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

	<b>June 29, 2019</b>	<b>December 29, 2018</b>
Current assets:		
Cash and cash equivalents	\$ 633,415	\$ 533,298
Receivables, net of allowances of \$1,149 and \$3,936, respectively	237,609	297,082
Inventories	49,299	28,162
Prepaid expenses and other	58,918	92,550
Total current assets	979,241	951,092
Property, plant and equipment, net of accumulated depreciation of \$719,785 and \$698,493, respectively	257,882	252,630
Goodwill	662,713	662,272
Acquired intangibles, net of accumulated amortization of \$338,855 and \$333,687, respectively	197,840	225,457
Long-term receivables	2,140	5,972
Other assets	512,509	371,231
Total assets	\$ 2,612,325	\$ 2,468,654
Current liabilities:		
Revolving credit facility	\$ -	\$ 100,000
Accounts payable and accrued liabilities	246,591	256,526
Current portion of deferred revenue	363,592	352,456
Total current liabilities	610,183	708,982
Long-term liabilities:		
Long-term portion of deferred revenue	57,280	48,718
Long-term debt	345,652	345,291
Other long-term liabilities	168,665	77,262
Total long-term liabilities	571,597	471,271
Stockholders' equity	1,430,545	1,288,401
Total liabilities and stockholders' equity	\$ 2,612,325	\$ 2,468,654

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

	June 30, 2018	September 29, 2018	December 29, 2018	March 30, 2019	June 29, 2019
<b>Current assets:</b>					
Cash and cash equivalents	\$ 819,540	\$ 544,585	\$ 533,298	\$ 538,898	\$ 633,415
Receivables, net	219,072	240,836	297,082	264,767	237,609
Inventories	28,558	30,535	28,162	37,480	49,299
Prepaid expenses and other	61,884	72,425	92,550	76,802	58,918
Total current assets	1,129,054	888,381	951,092	917,947	979,241
Property, plant and equipment, net	252,193	248,165	252,630	253,392	257,882
Goodwill	663,320	661,341	662,272	662,871	662,713
Acquired intangibles, net	251,385	238,385	225,457	212,298	197,840
Long-term receivables	4,740	4,395	5,972	3,241	2,140
Other assets	227,173	232,540	371,231	496,562	512,509
Total assets	\$ 2,527,865	\$ 2,273,207	\$ 2,468,654	\$ 2,546,311	\$ 2,612,325
<b>Current liabilities:</b>					
Revolving credit facility	\$ -	\$ -	\$ 100,000	\$ 50,000	\$ -
Current portion of long-term debt	299,879	-	-	-	-
Accounts payable and accrued liabilities	243,158	212,153	256,526	235,688	246,591
Current portion of deferred revenue	327,078	329,168	352,456	345,751	363,592
Total current liabilities	870,115	541,321	708,982	631,439	610,183
<b>Long-term liabilities:</b>					
Long-term portion of deferred revenue	46,912	49,343	48,718	51,312	57,280
Long-term debt	344,939	345,113	345,291	345,470	345,652
Other long-term liabilities	77,911	80,013	77,262	152,253	168,665
Total long-term liabilities	469,762	474,469	471,271	549,035	571,597
<b>Stockholders' equity:</b>					
Common stock and capital in excess of par value	1,861,135	1,897,749	1,936,124	1,944,895	1,984,464
Treasury stock, at cost	(1,234,941)	(1,292,265)	(1,395,652)	(1,446,247)	(1,526,421)
Retained earnings	574,966	674,284	772,709	893,264	1,000,499
Accumulated other comprehensive loss	(13,172)	(22,351)	(24,780)	(26,075)	(27,997)
Total stockholders' equity	1,187,988	1,257,417	1,288,401	1,365,837	1,430,545
Total liabilities and stockholders' equity	\$ 2,527,865	\$ 2,273,207	\$ 2,468,654	\$ 2,546,311	\$ 2,612,325

