9,679	502	-	10,181
Amortization of acquired intangibles	7,692	-	-	-	7,692
Total	\$ 29,138	\$ 57,918	\$ 2,025	\$ 2,008	\$ 91,089

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

(C) Income tax effect of non-GAAP adjustments