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Cadence Design Systems, Inc.
Condensed Consolidated Balance Sheets
December 29, 2018 and December 30, 2017
(In thousands)
(Unaudited)

	December 29, 2018	December 30, 2017
Current assets:		
Cash and cash equivalents	\$ 533,298	\$ 688,087
Receivables, net of allowances of \$3,936 and \$0, respectively	297,082	190,426
Inventories	28,162	33,209
Prepaid expenses and other	92,550	68,266
Total current assets	951,092	979,988
Property, plant and equipment, net of accumulated depreciation of \$698,493 and \$658,377, respectively	252,630	251,342
Goodwill	662,272	666,009
Acquired intangibles, net of accumulated amortization of \$333,687 and \$297,456, respectively	225,457	278,835
Long-term receivables	5,972	12,239
Other assets	371,231	230,301
Total assets	\$ 2,468,654	\$ 2,418,714
Current liabilities:		
Revolving credit facility	\$ 100,000	\$ 85,000
Accounts payable and accrued liabilities	256,526	221,101
Current portion of deferred revenue	352,456	336,297
Total current liabilities	708,982	642,398
Long-term liabilities:		
Long-term portion of deferred revenue	48,718	61,513
Long-term debt	345,291	644,369
Other long-term liabilities	77,262	81,232
Total long-term liabilities	471,271	787,114
Stockholders' equity	1,288,401	989,202
Total liabilities and stockholders' equity	\$ 2,468,654	\$ 2,418,714

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

	December 30, 2017	March 31, 2018	June 30, 2018	September 29, 2018	December 29, 2018
Current assets:					
Cash and cash equivalents	\$ 688,087	\$ 746,968	\$ 819,540	\$ 544,585	\$ 533,298
Receivables, net	190,426	225,822	219,072	240,836	297,082
Inventories	33,209	30,090	28,558	30,535	28,162
Prepaid expenses and other	68,266	67,063	61,884	72,425	92,550
Total current assets	979,988	1,069,943	1,129,054	888,381	951,092
Property, plant and equipment, net	251,342	249,810	252,193	248,165	252,630
Goodwill	666,009	665,615	663,320	661,341	662,272
Acquired intangibles, net	278,835	264,927	251,385	238,385	225,457
Long-term receivables	12,239	9,380	4,740	4,395	5,972
Other assets	230,301	226,998	227,173	232,540	371,231
Total assets	\$ 2,418,714	\$ 2,486,673	\$ 2,527,865	\$ 2,273,207	\$ 2,468,654
Current liabilities:					
Revolving credit facility	\$ 85,000	\$ 45,000	\$ -	\$ -	\$ 100,000
Current portion of long-term debt	-	299,826	299,879	-	-
Accounts payable and accrued liabilities	221,101	210,784	243,158	212,153	256,526
Current portion of deferred revenue	336,297	310,639	327,078	329,168	352,456
Total current liabilities	642,398	866,249	870,115	541,321	708,982
Long-term liabilities:					
Long-term portion of deferred revenue	61,513	56,276	46,912	49,343	48,718
Long-term debt	644,369	344,766	344,939	345,113	345,291
Other long-term liabilities	81,232	77,084	77,911	80,013	77,262
Total long-term liabilities	787,114	478,126	469,762	474,469	471,271
Stockholders' equity:					
Common stock and capital in excess of par value	1,829,950	1,858,692	1,861,135	1,897,749	1,936,124
Treasury stock, at cost	(1,178,121)	(1,222,151)	(1,234,941)	(1,292,265)	(1,395,652)
Retained earnings	341,003	499,817	574,966	674,284	772,709
Accumulated other comprehensive income (loss)	(3,630)	5,940	(13,172)	(22,351)	(24,780)
Total stockholders' equity	989,202	1,142,298	1,187,988	1,257,417	1,288,401
Total liabilities and stockholders' equity	\$ 2,418,714	\$ 2,486,673	\$ 2,527,865	\$ 2,273,207	\$ 2,468,654