**Cadence Design Systems, Inc.**  
**Condensed Consolidated Income Statements**  
**For the Three and Six Months Ended June 29, 2019 and June 30, 2018**  
(In thousands, except per share amounts)  
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
Revenue:				
Product and maintenance	\$ 548,028	\$ 487,870	\$ 1,091,546	\$ 968,479
Services	32,391	30,521	65,615	67,225
Total revenue	580,419	518,391	1,157,161	1,035,704
Costs and expenses:				
Cost of product and maintenance	43,388	40,127	93,910	81,857
Cost of services	18,081	18,833	38,144	40,312
Marketing and sales	116,208	109,300	233,038	218,448
Research and development	231,814	219,129	460,024	443,314
General and administrative	34,407	34,875	64,509	68,174
Amortization of acquired intangibles	3,159	3,518	6,467	7,148
Restructuring and other credits	(313)	(447)	(1,002)	(2,438)
Total costs and expenses	446,744	425,335	895,090	856,815
Income from operations	133,675	93,056	262,071	178,889
Interest expense	(4,976)	(6,669)	(10,367)	(13,644)
Other income (expense), net	(110)	3,638	5,131	2,949
Income before provision for income taxes	128,589	90,025	256,835	168,194
Provision for income taxes	21,354	14,876	29,045	20,160
Net income	\$ 107,235	\$ 75,149	\$ 227,790	\$ 148,034
Net income per share - basic	\$ 0.39	\$ 0.27	\$ 0.83	\$ 0.54
Net income per share - diluted	\$ 0.38	\$ 0.27	\$ 0.81	\$ 0.53
Weighted average common shares outstanding - basic	273,159	273,564	273,155	273,703
Weighted average common shares outstanding - diluted	281,054	280,774	280,877	281,247

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

	Three Months Ended				
	June 30, 2018	September 29, 2018	December 29, 2018	March 30, 2019	June 29, 2019
Revenue:					
Product and maintenance	\$ 487,870	\$ 494,990	\$ 534,418	\$ 543,518	\$ 548,028
Services	30,521	37,478	35,432	33,224	32,391
Total revenue	<u>518,391</u>	<u>532,468</u>	<u>569,850</u>	<u>576,742</u>	<u>580,419</u>
Costs and expenses:					
Cost of product and maintenance	40,127	36,406	54,748	50,522	43,388
Cost of services	18,833	24,048	21,376	20,063	18,081
Marketing and sales	109,300	108,608	112,613	116,830	116,208
Research and development	219,129	223,231	218,271	228,210	231,814
General and administrative	34,875	33,247	31,985	30,102	34,407
Amortization of acquired intangibles	3,518	3,470	3,468	3,308	3,159
Restructuring and other charges (credits)	(447)	(172)	13,699	(689)	(313)
Total costs and expenses	<u>425,335</u>	<u>428,838</u>	<u>456,160</u>	<u>448,346</u>	<u>446,744</u>
Income from operations	93,056	103,630	113,690	128,396	133,675
Interest expense	(6,669)	(5,177)	(4,318)	(5,391)	(4,976)
Other income (expense), net	3,638	1,106	(735)	5,241	(110)
Income before provision for income taxes	90,025	99,559	108,637	128,246	128,589
Provision for income taxes	14,876	241	10,212	7,691	21,354
Net income	<u>\$ 75,149</u>	<u>\$ 99,318</u>	<u>\$ 98,425</u>	<u>\$ 120,555</u>	<u>\$ 107,235</u>
Net income per share - basic	<u>\$ 0.27</u>	<u>\$ 0.36</u>	<u>\$ 0.36</u>	<u>\$ 0.44</u>	<u>\$ 0.39</u>
Net income per share - diluted	<u>\$ 0.27</u>	<u>\$ 0.35</u>	<u>\$ 0.35</u>	<u>\$ 0.43</u>	<u>\$ 0.38</u>
Weighted average common shares outstanding - basic	<u>273,564</u>	<u>273,716</u>	<u>273,680</u>	<u>273,066</u>	<u>273,159</u>
Weighted average common shares outstanding - diluted	<u>280,774</u>	<u>281,646</u>	<u>280,321</u>	<u>280,615</u>	<u>281,054</u>

**Cadence Design Systems, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**For the Six Months Ended June 29, 2019 and June 30, 2018**  
(In thousands)  
(Unaudited)

