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**Cadence Design Systems, Inc.**  
**Condensed Consolidated Balance Sheets**  
**September 30, 2017 and December 31, 2016**  
(In thousands)  
(Unaudited)

	<b>September 30, 2017</b>	<b>December 31, 2016</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 678,284	\$ 465,232
Short-term investments	4,135	3,057
Receivables, net	170,312	157,171
Inventories	36,000	39,475
Prepaid expenses and other	42,374	37,099
Total current assets	931,105	702,034
Property, plant and equipment, net of accumulated depreciation of \$648,298 and \$612,961, respectively	244,620	238,607
Goodwill	574,912	572,764
Acquired intangibles, net of accumulated amortization of \$283,632 and \$267,723, respectively	216,177	258,814
Long-term receivables	11,590	12,949
Other assets	326,823	311,740
Total assets	\$ 2,305,227	\$ 2,096,908
<b>Current liabilities:</b>		
Revolving credit facility	\$ -	\$ 50,000
Accounts payable and accrued liabilities	199,672	239,496
Current portion of deferred revenue	320,462	296,066
Total current liabilities	520,134	585,562
<b>Long-term liabilities:</b>		
Long-term portion of deferred revenue	57,865	66,769
Long-term debt	644,146	643,493
Other long-term liabilities	72,342	59,314
Total long-term liabilities	774,353	769,576
Stockholders' equity	1,010,740	741,770
Total liabilities and stockholders' equity	\$ 2,305,227	\$ 2,096,908

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

	October 1, 2016	December 31, 2016	April 1, 2017	July 1, 2017	September 30, 2017
<b>Current assets:</b>					
Cash and cash equivalents	\$ 524,333	\$ 465,232	\$ 544,128	\$ 655,998	\$ 678,284
Short-term investments	8,503	3,057	3,479	3,229	4,135
Receivables, net	152,025	157,171	180,571	153,154	170,312
Inventories	64,476	39,475	30,734	31,894	36,000
Prepaid expenses and other	42,953	37,099	41,092	39,175	42,374
Total current assets	<u>792,290</u>	<u>702,034</u>	<u>800,004</u>	<u>883,450</u>	<u>931,105</u>
Property, plant and equipment, net	240,590	238,607	243,949	249,140	244,620
Goodwill	573,890	572,764	574,545	575,025	574,912
Acquired intangibles, net	273,381	258,814	244,445	229,783	216,177
Long-term receivables	14,961	12,949	13,127	13,340	11,590
Other assets	298,975	311,740	315,128	316,961	326,823
Total assets	<u>\$ 2,194,087</u>	<u>\$ 2,096,908</u>	<u>\$ 2,191,198</u>	<u>\$ 2,267,699</u>	<u>\$ 2,305,227</u>
<b>Current liabilities:</b>					
Revolving credit facility	\$ 50,000	\$ 50,000	\$ 50,000	\$ -	\$ -
Accounts payable and accrued liabilities	192,948	239,496	193,978	222,216	199,672
Current portion of deferred revenue	288,373	296,066	331,848	322,509	320,462
Total current liabilities	<u>531,321</u>	<u>585,562</u>	<u>575,826</u>	<u>544,725</u>	<u>520,134</u>
<b>Long-term liabilities:</b>					
Long-term portion of deferred revenue	36,338	66,769	66,399	60,158	57,865
Long-term debt	643,277	643,493	643,709	643,927	644,146
Other long-term liabilities	56,355	59,314	64,672	67,096	72,342
Total long-term liabilities	<u>735,970</u>	<u>769,576</u>	<u>774,780</u>	<u>771,181</u>	<u>774,353</u>
<b>Stockholders' equity:</b>					
Common stock and capital in excess of par value	1,801,125	1,820,081	1,824,306	1,848,719	1,807,839
Treasury stock, at cost	(963,604)	(1,190,053)	(1,166,599)	(1,156,626)	(1,142,524)
Retained earnings	98,425	136,902	205,161	274,288	355,445
Accumulated other comprehensive loss	(9,150)	(25,160)	(22,276)	(14,588)	(10,020)
Total stockholders' equity	<u>926,796</u>	<u>741,770</u>	<u>840,592</u>	<u>951,793</u>	<u>1,010,740</u>
Total liabilities and stockholders' equity	<u>\$ 2,194,087</u>	<u>\$ 2,096,908</u>	<u>\$ 2,191,198</u>	<u>\$ 2,267,699</u>	<u>\$ 2,305,227</u>