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Operations
For the Three Months and Years Ended December 29, 2018 and December 30, 2017
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Years Ended	
	December 29, 2018	December 30, 2017	December 29, 2018	December 30, 2017
Revenue:				
Product and maintenance	\$ 534,418	\$ 467,504	\$ 1,997,887	\$ 1,813,987
Services	35,432	34,218	140,135	129,045
Total revenue	569,850	501,722	2,138,022	1,943,032
Costs and expenses:				
Cost of product and maintenance	54,748	39,305	173,011	156,676
Cost of services	21,376	20,979	85,736	80,714
Marketing and sales	112,613	107,654	439,669	419,161
Research and development	218,271	203,468	884,816	804,223
General and administrative	31,985	33,289	133,406	134,181
Amortization of acquired intangibles	3,468	3,571	14,086	14,716
Restructuring and other charges	13,699	12,178	11,089	9,406
Total costs and expenses	456,160	420,444	1,741,813	1,619,077
Income from operations	113,690	81,278	396,209	323,955
Interest expense	(4,318)	(6,712)	(23,139)	(25,664)
Other income (expense), net	(735)	2,385	3,320	16,755
Income before provision for income taxes	108,637	76,951	376,390	315,046
Provision for income taxes	10,212	91,393	30,613	110,945
Net income (loss)	\$ 98,425	\$ (14,442)	\$ 345,777	\$ 204,101
Net income (loss) per share - basic	<u>\$ 0.36</u>	<u>\$ (0.05)</u>	<u>\$ 1.26</u>	<u>\$ 0.75</u>
Net income (loss) per share - diluted	<u>\$ 0.35</u>	<u>\$ (0.05)</u>	<u>\$ 1.23</u>	<u>\$ 0.73</u>
Weighted average common shares outstanding - basic	<u>273,680</u>	<u>273,157</u>	<u>273,729</u>	<u>272,097</u>
Weighted average common shares outstanding - diluted	<u>280,321</u>	<u>273,157</u>	<u>281,144</u>	<u>280,221</u>

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

	Three Months Ended				
	December 30, 2017	March 31, 2018	June 30, 2018	September 29, 2018	December 29, 2018
Revenue:					
Product and maintenance	\$ 467,504	\$ 480,609	\$ 487,870	\$ 494,990	\$ 534,418
Services	34,218	36,704	30,521	37,478	35,432
Total revenue	<u>501,722</u>	<u>517,313</u>	<u>518,391</u>	<u>532,468</u>	<u>569,850</u>
Costs and expenses:					
Cost of product and maintenance	39,305	41,730	40,127	36,406	54,748
Cost of services	20,979	21,479	18,833	24,048	21,376
Marketing and sales	107,654	109,148	109,300	108,608	112,613
Research and development	203,468	224,185	219,129	223,231	218,271
General and administrative	33,289	33,299	34,875	33,247	31,985
Amortization of acquired intangibles	3,571	3,630	3,518	3,470	3,468
Restructuring and other charges (credits)	12,178	(1,991)	(447)	(172)	13,699
Total costs and expenses	<u>420,444</u>	<u>431,480</u>	<u>425,335</u>	<u>428,838</u>	<u>456,160</u>
Income from operations	81,278	85,833	93,056	103,630	113,690
Interest expense	(6,712)	(6,975)	(6,669)	(5,177)	(4,318)
Other income (expense), net	2,385	(689)	3,638	1,106	(735)
Income before provision for income taxes	76,951	78,169	90,025	99,559	108,637
Provision for income taxes	91,393	5,284	14,876	241	10,212
Net income (loss)	<u>\$ (14,442)</u>	<u>\$ 72,885</u>	<u>\$ 75,149</u>	<u>\$ 99,318</u>	<u>\$ 98,425</u>
Net income (loss) per share - basic	<u>\$ (0.05)</u>	<u>\$ 0.27</u>	<u>\$ 0.27</u>	<u>\$ 0.36</u>	<u>\$ 0.36</u>
Net income (loss) per share - diluted	<u>\$ (0.05)</u>	<u>\$ 0.26</u>	<u>\$ 0.27</u>	<u>\$ 0.35</u>	<u>\$ 0.35</u>
Weighted average common shares outstanding - basic	<u>273,157</u>	<u>273,773</u>	<u>273,564</u>	<u>273,716</u>	<u>273,680</u>
Weighted average common shares outstanding - diluted	<u>273,157</u>	<u>281,651</u>	<u>280,774</u>	<u>281,646</u>	<u>280,321</u>

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Years Ended December 29, 2018 and December 30, 2017
(In thousands)
(Unaudited)