	<b>Six Months Ended</b>	
	<b>June 29, 2019</b>	<b>June 30, 2018</b>
Cash and cash equivalents at beginning of period	\$ 533,298	\$ 688,087
Cash flows from operating activities:		
Net income	227,790	148,034
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	61,197	59,282
Amortization of debt discount and fees	497	586
Stock-based compensation	86,510	78,857
(Gain) loss on investments, net	259	(1,541)
Deferred income taxes	(8,159)	1,664
Provisions for losses (recoveries) on receivables	(386)	1,015
ROU asset amortization and change in operating lease liabilities	2,504	-
Other non-cash items	160	(133)
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	63,876	(2,606)
Inventories	(25,689)	1,932
Prepaid expenses and other	33,055	13,294
Other assets	2,547	5,027
Accounts payable and accrued liabilities	(34,670)	(11,832)
Deferred revenue	19,707	71,667
Other long-term liabilities	2,576	(2,333)
Net cash provided by operating activities	<u>431,774</u>	<u>362,913</u>
Cash flows from investing activities:		
Purchases of non-marketable investments	(33,717)	-
Proceeds from the sale of non-marketable investments	2,952	-
Purchases of property, plant and equipment	(30,562)	(31,105)
Cash paid in business combinations	(338)	-
Net cash used for investing activities	<u>(61,665)</u>	<u>(31,105)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility	150,000	-
Payment on revolving credit facility	(250,000)	(85,000)
Proceeds from issuance of common stock	32,855	25,656
Stock received for payment of employee taxes on vesting of restricted stock	(45,698)	(30,125)
Payments for repurchases of common stock	(156,120)	(100,025)
Change in book overdraft	-	(3,867)
Net cash used for financing activities	<u>(268,963)</u>	<u>(193,361)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(1,029)</u>	<u>(6,994)</u>
Increase in cash and cash equivalents	<u>100,117</u>	<u>131,453</u>
Cash and cash equivalents at end of period	<u>\$ 633,415</u>	<u>\$ 819,540</u>

**Cadence Design Systems, Inc.**  
**Trended Condensed Consolidated Statements of Cash Flows**  
**For the Five Quarters Ended June 29, 2019**  
(In thousands)  
(Unaudited)

	<u>Q2 2018</u>	<u>Q3 2018</u>	<u>Q4 2018</u>	<u>Q1 2019</u>	<u>Q2 2019</u>
Cash and cash equivalents at beginning of period	\$ 746,968	\$ 819,540	\$ 544,585	\$ 533,298	\$ 538,898
Cash flows from operating activities:					
Net income	75,149	99,318	98,425	120,555	107,235
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	29,893	29,721	29,718	29,740	31,457
Amortization of debt discount and fees	294	364	246	247	250
Stock-based compensation	40,956	46,264	42,594	42,253	44,257
(Gain) loss on investments, net	(545)	639	(1,830)	(2,646)	2,905
Deferred income taxes	301	(4,885)	(8,455)	(4,966)	(3,193)
Provisions for losses (recoveries) on receivables	349	3,775	312	(183)	(203)
ROU asset amortization and change in operating lease liabilities	-	-	-	1,341	1,163
Other non-cash items	37	7	2,733	122	38
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	8,382	(25,865)	(58,612)	35,681	28,195
Inventories	(173)	(3,387)	2,207	(10,618)	(15,071)
Prepaid expenses and other	4,902	(11,276)	(21,640)	15,618	17,437
Other assets	(2,998)	(3,171)	(16,462)	4,559	(2,012)
Accounts payable and accrued liabilities	35,124	(29,886)	43,271	(41,261)	6,591
Deferred revenue	11,813	5,703	23,326	(4,451)	24,158
Other long-term liabilities	1,782	2,633	(3,949)	(577)	3,153
Net cash provided by operating activities	<u>205,266</u>	<u>109,954</u>	<u>131,884</u>	<u>185,414</u>	<u>246,360</u>
Cash flows from investing activities:					
Purchases of non-marketable investments	-	-	(115,839)	(33,664)	(53)
Proceeds from the sale of non-marketable investments	-	-	3,497	2,952	-
Purchases of property, plant and equipment	(17,977)	(10,656)	(19,742)	(15,275)	(15,287)
Cash paid in business combinations	-	-	-	-	(338)
Net cash used for investing activities	<u>(17,977)</u>	<u>(10,656)</u>	<u>(132,084)</u>	<u>(45,987)</u>	<u>(15,678)</u>
Cash flows from financing activities:					
Proceeds from revolving credit facility	-	-	100,000	50,000	100,000
Payment on revolving credit facility	(45,000)	-	-	(100,000)	(150,000)
Principal payments on term loan	-	(300,000)	-	-	-
Proceeds from issuance of common stock	2,317	12,534	2,718	29,858	2,997
Stock received for payment of employee taxes on vesting of restricted stock	(3,610)	(29,494)	(10,302)	(32,822)	(12,876)
Payments for repurchases of common stock	(50,012)	(50,011)	(100,023)	(81,114)	(75,006)
Net cash used for financing activities	<u>(96,305)</u>	<u>(366,971)</u>	<u>(7,607)</u>	<u>(134,078)</u>	<u>(134,885)</u>
Effect of exchange rate changes on cash and cash equivalents	(18,412)	(7,282)	(3,480)	251	(1,280)
Increase (decrease) in cash and cash equivalents	<u>72,572</u>	<u>(274,955)</u>	<u>(11,287)</u>	<u>5,600</u>	<u>94,517</u>
Cash and cash equivalents at end of period	<u>\$ 819,540</u>	<u>\$ 544,585</u>	<u>\$ 533,298</u>	<u>\$ 538,898</u>	<u>\$ 633,415</u>