**Cadence Design Systems, Inc.**  
**Condensed Consolidated Income Statements**  
**For the Three and Nine Months Ended September 30, 2017 and October 1, 2016**  
(In thousands, except per share amounts)  
(Unaudited)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30, 2017</b>	<b>October 1, 2016</b>	<b>September 30, 2017</b>	<b>October 1, 2016</b>
Revenue:				
Product and maintenance	\$ 451,229	\$ 415,370	\$ 1,346,483	\$ 1,247,077
Services	34,169	30,850	94,827	100,026
Total revenue	<u>485,398</u>	<u>446,220</u>	<u>1,441,310</u>	<u>1,347,103</u>
Costs and expenses:				
Cost of product and maintenance	34,825	38,740	117,371	125,881
Cost of services	19,657	17,867	59,735	54,563
Marketing and sales	104,263	96,793	311,507	297,103
Research and development	206,568	191,547	600,755	553,824
General and administrative	36,302	30,441	100,892	95,129
Amortization of acquired intangibles	3,453	3,889	11,145	14,206
Restructuring and other charges (credits)	(55)	101	(2,772)	14,613
Total costs and expenses	<u>405,013</u>	<u>379,378</u>	<u>1,198,633</u>	<u>1,155,319</u>
Income from operations	80,385	66,842	242,677	191,784
Interest expense	(6,225)	(6,053)	(18,952)	(17,306)
Other income, net	12,387	2,836	14,370	10,441
Income before provision (benefit) for income taxes	86,547	63,625	238,095	184,919
Provision (benefit) for income taxes	5,390	(1,087)	19,552	20,310
Net income	<u>\$ 81,157</u>	<u>\$ 64,712</u>	<u>\$ 218,543</u>	<u>\$ 164,609</u>
Net income per share - basic	<u>\$ 0.30</u>	<u>\$ 0.23</u>	<u>\$ 0.80</u>	<u>\$ 0.57</u>
Net income per share - diluted	<u>\$ 0.29</u>	<u>\$ 0.23</u>	<u>\$ 0.78</u>	<u>\$ 0.56</u>
Weighted average common shares outstanding - basic	<u>273,156</u>	<u>280,622</u>	<u>271,739</u>	<u>288,476</u>
Weighted average common shares outstanding - diluted	<u>281,400</u>	<u>287,473</u>	<u>279,554</u>	<u>295,369</u>

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

	Three Months Ended				
	October 1, 2016	December 31, 2016	April 1, 2017	July 1, 2017	September 30, 2017
Revenue:					
Product and maintenance	\$ 415,370	\$ 436,694	\$ 451,407	\$ 443,847	\$ 451,229
Services	30,850	32,286	25,504	35,154	34,169
Total revenue	<u>446,220</u>	<u>468,980</u>	<u>476,911</u>	<u>479,001</u>	<u>485,398</u>
Costs and expenses:					
Cost of product and maintenance	38,740	57,410	43,717	38,829	34,825
Cost of services	17,867	18,638	18,075	22,003	19,657
Marketing and sales	96,793	98,091	103,347	103,897	104,263
Research and development	191,547	181,516	198,286	195,901	206,568
General and administrative	30,441	29,977	31,816	32,774	36,302
Amortization of acquired intangibles	3,889	3,889	3,856	3,836	3,453
Restructuring and other charges (credits)	101	26,342	(1,788)	(929)	(55)
Total costs and expenses	<u>379,378</u>	<u>415,863</u>	<u>397,309</u>	<u>396,311</u>	<u>405,013</u>
Income from operations	66,842	53,117	79,602	82,690	80,385
Interest expense	(6,053)	(6,364)	(6,479)	(6,248)	(6,225)
Other income, net	2,836	5,481	1,059	924	12,387
Income before provision (benefit) for income taxes	63,625	52,234	74,182	77,366	86,547
Provision (benefit) for income taxes	(1,087)	13,757	5,923	8,239	5,390
Net income	<u>\$ 64,712</u>	<u>\$ 38,477</u>	<u>\$ 68,259</u>	<u>\$ 69,127</u>	<u>\$ 81,157</u>
Net income per share - basic	<u>\$ 0.23</u>	<u>\$ 0.14</u>	<u>\$ 0.25</u>	<u>\$ 0.25</u>	<u>\$ 0.30</u>
Net income per share - diluted	<u>\$ 0.23</u>	<u>\$ 0.14</u>	<u>\$ 0.25</u>	<u>\$ 0.25</u>	<u>\$ 0.29</u>
Weighted average common shares outstanding - basic	<u>280,622</u>	<u>272,578</u>	<u>270,173</u>	<u>271,887</u>	<u>273,156</u>
Weighted average common shares outstanding - diluted	<u>287,473</u>	<u>278,917</u>	<u>277,736</u>	<u>279,526</u>	<u>281,400</u>