	Years Ended	
	December 29, 2018	December 30, 2017
Cash and cash equivalents at beginning of year	\$ 688,087	\$ 465,232
Cash flows from operating activities:		
Net income	345,777	204,101
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	118,721	115,524
Amortization of debt discount and fees	1,196	1,211
Stock-based compensation	167,715	130,023
Gain on investments, net	(1,261)	(13,869)
Deferred income taxes	(11,676)	79,934
Provisions for losses on receivables	5,102	2,623
Other non-cash items	1,136	5,068
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	(87,083)	(31,032)
Inventories	752	5,034
Prepaid expenses and other	(19,622)	(25,793)
Other assets	(16,077)	(22,336)
Accounts payable and accrued liabilities	1,553	(25,987)
Deferred revenue	100,696	33,614
Other long-term liabilities	(2,178)	12,625
Net cash provided by operating activities	<u>604,751</u>	<u>470,740</u>
Cash flows from investing activities:		
Proceeds from the sale of available-for-sale securities	-	833
Purchases of non-marketable investments	(115,839)	-
Proceeds from the sale of non-marketable investments	3,497	9,108
Purchases of property, plant and equipment	(61,503)	(57,901)
Cash paid in business combinations and asset acquisitions, net of cash acquired	-	(143,249)
Net cash used for investing activities	<u>(173,845)</u>	<u>(191,209)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility	100,000	135,000
Payment on revolving credit facility	(85,000)	(100,000)
Principal payments on term loan	(300,000)	-
Payment of debt issuance costs	-	(793)
Proceeds from issuance of common stock	40,908	48,965
Stock received for payment of employee taxes on vesting of restricted stock	(69,921)	(57,161)
Payments for repurchases of common stock	(250,059)	(100,025)
Change in book overdraft	(3,867)	3,867
Net cash used for financing activities	<u>(567,939)</u>	<u>(70,147)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(17,756)</u>	<u>13,471</u>
Increase (decrease) in cash and cash equivalents	<u>(154,789)</u>	<u>222,855</u>
Cash and cash equivalents at end of year	<u>\$ 533,298</u>	<u>\$ 688,087</u>

Cadence Design Systems, Inc.
Trended Condensed Consolidated Statements of Cash Flows
For the Five Quarters Ended December 29, 2018
(In thousands)
(Unaudited)

	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Cash and cash equivalents at beginning of period	\$ 678,284	\$ 688,087	\$ 746,968	\$ 819,540	\$ 544,585
Cash flows from operating activities:					
Net income (loss)	(14,442)	72,885	75,149	99,318	98,425
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	28,919	29,389	29,893	29,721	29,718
Amortization of debt discount and fees	291	292	294	364	246
Stock-based compensation	36,015	37,901	40,956	46,264	42,594
Loss (Gain) on investments, net	(1,367)	(1,123)	(1,013)	(481)	1,356
Deferred income taxes	79,722	1,363	301	(4,885)	(8,455)
Provisions for losses on receivables	1,124	666	349	3,775	312
Other non-cash items	1,305	(43)	505	1,127	(453)
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	(21,493)	(10,988)	8,382	(25,865)	(58,612)
Inventories	2,752	2,105	(173)	(3,387)	2,207
Prepaid expenses and other	(21,166)	8,392	4,902	(11,276)	(21,640)
Other assets	(7,867)	8,152	(2,530)	(2,051)	(19,648)
Accounts payable and accrued liabilities	15,140	(46,956)	35,124	(29,886)	43,271
Deferred revenue	19,369	59,854	11,813	5,703	23,326
Other long-term liabilities	8,554	(4,242)	1,314	1,513	(763)
Net cash provided by operating activities	<u>126,856</u>	<u>157,647</u>	<u>205,266</u>	<u>109,954</u>	<u>131,884</u>
Cash flows from investing activities:					
Proceeds from the sale of available-for-sale securities	412	-	-	-	-
Purchases of non-marketable investments	-	-	-	-	(115,839)
Proceeds from the sale of non-marketable investments	-	-	-	-	3,497
Purchases of property, plant and equipment	(18,225)	(13,128)	(17,977)	(10,656)	(19,742)
Cash paid in business combinations and asset acquisitions, net of cash acquired	(142,699)	-	-	-	-
Net cash used for investing activities	<u>(160,512)</u>	<u>(13,128)</u>	<u>(17,977)</u>	<u>(10,656)</u>	<u>(132,084)</u>
Cash flows from financing activities:					
Proceeds from revolving credit facility	85,000	-	-	-	100,000
Payment on revolving credit facility	-	(40,000)	(45,000)	-	-
Principal payments on term loan	-	-	-	(300,000)	-
Proceeds from issuance of common stock	3,546	23,339	2,317	12,534	2,718
Stock received for payment of employee taxes on vesting of restricted stock	(3,031)	(26,515)	(3,610)	(29,494)	(10,302)
Payments for repurchases of common stock	(50,012)	(50,013)	(50,012)	(50,011)	(100,023)
Change in book overdraft	3,867	(3,867)	-	-	-
Net cash provided by (used for) financing activities	<u>39,370</u>	<u>(97,056)</u>	<u>(96,305)</u>	<u>(366,971)</u>	<u>(7,607)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>4,089</u>	<u>11,418</u>	<u>(18,412)</u>	<u>(7,282)</u>	<u>(3,480)</u>
Increase (decrease) in cash and cash equivalents	<u>9,803</u>	<u>58,881</u>	<u>72,572</u>	<u>(274,955)</u>	<u>(11,287)</u>
Cash and cash equivalents at end of period	<u>\$ 688,087</u>	<u>\$ 746,968</u>	<u>\$ 819,540</u>	<u>\$ 544,585</u>	<u>\$ 533,298</u>