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

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

<u><b>GEOGRAPHY</b></u>	<b>2018</b>					<b>2019</b>	
	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Year</b>	<b>Q1</b>	<b>Q2</b>
Americas	45%	46%	44%	44%	<b>45%</b>	44%	42%
China	9%	8%	9%	13%	<b>10%</b>	10%	12%
Other Asia	18%	18%	20%	18%	<b>18%</b>	19%	19%
Europe, Middle East and Africa	20%	20%	19%	17%	<b>19%</b>	18%	20%
Japan	8%	8%	8%	8%	<b>8%</b>	9%	7%
<b>Total</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>2018</b>					<b>2019</b>	
	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Year</b>	<b>Q1</b>	<b>Q2</b>
Functional Verification, including Emulation and Prototyping Hardware	26%	23%	22%	25%	<b>24%</b>	24%	22%
Digital IC Design and Signoff	30%	30%	30%	28%	<b>29%</b>	30%	31%
Custom IC Design and Simulation	26%	26%	26%	25%	<b>26%</b>	25%	26%
System Interconnect and Analysis	9%	9%	9%	9%	<b>9%</b>	9%	10%
IP	9%	12%	13%	13%	<b>12%</b>	12%	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>



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

	<b>Three Months Ending September 28, 2019</b>	<b>Year Ending December 28, 2019</b>
	<b>Forecast</b>	<b>Forecast</b>
GAAP operating margin as a percent of total revenue	~19%	21% - 22%
Reconciling items to non-GAAP operating margin as a percent of total revenue:		
Amortization of acquired intangibles	2%	2%
Stock-based compensation expense	8%	8%
Non-qualified deferred compensation expenses	0%	0%
Restructuring and other charges (credits)	0%	0%
Acquisition and integration-related costs	1%	0%
Non-GAAP operating margin as a percent of total revenue†	~30%	31% - 32%

†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 second quarter of 2019 for a further discussion of its non-GAAP measures.

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

	<u>Three Months Ending</u> <u>September 28, 2019</u> <u>Forecast</u>	<u>Year Ending</u> <u>December 28, 2019</u> <u>Forecast</u>
Diluted net income per share on a GAAP basis	<b>\$0.32 to \$0.34</b>	<b>\$1.44 to \$1.50</b>
Amortization of acquired intangibles	0.05	0.19
Stock-based compensation expense	0.17	0.65
Non-qualified deferred compensation expenses	-	0.01
Restructuring and other charges (credits)	-	-
Acquisition and integration-related costs	0.01	0.02
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	-
Income tax effect of non-GAAP adjustments	(0.05)	(0.20)
Diluted net income per share on a non-GAAP basis†	<u><u>\$0.50 to \$0.52</u></u>	<u><u>\$2.11 to \$2.17</u></u>

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

(\$ in millions)	<u>Three Months Ending</u> <u>September 28, 2019</u> <u>Forecast</u>	<u>Year Ending</u> <u>December 28, 2019</u> <u>Forecast</u>
Net income on a GAAP basis	<b>\$90 to \$96</b>	<b>\$406 to \$423</b>
Amortization of acquired intangibles	13	53
Stock-based compensation expense	47	182
Non-qualified deferred compensation expenses	-	3
Restructuring and other charges (credits)	-	(1)
Acquisition and integration-related costs	2	6
Other income or expense related to investments and non-qualified deferred compensation plan assets*	1	-
Income tax effect of non-GAAP adjustments	(13)	(56)
Net income on a non-GAAP basis†	<u><u>\$140 to \$146</u></u>	<u><u>\$593 to \$610</u></u>

†The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings release of Cadence Design Systems, Inc. for its second quarter of 2019 for a further discussion of its non-GAAP measures.