**Cadence Design Systems, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**For the Nine Months Ended September 30, 2017 and October 1, 2016**  
**(In thousands)**  
**(Unaudited)**

	<b>Nine Months Ended</b>	
	<b>September 30, 2017</b>	<b>October 1, 2016</b>
Cash and cash equivalents at beginning of period	\$ 465,232	\$ 616,686
Cash flows from operating activities:		
Net income	218,543	164,609
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	86,605	89,726
Amortization of debt discount and fees	920	792
Stock-based compensation	94,008	79,986
Gain on investments, net	(12,502)	(4,070)
Gain on sale of property, plant and equipment	-	(482)
Deferred income taxes	212	8,657
Other non-cash items	3,763	1,869
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	(8,040)	2,873
Inventories	2,282	(16,339)
Prepaid expenses and other	(4,627)	(12,135)
Other assets	(14,469)	(3,822)
Accounts payable and accrued liabilities	(41,127)	(46,585)
Deferred revenue	14,245	(10,823)
Other long-term liabilities	4,071	(6,239)
Net cash provided by operating activities	<u>343,884</u>	<u>248,017</u>
Cash flows from investing activities:		
Purchases of available-for-sale securities	-	(20,525)
Proceeds from the sale of available-for-sale securities	421	55,418
Proceeds from the maturity of available-for-sale securities	-	52,362
Proceeds from the sale of long-term investments	9,108	2,913
Proceeds from the sale of property, plant and equipment	-	482
Purchases of property, plant and equipment	(39,676)	(42,452)
Cash paid in business combinations and asset acquisitions, net of cash acquired	(550)	(41,627)
Net cash provided by (used for) investing activities	<u>(30,697)</u>	<u>6,571</u>
Cash flows from financing activities:		
Proceeds from term loan	-	300,000
Proceeds from revolving credit facility	50,000	50,000
Payment on revolving credit facility	(100,000)	-
Payment of debt issuance costs	(793)	(622)
Proceeds from issuance of common stock	45,419	50,293
Stock received for payment of employee taxes on vesting of restricted stock	(54,130)	(35,532)
Payments for repurchases of common stock	(50,013)	(720,196)
Net cash used for financing activities	<u>(109,517)</u>	<u>(356,057)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>9,382</u>	<u>9,116</u>
Increase (decrease) in cash and cash equivalents	<u>213,052</u>	<u>(92,353)</u>
Cash and cash equivalents at end of period	<u>\$ 678,284</u>	<u>\$ 524,333</u>

**Cadence Design Systems, Inc.**  
**Trended Condensed Consolidated Statements of Cash Flows**  
**For the Five Quarters Ended September 30, 2017**  
(In thousands)  
(Unaudited)