Cadence Design Systems, Inc.
(Unaudited)

Revenue Mix by Geography (% of Total Revenue)

GEOGRAPHY	ASC 605 2017					ASC 605 2018					ASC 606 2018				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Americas	45%	45%	45%	44%	44%	45%	45%	43%	46%	44%	45%	46%	44%	44%	45%
Asia	26%	28%	27%	28%	27%	26%	26%	30%	29%	28%	27%	26%	29%	31%	28%
Europe, Middle East and Africa	20%	19%	19%	20%	20%	21%	21%	19%	17%	20%	20%	20%	19%	17%	19%
Japan	9%	8%	9%	8%	9%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Revenue Mix by Product Group (% of Total Revenue)

PRODUCT GROUP	ASC 605 2017					ASC 605 2018					ASC 606 2018				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Functional Verification, including Emulation and Prototyping Hardware	23%	23%	21%	23%	22%	26%	23%	21%	26%	24%	26%	23%	22%	25%	24%
Digital IC Design and Signoff	29%	30%	30%	29%	29%	29%	29%	30%	27%	29%	30%	30%	30%	28%	29%
Custom IC Design and Simulation	26%	26%	28%	26%	27%	26%	26%	27%	24%	26%	26%	26%	26%	25%	26%
System Interconnect and Analysis	10%	10%	10%	10%	10%	9%	10%	10%	9%	9%	9%	9%	9%	9%	9%
IP	12%	11%	11%	12%	12%	10%	12%	12%	14%	12%	9%	12%	13%	13%	12%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Cadence Design Systems, Inc.
As of February 19, 2019
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share
(Unaudited)

	Three Months Ending March 30, 2019 Forecast	Year Ending December 28, 2019 Forecast
Diluted net income per share on a GAAP basis	\$0.36 to \$0.38	\$1.33 to \$1.43
Amortization of acquired intangibles	0.05	0.19
Stock-based compensation expense	0.15	0.65
Acquisition and integration-related costs	0.01	0.03
Income tax effect of non-GAAP adjustments	(0.09)	(0.23)
Diluted net income per share on a non-GAAP basis†	<u><u>\$0.48 to \$0.50</u></u>	<u><u>\$1.97 to \$2.07</u></u>

Cadence Design Systems, Inc.
As of February 19, 2019
Impact of Non-GAAP Adjustments on Forward Looking Net Income
(Unaudited)

(\$ in millions)	Three Months Ending March 30, 2019 Forecast	Year Ending December 28, 2019 Forecast
Net income on a GAAP basis	\$101 to \$107	\$371 to \$399
Amortization of acquired intangibles	13	53
Stock-based compensation expense	42	182
Acquisition and integration-related costs	3	8
Income tax effect of non-GAAP adjustments	(24)	(63)
Net income on a non-GAAP basis†	<u><u>\$135 to \$141</u></u>	<u><u>\$551 to \$579</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 fourth quarter and fiscal year 2018 for a further discussion of its non-GAAP measures.