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

**Cadence Design Systems, Inc.**  
**Reconciliation of GAAP Net Income to Non-GAAP Net Income**  
**For the Three and Six Months Ended June 29, 2019 and June 30, 2018**  
**(Unaudited)**

(In thousands)	Three Months Ended		Six Months Ended	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
Net income on a GAAP basis	\$ 107,235	\$ 75,149	\$ 227,790	\$ 148,034
Amortization of acquired intangibles*	14,458	13,509	27,620	27,416
Stock-based compensation expense**	44,257	40,956	86,510	78,857
Non-qualified deferred compensation expenses***	862	468	3,402	595
Restructuring and other credits	(313)	(447)	(1,002)	(2,438)
Acquisition and integration-related costs****	1,889	6,765	2,803	14,548
Other income or expense related to investments and non-qualified deferred compensation plan assets †	2,042	(1,013)	(3,145)	(2,136)
Income tax effect of non-GAAP adjustments	(9,331)	(9,166)	(30,638)	(25,446)
Net income on a non-GAAP basis +	\$ 161,099	\$ 126,221	\$ 313,340	\$ 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 2019 for a further discussion of its non-GAAP measures.

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

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

(In thousands)	Three Months Ended		Six Months Ended	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
Cost of product and maintenance	\$ 11,299	\$ 9,991	\$ 21,153	\$ 20,268
Amortization of acquired intangibles	3,159	3,518	6,467	7,148
Total amortization of acquired intangibles	\$ 14,458	\$ 13,509	\$ 27,620	\$ 27,416

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

(In thousands)	Three Months Ended		Six Months Ended	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
Cost of product and maintenance	\$ 652	\$ 606	\$ 1,333	\$ 1,196
Cost of services	829	884	1,695	1,747
Marketing and sales	9,509	8,268	18,615	15,882
Research and development	27,659	25,100	54,557	48,335
General and administrative	5,608	6,098	10,310	11,697
Total stock-based compensation expense	\$ 44,257	\$ 40,956	\$ 86,510	\$ 78,857

\*\*\* 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	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
Cost of product and maintenance	\$ 8	\$ 3	\$ 31	\$ 3
Cost of services	11	4	43	4
Marketing and sales	96	30	349	19
Research and development	556	351	2,219	460
General and administrative	191	80	760	109
Total non-qualified deferred compensation expenses	\$ 862	\$ 468	\$ 3,402	\$ 595

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

(In thousands)	Three Months Ended		Six Months Ended	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
Research and development	\$ 1,889	\$ 6,736	2,801	14,420
General and administrative	-	29	2	128
Total acquisition and integration-related costs	\$ 1,889	\$ 6,765	\$ 2,803	\$ 14,548

**Cadence Design Systems, Inc.**  
**Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share**  
**For the Three and Six Months Ended June 29, 2019 and June 30, 2018**  
(Unaudited)

(In thousands, except per share data)	Three Months Ended		Six Months Ended	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
Diluted net income per share on a GAAP basis	\$ 0.38	\$ 0.27	\$ 0.81	\$ 0.53
Amortization of acquired intangibles	0.05	0.05	0.10	0.10
Stock-based compensation expense	0.16	0.14	0.31	0.28
Non-qualified deferred compensation expenses	-	-	0.01	-
Restructuring and other credits	-	-	-	(0.01)
Acquisition and integration-related costs	-	0.02	0.01	0.05
Other income or expense related to investments and non-qualified deferred compensation plan assets *	0.01	-	(0.01)	(0.01)
Income tax effect of non-GAAP adjustments	(0.03)	(0.03)	(0.11)	(0.09)
Diluted net income per share on a non-GAAP basis +	\$ 0.57	\$ 0.45	\$ 1.12	\$ 0.85
Shares used in calculation of diluted net income per share - GAAP **	281,054	280,774	280,877	281,247
Shares used in calculation of diluted net income per share - non-GAAP **	281,054	280,774	280,877	281,247