	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
Cash and cash equivalents at beginning of period	\$ 669,573	\$ 524,333	\$ 465,232	\$ 544,128	\$ 655,998
Cash flows from operating activities:					
Net income	64,712	38,477	68,259	69,127	81,157
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	26,967	29,862	28,894	29,410	28,301
Amortization of debt discount and fees	265	277	350	283	287
Stock-based compensation	29,998	29,231	27,436	30,482	36,090
Gain on investments, net	(805)	(655)	(1,228)	(855)	(10,419)
Gain on sale of property, plant and equipment	(482)	(441)	-	-	-
Deferred income taxes	(1,595)	(13,526)	1,990	2,823	(4,601)
Other non-cash items	1,119	2,158	1,359	798	1,606
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	6,405	(6,172)	(22,475)	28,817	(14,382)
Inventories	(6,043)	21,273	6,000	(3,465)	(253)
Prepaid expenses and other	(3,445)	5,232	(3,777)	2,220	(3,070)
Other assets	4,887	(2,744)	(3,657)	(5,133)	(5,679)
Accounts payable and accrued liabilities	(32,573)	49,240	(46,159)	24,164	(19,132)
Deferred revenue	(3,411)	41,565	34,325	(15,592)	(4,488)
Other long-term liabilities	(1,539)	3,085	1,113	(939)	3,897
Net cash provided by operating activities	<u>84,460</u>	<u>196,862</u>	<u>92,430</u>	<u>162,140</u>	<u>89,314</u>
Cash flows from investing activities:					
Proceeds from the sale of available-for-sale securities	250	201	107	82	232
Proceeds from the maturity of available-for-sale securities	26,247	5,400	-	-	-
Proceeds from the sale of long-term investments	330	4	-	-	9,108
Proceeds from the sale of property, plant and equipment	482	441	-	-	-
Purchases of property, plant and equipment	(14,165)	(11,260)	(14,843)	(12,645)	(12,188)
Cash paid in business combinations and asset acquisitions, net of cash acquired	-	-	-	-	(550)
Net cash provided by (used for) investing activities	<u>13,144</u>	<u>(5,214)</u>	<u>(14,736)</u>	<u>(12,563)</u>	<u>(3,398)</u>
Cash flows from financing activities:					
Proceeds from revolving credit facility	-	65,000	50,000	-	-
Payment on revolving credit facility	-	(65,000)	(50,000)	(50,000)	-
Payment of debt issuance costs	-	-	(793)	-	-
Proceeds from issuance of common stock	13,997	5,147	22,715	7,252	15,452
Stock received for payment of employee taxes on vesting of restricted stock	(18,042)	(1,694)	(22,470)	(3,349)	(28,311)
Payments for repurchases of common stock	(240,096)	(240,093)	-	-	(50,013)
Net cash used for financing activities	<u>(244,141)</u>	<u>(236,640)</u>	<u>(548)</u>	<u>(46,097)</u>	<u>(62,872)</u>
Effect of exchange rate changes on cash and cash equivalents	1,297	(14,109)	1,750	8,390	(758)
Increase (decrease) in cash and cash equivalents	<u>(145,240)</u>	<u>(59,101)</u>	<u>78,896</u>	<u>111,870</u>	<u>22,286</u>
Cash and cash equivalents at end of period	<u>\$ 524,333</u>	<u>\$ 465,232</u>	<u>\$ 544,128</u>	<u>\$ 655,998</u>	<u>\$ 678,284</u>

**Cadence Design Systems, Inc.**  
**(Unaudited)**

**Revenue Mix by Geography (% of Total Revenue)**

<u><b>GEOGRAPHY</b></u>	<b>2016</b>					<b>2017</b>		
	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Year</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>
Americas	49%	47%	46%	48%	<b>48%</b>	45%	45%	45%
Asia	22%	24%	27%	25%	<b>24%</b>	26%	28%	27%
Europe, Middle East and Africa	19%	20%	19%	19%	<b>19%</b>	20%	19%	19%
Japan	10%	9%	8%	8%	<b>9%</b>	9%	8%	9%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Revenue Mix by Product Group (% of Total Revenue)**

<u><b>PRODUCT GROUP</b></u>	<b>2016</b>					<b>2017</b>		
	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Year</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>
Functional Verification, including Emulation and Prototyping Hardware	26%	27%	24%	25%	<b>25%</b>	23%	23%	21%
Digital IC Design and Signoff	30%	27%	28%	30%	<b>29%</b>	29%	30%	30%
Custom IC Design	25%	26%	27%	25%	<b>25%</b>	26%	26%	28%
System Interconnect and Analysis	9%	10%	10%	9%	<b>10%</b>	10%	10%	10%
IP	10%	10%	11%	11%	<b>11%</b>	12%	11%	11%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



**Cadence Design Systems, Inc.**  
**As of October 26, 2017**  
**Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share**  
**(Unaudited)**

	<u>Three Months Ending</u> <u>December 30, 2017</u> <u>Forecast</u>	<u>Year Ending</u> <u>December 30, 2017</u> <u>Forecast</u>
Diluted net income per share on a GAAP basis	<b>\$0.26 to \$0.28</b>	<b>\$1.04 to \$1.06</b>
Amortization of acquired intangibles	0.05	0.20
Stock-based compensation expense	0.13	0.46
Non-qualified deferred compensation expenses	-	0.02
Restructuring and other charges (credits)	-	(0.01)
Acquisition and integration-related costs	-	0.01
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	(0.05)
Income tax effect of non-GAAP adjustments	(0.06)	(0.28)
Diluted net income per share on a non-GAAP basis†	<u>\$0.38 to \$0.40</u>	<u>\$1.39 to \$1.41</u>