Cadence Design Systems, Inc.
Reconciliation of GAAP Net Income (Loss) to Non-GAAP Net Income
For the Three Months and Years Ended December 29, 2018 and December 30, 2017
(Unaudited)

(In thousands)	Three Months Ended			Years Ended		
	ASC 606	ASC 605	ASC 605	ASC 606	ASC 605	ASC 605
	December 29, 2018	December 29, 2018	December 30, 2017	December 29, 2018	December 29, 2018	December 30, 2017
Net income (loss) on a GAAP basis	\$ 98,425	\$ 100,032	\$ (14,442)	\$ 345,777	\$ 351,297	\$ 204,101
Amortization of acquired intangibles*	12,942	12,942	13,741	53,333	53,333	56,497
Stock-based compensation expense**	42,594	42,594	36,015	167,715	167,715	130,023
Non-qualified deferred compensation expenses (credits) ***	(3,186)	(3,186)	1,295	(1,471)	(1,471)	6,145
Restructuring and other charges	13,699	13,699	12,178	11,089	11,089	9,406
Acquisition and integration-related costs (credits) ****	(1,360)	(1,360)	5,712	19,858	19,858	8,468
Other income or expense related to investments and non-qualified deferred compensation plan assets †	1,356	1,356	(1,368)	(1,278)	(1,278)	(15,693)
Income tax related to transition tax	-	-	67,188	-	-	67,188
Income tax related to tax rate change	-	-	25,292	-	-	25,292
Income tax effect of non-GAAP adjustments	(17,737)	(21,962)	(34,328)	(69,489)	(72,358)	(98,810)
Net income on a non-GAAP basis +	\$ 146,733	\$ 144,115	\$ 111,283	\$ 525,534	\$ 528,185	\$ 392,617

+ 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 fourth quarter and fiscal year 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 Statements of Operations as follows:

(In thousands)	Three Months Ended			Years Ended		
	ASC 606	ASC 605	ASC 605	ASC 606	ASC 605	ASC 605
	December 29, 2018	December 29, 2018	December 30, 2017	December 29, 2018	December 29, 2018	December 30, 2017
Cost of product and maintenance	\$ 9,474	\$ 9,474	\$ 10,170	\$ 39,247	\$ 39,247	\$ 41,781
Amortization of acquired intangibles	3,468	3,468	3,571	14,086	14,086	14,716
Total amortization of acquired intangibles	\$ 12,942	\$ 12,942	\$ 13,741	\$ 53,333	\$ 53,333	\$ 56,497

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

(In thousands)	Three Months Ended			Years Ended		
	ASC 606	ASC 605	ASC 605	ASC 606	ASC 605	ASC 605
	December 29, 2018	December 29, 2018	December 30, 2017	December 29, 2018	December 29, 2018	December 30, 2017
Cost of product and maintenance	\$ 699	\$ 699	\$ 586	\$ 2,631	\$ 2,631	\$ 2,218
Cost of services	889	889	859	3,714	3,714	3,232
Marketing and sales	9,255	9,255	7,171	34,665	34,665	26,838
Research and development	27,350	27,350	21,934	104,353	104,353	77,222
General and administrative	4,401	4,401	5,465	22,352	22,352	20,513
Total stock-based compensation expense	\$ 42,594	\$ 42,594	\$ 36,015	\$ 167,715	\$ 167,715	\$ 130,023

***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 (loss) is not significant. The operating expenses (credits) are reported in the Condensed Consolidated Statements of Operations as follows:

(In thousands)	Three Months Ended			Years Ended		
	ASC 606	ASC 605	ASC 605	ASC 606	ASC 605	ASC 605
	December 29, 2018	December 29, 2018	December 30, 2017	December 29, 2018	December 29, 2018	December 30, 2017
Cost of product and maintenance	\$ (31)	\$ (31)	\$ 9	\$ (21)	\$ (21)	\$ 64
Cost of services	(44)	(44)	12	(30)	(30)	92
Marketing and sales	(281)	(281)	90	(167)	(167)	528
Research and development	(2,160)	(2,160)	886	(948)	(948)	3,059
General and administrative	(670)	(670)	298	(305)	(305)	2,402
Total non-qualified deferred compensation expenses (credits)	\$ (3,186)	\$ (3,186)	\$ 1,295	\$ (1,471)	\$ (1,471)	\$ 6,145

**** Total acquisition and integration-related costs (credits) are reported in the Condensed Consolidated Statements of Operations as follows:

(In thousands)	Three Months Ended			Years Ended		
	ASC 606	ASC 605	ASC 605	ASC 606	ASC 605	ASC 605
	December 29, 2018	December 29, 2018	December 30, 2017	December 29, 2018	December 29, 2018	December 30, 2017
Marketing and sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 168
Research and development	(1,357)	(1,357)	4,879	19,705	19,705	7,261
General and administrative	(3)	(3)	833	153	153	1,039
Total acquisition and integration-related costs (credits)	\$ (1,360)	\$ (1,360)	\$ 5,712	\$ 19,858	\$ 19,858	\$ 8,468

Cadence Design Systems, Inc.
Reconciliation of GAAP Diluted Net Income (Loss) Per Share to Non-GAAP Diluted Net Income Per Share
For the Three Months and Years Ended December 29, 2018 and December 30, 2017
(Unaudited)

(In thousands, except per share data)	Three Months Ended			Years Ended		
	ASC 606 December 29, 2018	ASC 605 December 29, 2018	ASC 605 December 30, 2017	ASC 606 December 29, 2018	ASC 605 December 29, 2018	ASC 605 December 30, 2017
	Diluted net income (loss) per share on a GAAP basis	\$ 0.35	\$ 0.36	\$ (0.05)	\$ 1.23	\$ 1.25
Amortization of acquired intangibles	0.05	0.05	0.05	0.19	0.19	0.20
Stock-based compensation expense	0.15	0.15	0.13	0.60	0.60	0.46
Non-qualified deferred compensation expenses (credits)	(0.01)	(0.01)	-	(0.01)	(0.01)	0.02
Restructuring and other charges	0.05	0.05	0.04	0.04	0.04	0.03
Acquisition and integration-related costs (credits)	(0.01)	(0.01)	0.02	0.07	0.07	0.03
Other income or expense related to investments and non-qualified deferred compensation plan assets *	-	-	(0.01)	-	-	(0.05)
Income tax related to transition tax	-	-	0.24	-	-	0.24
Income tax related to tax rate change	-	-	0.09	-	-	0.09
Income tax effect of non-GAAP adjustments	(0.06)	(0.08)	(0.12)	(0.25)	(0.26)	(0.35)
Diluted net income per share on a non-GAAP basis +	\$ 0.52	\$ 0.51	\$ 0.39	\$ 1.87	\$ 1.88	\$ 1.40
Shares used in calculation of diluted net income (loss) per share - GAAP **	280,321	280,321	273,157	281,144	281,144	280,221
Shares used in calculation of diluted net income per share - non-GAAP **	280,321	280,321	282,206	281,144	281,144	280,221

+ 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 fourth quarter and fiscal year 2018 for a further discussion of its non-GAAP measures.

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

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

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

	ASC 606	ASC 605	ASC 605
	Three Months Ended December 29, 2018	Three Months Ended December 29, 2018	Three Months Ended December 30, 2017
	Actual (In thousands)	Actual (In thousands)	Actual (In thousands)
GAAP total costs and expenses	\$ 456,160	\$ 468,595	\$ 420,444
Reconciling items to non-GAAP total costs and expenses			
Amortization of acquired intangibles	(12,942)	(12,942)	(13,741)
Stock-based compensation expense	(42,594)	(42,594)	(36,015)
Non-qualified deferred compensation (expenses) credits	3,186	3,186	(1,295)
Restructuring and other charges	(13,699)	(13,699)	(12,178)
Acquisition and integration-related (costs) credits	1,360	1,360	(5,712)
Non-GAAP total costs and expenses†	<u>\$ 391,471</u>	<u>\$ 403,906</u>	<u>\$ 351,503</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 fourth quarter and fiscal year 2018 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)

(In thousands)

	For the three months ended December 29, 2018					
	Operating expenses on a GAAP basis†	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation credits	Acquisition and integration- related credits	Operating expenses on a non-GAAP basis
Cost of product and maintenance	54,748	(9,474)	(699)	31	-	44,606
Cost of services	21,376	-	(889)	44	-	20,531
Marketing and sales	112,613	-	(9,255)	281	-	103,639
Research and development	218,271	-	(27,350)	2,160	1,357	194,438
General and administrative	31,985	-	(4,401)	670	3	28,257
Amortization of acquired intangibles	3,468	(3,468)	-	-	-	-
		<u>(12,942)</u>	<u>(42,594)</u>	<u>3,186</u>	<u>1,360</u>	
	For the year ended December 29, 2018					
	Operating expenses on a GAAP basis†	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation credits	Acquisition and integration- related costs	Operating expenses on a non-GAAP basis
Cost of product and maintenance	173,011	(39,247)	(2,631)	21	-	131,154
Cost of services	85,736	-	(3,714)	30	-	82,052
Marketing and sales	439,669	-	(34,665)	167	-	405,171
Research and development	884,816	-	(104,353)	948	(19,705)	761,706
General and administrative	133,406	-	(22,352)	305	(153)	111,206
Amortization of acquired intangibles	14,086	(14,086)	-	-	-	-
		<u>(53,333)</u>	<u>(167,715)</u>	<u>1,471</u>	<u>(19,858)</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 fourth quarter and fiscal year 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 December 29, 2018
(In thousands)
(Unaudited)

	Three Months Ended December 29, 2018		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 534,418	\$ -	\$ 534,418
Services	35,432	-	35,432
Total revenue	<u>569,850</u>	<u>-</u>	<u>569,850</u>
Costs and expenses:			
Cost of product and maintenance	54,748	(10,142) (A)	44,606
Cost of services	21,376	(845) (A)	20,531
Marketing and sales	112,613	(8,974) (A)	103,639
Research and development	218,271	(23,833) (A)	194,438
General and administrative	31,985	(3,728) (A)	28,257
Amortization of acquired intangibles	3,468	(3,468) (A)	-
Restructuring and other charges	13,699	(13,699)	-
Total costs and expenses	<u>456,160</u>	<u>(64,689)</u>	<u>391,471</u>
Income from operations	113,690	64,689	178,379
Interest expense	(4,318)	-	(4,318)
Other income (expense), net	(735)	1,356 (B)	621
Income before provision for income taxes	108,637	66,045	174,682
Provision for income taxes	10,212	17,737 (C)	27,949
Net income	<u>\$ 98,425</u>	<u>\$ 48,308</u>	<u>\$ 146,733</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 fourth quarter and fiscal year 2018 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended December 29, 2018, adjustments to GAAP are as follows for the line items specified:

	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation credits	Acquisition and integration-related credits	Total adjustments
Cost of product and maintenance	\$ 9,474	\$ 699	\$ (31)	\$ -	\$ 10,142
Cost of services	-	889	(44)	-	845
Marketing and sales	-	9,255	(281)	-	8,974
Research and development	-	27,350	(2,160)	(1,357)	23,833
General and administrative	-	4,401	(670)	(3)	3,728
Amortization of acquired intangibles	3,468	-	-	-	3,468
Total	<u>\$ 12,942</u>	<u>\$ 42,594</u>	<u>\$ (3,186)</u>	<u>\$ (1,360)</u>	<u>\$ 50,990</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 December 30, 2017
(In thousands)
(Unaudited)

	Three Months Ended December 30, 2017		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 467,504	\$ -	\$ 467,504
Services	34,218	-	34,218
Total revenue	<u>501,722</u>	<u>-</u>	<u>501,722</u>
Costs and expenses:			
Cost of product and maintenance	39,305	(10,765) (A)	28,540
Cost of services	20,979	(871) (A)	20,108
Marketing and sales	107,654	(7,261) (A)	100,393
Research and development	203,468	(27,699) (A)	175,769
General and administrative	33,289	(6,596) (A)	26,693
Amortization of acquired intangibles	3,571	(3,571) (A)	-
Restructuring and other charges	12,178	(12,178)	-
Total costs and expenses	<u>420,444</u>	<u>(68,941)</u>	<u>351,503</u>
Income from operations	81,278	68,941	150,219
Interest expense	(6,712)	-	(6,712)
Other income, net	2,385	(1,368) (B)	1,017
Income before provision for income taxes	76,951	67,573	144,524
Provision for income taxes	91,393	(58,152) (C)	33,241
Net income (loss)	<u>\$ (14,442)</u>	<u>\$ 125,725</u>	<u>\$ 111,283</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 fourth quarter and fiscal year 2018 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended December 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	\$ 10,170	\$ 586	\$ 9	\$ -	\$ 10,765
Cost of services	-	859	12	-	871
Marketing and sales	-	7,171	90	-	7,261
Research and development	-	21,934	886	4,879	27,699
General and administrative	-	5,465	298	833	6,596
Amortization of acquired intangibles	3,571	-	-	-	3,571
Total	<u>\$ 13,741</u>	<u>\$ 36,015</u>	<u>\$ 1,295</u>	<u>\$ 5,712</u>	<u>\$ 56,763</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 Year Ended December 29, 2018
(In thousands)
(Unaudited)