**Cadence Design Systems, Inc.**  
**As of October 26, 2017**  
**Impact of Non-GAAP Adjustments on Forward Looking Net Income**  
**(Unaudited)**

(\$ in millions)	<u>Three Months Ending</u> <u>December 30, 2017</u> <u>Forecast</u>	<u>Year Ending</u> <u>December 30, 2017</u> <u>Forecast</u>
Net income on a GAAP basis	<b>\$74 to \$80</b>	<b>\$292 to \$298</b>
Amortization of acquired intangibles	14	56
Stock-based compensation expense	35	129
Non-qualified deferred compensation expenses	-	5
Restructuring and other charges (credits)	-	(3)
Acquisition and integration-related costs	1	4
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	(14)
Income tax effect of non-GAAP adjustments	(16)	(80)
Net income on a non-GAAP basis†	<u>\$108 to \$114</u>	<u>\$389 to \$395</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 third quarter of 2017 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 sale of 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 and Nine Months Ended September 30, 2017 and October 1, 2016**  
**(Unaudited)**

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Net income on a GAAP basis	\$ 81,157	\$ 64,712	\$ 218,543	\$ 164,609
Amortization of acquired intangibles*	13,618	14,482	42,756	46,008
Stock-based compensation expense**	36,090	29,998	94,008	79,986
Non-qualified deferred compensation expenses ***	2,825	921	4,850	1,197
Restructuring and other charges (credits)	(55)	101	(2,772)	14,613
Acquisition and integration-related costs****	748	1,841	2,756	9,835
Other income or expense related to investments and non-qualified deferred compensation plan assets †	(12,242)	(806)	(14,325)	(4,017)
Income tax effect of non-GAAP adjustments	(23,942)	(26,424)	(64,482)	(56,175)
Net income on a non-GAAP basis +	\$ 98,199	\$ 84,825	\$ 281,334	\$ 256,056

+ 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 third quarter of 2017 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 sale of 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		Nine Months Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Cost of product and maintenance	\$ 10,165	\$ 10,593	\$ 31,611	\$ 31,802
Amortization of acquired intangibles	3,453	3,889	11,145	14,206
Total amortization of acquired intangibles	\$ 13,618	\$ 14,482	\$ 42,756	\$ 46,008

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

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Cost of product and maintenance	\$ 612	\$ 550	\$ 1,632	\$ 1,461
Cost of services	895	807	2,373	2,141
Marketing and sales	7,422	6,040	19,667	16,881
Research and development	21,792	18,002	55,288	46,376
General and administrative	5,369	4,599	15,048	13,127
Total stock-based compensation expense	\$ 36,090	\$ 29,998	\$ 94,008	\$ 79,986

\*\*\* 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		Nine Months Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Cost of product and maintenance	\$ 42	\$ 5	\$ 55	\$ 5
Cost of services	61	7	80	7
Marketing and sales	311	64	438	76
Research and development	809	623	2,173	890
General and administrative	1,602	222	2,104	219
Total non-qualified deferred compensation expenses	\$ 2,825	\$ 921	\$ 4,850	\$ 1,197

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

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Marketing and sales	\$ -	\$ 43	\$ 168	\$ 262
Research and development	542	1,510	2,382	3,238
General and administrative	206	288	206	6,335
Total acquisition and integration-related costs	\$ 748	\$ 1,841	\$ 2,756	\$ 9,835

**Cadence Design Systems, Inc.**  
**Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share**  
**For the Three and Nine Months Ended September 30, 2017 and October 1, 2016**  
**(Unaudited)**

(In thousands, except per share data)	Three Months Ended		Nine Months Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Diluted net income per share on a GAAP basis	\$ 0.29	\$ 0.23	\$ 0.78	\$ 0.56
Amortization of acquired intangibles	0.05	0.05	0.15	0.16
Stock-based compensation expense	0.13	0.10	0.34	0.27
Non-qualified deferred compensation expenses	0.01	-	0.02	-
Restructuring and other charges (credits)	-	-	(0.01)	0.05
Acquisition and integration-related costs	-	0.01	0.01	0.03
Other income or expense related to investments and non-qualified deferred compensation plan assets *	(0.04)	-	(0.05)	(0.01)
Income tax effect of non-GAAP adjustments	(0.09)	(0.09)	(0.23)	(0.19)
Diluted net income per share on a non-GAAP basis +	\$ 0.35	\$ 0.30	\$ 1.01	\$ 0.87
Shares used in calculation of diluted net income per share - GAAP **	281,400	287,473	279,554	295,369
Shares used in calculation of diluted net income per share - non-GAAP **	281,400	287,473	279,554	295,369

+ **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 third quarter of 2017 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 sale of 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.**  
**Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures**  
**For the Three Months Ended September 30, 2017**  
(In thousands)  
(Unaudited)

	Three Months Ended September 30, 2017		
	GAAP	Adjustments	Non-GAAP*
<b>Revenue:</b>			
Product and maintenance	\$ 451,229	\$ -	\$ 451,229
Services	34,169	-	34,169
<b>Total revenue</b>	<b>485,398</b>	<b>-</b>	<b>485,398</b>
<b>Costs and expenses:</b>			
Cost of product and maintenance	34,825	(10,819) (A)	24,006
Cost of services	19,657	(956) (A)	18,701
Marketing and sales	104,263	(7,733) (A)	96,530
Research and development	206,568	(23,143) (A)	183,425
General and administrative	36,302	(7,177) (A)	29,125
Amortization of acquired intangibles	3,453	(3,453) (A)	-
Restructuring and other charges (credits)	(55)	55	-
<b>Total costs and expenses</b>	<b>405,013</b>	<b>(53,226)</b>	<b>351,787</b>
<b>Income from operations</b>	<b>80,385</b>	<b>53,226</b>	<b>133,611</b>
Interest expense	(6,225)	-	(6,225)
Other income, net	12,387	(12,242) (B)	145
<b>Income before provision for income taxes</b>	<b>86,547</b>	<b>40,984</b>	<b>127,531</b>
Provision for income taxes	5,390	23,942 (C)	29,332
<b>Net income</b>	<b>\$ 81,157</b>	<b>\$ 17,042</b>	<b>\$ 98,199</b>

\* 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 third quarter of 2017 for a further discussion of its non-GAAP financial measures.

Notes:

(A) For the three months ended September 30, 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	\$ 10,165	\$ 612	\$ 42	\$ -	\$ 10,819
Cost of services	-	895	61	-	956
Marketing and sales	-	7,422	311	-	7,733
Research and development	-	21,792	809	542	23,143
General and administrative	-	5,369	1,602	206	7,177
Amortization of acquired intangibles	3,453	-	-	-	3,453
<b>Total</b>	<b>\$ 13,618</b>	<b>\$ 36,090</b>	<b>\$ 2,825</b>	<b>\$ 748</b>	<b>\$ 53,281</b>

(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 October 1, 2016**  
(In thousands)  
(Unaudited)

	Three Months Ended October 1, 2016		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 415,370	\$ -	\$ 415,370
Services	<u>30,850</u>	<u>-</u>	<u>30,850</u>
Total revenue	<u>446,220</u>	<u>-</u>	<u>446,220</u>
Costs and expenses:			
Cost of product and maintenance	38,740	(11,148) (A)	27,592
Cost of services	17,867	(814) (A)	17,053
Marketing and sales	96,793	(6,147) (A)	90,646
Research and development	191,547	(20,135) (A)	171,412
General and administrative	30,441	(5,109) (A)	25,332
Amortization of acquired intangibles	3,889	(3,889) (A)	-
Restructuring and other charges	<u>101</u>	<u>(101)</u>	<u>-</u>
Total costs and expenses	<u>379,378</u>	<u>(47,343)</u>	<u>332,035</u>
Income from operations	66,842	47,343	114,185
Interest expense	(6,053)	-	(6,053)
Other income, net	<u>2,836</u>	<u>(806) (B)</u>	<u>2,030</u>
Income before provision (benefit) for income taxes	63,625	46,537	110,162
Provision (benefit) for income taxes	<u>(1,087)</u>	<u>26,424 (C)</u>	<u>25,337</u>
Net income	<u>\$ 64,712</u>	<u>\$ 20,113</u>	<u>\$ 84,825</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 third quarter of 2017 for a further discussion of its non-GAAP financial measures.