	Year Ended December 29, 2018		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 1,997,887	\$ -	\$ 1,997,887
Services	140,135	-	140,135
Total revenue	<u>2,138,022</u>	<u>-</u>	<u>2,138,022</u>
Costs and expenses:			
Cost of product and maintenance	173,011	(41,857) (A)	131,154
Cost of services	85,736	(3,684) (A)	82,052
Marketing and sales	439,669	(34,498) (A)	405,171
Research and development	884,816	(123,110) (A)	761,706
General and administrative	133,406	(22,200) (A)	111,206
Amortization of acquired intangibles	14,086	(14,086) (A)	-
Restructuring and other charges	11,089	(11,089)	-
Total costs and expenses	<u>1,741,813</u>	<u>(250,524)</u>	<u>1,491,289</u>
Income from operations	396,209	250,524	646,733
Interest expense	(23,139)	-	(23,139)
Other income, net	3,320	(1,278) (B)	2,042
Income before provision for income taxes	376,390	249,246	625,636
Provision for income taxes	30,613	69,489 (C)	100,102
Net income	<u>\$ 345,777</u>	<u>\$ 179,757</u>	<u>\$ 525,534</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 fourth quarter and fiscal year 2018 for a further discussion of its non-GAAP measures.

Notes:

(A) For the year ended December 29, 2018, adjustments to GAAP are as follows for the line items specified:

	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation credits	Acquisition and integration-related costs	Total adjustments
Cost of product and maintenance	\$ 39,247	\$ 2,631	\$ (21)	\$ -	\$ 41,857
Cost of services	-	3,714	(30)	-	3,684
Marketing and sales	-	34,665	(167)	-	34,498
Research and development	-	104,353	(948)	19,705	123,110
General and administrative	-	22,352	(305)	153	22,200
Amortization of acquired intangibles	14,086	-	-	-	14,086
Total	<u>\$ 53,333</u>	<u>\$ 167,715</u>	<u>\$ (1,471)</u>	<u>\$ 19,858</u>	<u>\$ 239,435</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 Year Ended December 30, 2017
(In thousands)
(Unaudited)

	Year Ended December 30, 2017		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 1,813,987	\$ -	\$ 1,813,987
Services	129,045	-	129,045
Total revenue	<u>1,943,032</u>	<u>-</u>	<u>1,943,032</u>
Costs and expenses:			
Cost of product and maintenance	156,676	(44,063) (A)	112,613
Cost of services	80,714	(3,324) (A)	77,390
Marketing and sales	419,161	(27,534) (A)	391,627
Research and development	804,223	(87,542) (A)	716,681
General and administrative	134,181	(23,954) (A)	110,227
Amortization of acquired intangibles	14,716	(14,716) (A)	-
Restructuring and other charges	9,406	(9,406)	-
Total costs and expenses	<u>1,619,077</u>	<u>(210,539)</u>	<u>1,408,538</u>
Income from operations	323,955	210,539	534,494
Interest expense	(25,664)	-	(25,664)
Other income, net	16,755	(15,693) (B)	1,062
Income before provision for income taxes	315,046	194,846	509,892
Provision for income taxes	110,945	6,330 (C)	117,275
Net income	<u>\$ 204,101</u>	<u>\$ 188,516</u>	<u>\$ 392,617</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 fourth quarter and fiscal year 2018 for a further discussion of its non-GAAP measures.

Notes:

(A) For the year ended December 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	\$ 41,781	\$ 2,218	\$ 64	\$ -	\$ 44,063
Cost of services	-	3,232	92	-	3,324
Marketing and sales	-	26,838	528	168	27,534
Research and development	-	77,222	3,059	7,261	87,542
General and administrative	-	20,513	2,402	1,039	23,954
Amortization of acquired intangibles	14,716	-	-	-	14,716
Total	<u>\$ 56,497</u>	<u>\$ 130,023</u>	<u>\$ 6,145</u>	<u>\$ 8,468</u>	<u>\$ 201,133</u>

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

(C) Income tax effect of non-GAAP adjustments