Notes:

(A) For the three months ended October 1, 2016, 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	\$ 10,593	\$ 550	\$ 5	\$ -	\$ 11,148
Cost of services	-	807	7	-	814
Marketing and sales	-	6,040	64	43	6,147
Research and development	-	18,002	623	1,510	20,135
General and administrative	-	4,599	222	288	5,109
Amortization of acquired intangibles	3,889	-	-	-	3,889
Total	<u>\$ 14,482</u>	<u>\$ 29,998</u>	<u>\$ 921</u>	<u>\$ 1,841</u>	<u>\$ 47,242</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 Nine Months Ended September 30, 2017**  
(In thousands)  
(Unaudited)

	Nine Months Ended September 30, 2017		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 1,346,483	\$ -	\$ 1,346,483
Services	94,827	-	94,827
Total revenue	<u>1,441,310</u>	<u>-</u>	<u>1,441,310</u>
Costs and expenses:			
Cost of product and maintenance	117,371	(33,298) (A)	84,073
Cost of services	59,735	(2,453) (A)	57,282
Marketing and sales	311,507	(20,273) (A)	291,234
Research and development	600,755	(59,843) (A)	540,912
General and administrative	100,892	(17,358) (A)	83,534
Amortization of acquired intangibles	11,145	(11,145) (A)	-
Restructuring and other charges (credits)	(2,772)	2,772	-
Total costs and expenses	<u>1,198,633</u>	<u>(141,598)</u>	<u>1,057,035</u>
Income from operations	242,677	141,598	384,275
Interest expense	(18,952)	-	(18,952)
Other income, net	14,370	(14,325) (B)	45
Income before provision for income taxes	238,095	127,273	365,368
Provision for income taxes	19,552	64,482 (C)	84,034
Net income	<u>\$ 218,543</u>	<u>\$ 62,791</u>	<u>\$ 281,334</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 third quarter of 2017 for a further discussion of its non-GAAP financial measures.

Notes:

(A) For the nine months ended September 30, 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	\$ 31,611	\$ 1,632	\$ 55	\$ -	\$ 33,298
Cost of services	-	2,373	80	-	2,453
Marketing and sales	-	19,667	438	168	20,273
Research and development	-	55,288	2,173	2,382	59,843
General and administrative	-	15,048	2,104	206	17,358
Amortization of acquired intangibles	11,145	-	-	-	11,145
Total	<u>\$ 42,756</u>	<u>\$ 94,008</u>	<u>\$ 4,850</u>	<u>\$ 2,756</u>	<u>\$ 144,370</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 Nine Months Ended October 1, 2016**  
(In thousands)  
(Unaudited)

	Nine Months Ended October 1, 2016		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 1,247,077	\$ -	\$ 1,247,077
Services	100,026	-	100,026
Total revenue	<u>1,347,103</u>	<u>-</u>	<u>1,347,103</u>
Costs and expenses:			
Cost of product and maintenance	125,881	(33,268) (A)	92,613
Cost of services	54,563	(2,148) (A)	52,415
Marketing and sales	297,103	(17,219) (A)	279,884
Research and development	553,824	(50,504) (A)	503,320
General and administrative	95,129	(19,681) (A)	75,448
Amortization of acquired intangibles	14,206	(14,206) (A)	-
Restructuring and other charges	14,613	(14,613)	-
Total costs and expenses	<u>1,155,319</u>	<u>(151,639)</u>	<u>1,003,680</u>
Income from operations	191,784	151,639	343,423
Interest expense	(17,306)	-	(17,306)
Other income, net	10,441	(4,017) (B)	6,424
Income before provision for income taxes	184,919	147,622	332,541
Provision for income taxes	20,310	56,175 (C)	76,485
Net income	<u>\$ 164,609</u>	<u>\$ 91,447</u>	<u>\$ 256,056</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 third quarter of 2017 for a further discussion of its non-GAAP financial measures.

Notes:

(A) For the nine months ended October 1, 2016, 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	\$ 31,802	\$ 1,461	\$ 5	\$ -	\$ 33,268
Cost of services	-	2,141	7	-	2,148
Marketing and sales	-	16,881	76	262	17,219
Research and development	-	46,376	890	3,238	50,504
General and administrative	-	13,127	219	6,335	19,681
Amortization of acquired intangibles	14,206	-	-	-	14,206
Total	<u>\$ 46,008</u>	<u>\$ 79,986</u>	<u>\$ 1,197</u>	<u>\$ 9,835</u>	<u>\$ 137,026</u>

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

(C) Income tax effect of non-GAAP adjustments