+ **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 2019 for a further discussion of its non-GAAP measures.**

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

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

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

	Three Months Ended	Three Months Ended
	June 29, 2019	June 30, 2018
	Actual	Actual
	(In thousands)	(In thousands)
GAAP total costs and expenses	\$ 446,744	\$ 425,335
Reconciling items to non-GAAP total costs and expenses		
Amortization of acquired intangibles	(14,458)	(13,509)
Stock-based compensation expense	(44,257)	(40,956)
Non-qualified deferred compensation expenses	(862)	(468)
Restructuring and other credits	313	447
Acquisition and integration-related costs	(1,889)	(6,765)
Non-GAAP total costs and expenses†	<u>\$ 385,591</u>	<u>\$ 364,084</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 2019 for a further discussion of its non-GAAP financial measures.

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

(In thousands)

	For the three months ended June 29, 2019					
	Operating expenses on a GAAP basis†	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Acquisition and integration-related costs	Operating expenses on a non-GAAP basis
Cost of product and maintenance	43,388	(11,299)	(652)	(8)	-	31,429
Cost of services	18,081	-	(829)	(11)	-	17,241
Marketing and sales	116,208	-	(9,509)	(96)	-	106,603
Research and development	231,814	-	(27,659)	(556)	(1,889)	201,710
General and administrative	34,407	-	(5,608)	(191)	-	28,608
Amortization of acquired intangibles	3,159	(3,159)	-	-	-	-
		<u>(14,458)</u>	<u>(44,257)</u>	<u>(862)</u>	<u>(1,889)</u>	
	For the six months ended June 29, 2019					
	Operating expenses on a GAAP basis†	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Acquisition and integration-related costs	Operating expenses on a non-GAAP basis
Cost of product and maintenance	93,910	(21,153)	(1,333)	(31)	-	71,393
Cost of services	38,144	-	(1,695)	(43)	-	36,406
Marketing and sales	233,038	-	(18,615)	(349)	-	214,074
Research and development	460,024	-	(54,557)	(2,219)	(2,801)	400,447
General and administrative	64,509	-	(10,310)	(760)	(2)	53,437
Amortization of acquired intangibles	6,467	(6,467)	-	-	-	-
		<u>(27,620)</u>	<u>(86,510)</u>	<u>(3,402)</u>	<u>(2,803)</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 2019 for a further discussion of its non-GAAP financial measures.

**Cadence Design Systems, Inc.**  
**Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures**  
**For the Three Months Ended June 29, 2019**  
(In thousands)  
(Unaudited)

	Three Months Ended June 29, 2019		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 548,028	\$ -	\$ 548,028
Services	32,391	-	32,391
Total revenue	<u>580,419</u>	<u>-</u>	<u>580,419</u>
Costs and expenses:			
Cost of product and maintenance	43,388	(11,959) (A)	31,429
Cost of services	18,081	(840) (A)	17,241
Marketing and sales	116,208	(9,605) (A)	106,603
Research and development	231,814	(30,104) (A)	201,710
General and administrative	34,407	(5,799) (A)	28,608
Amortization of acquired intangibles	3,159	(3,159) (A)	-
Restructuring and other credits	(313)	313	-
Total costs and expenses	<u>446,744</u>	<u>(61,153)</u>	<u>385,591</u>
Income from operations	133,675	61,153	194,828
Interest expense	(4,976)	-	(4,976)
Other income (expense), net	(110)	2,042 (B)	1,932
Income before provision for income taxes	128,589	63,195	191,784
Provision for income taxes	21,354	9,331 (C)	30,685
Net income	<u>\$ 107,235</u>	<u>\$ 53,864</u>	<u>\$ 161,099</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 2019 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended June 29, 2019, adjustments to GAAP are as follows for the line items specified:

	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Acquisition and integration-related costs	Total adjustments
Cost of product and maintenance	\$ 11,299	\$ 652	\$ 8	\$ -	\$ 11,959
Cost of services	-	829	11	-	840
Marketing and sales	-	9,509	96	-	9,605
Research and development	-	27,659	556	1,889	30,104
General and administrative	-	5,608	191	-	5,799
Amortization of acquired intangibles	3,159	-	-	-	3,159
Total	<u>\$ 14,458</u>	<u>\$ 44,257</u>	<u>\$ 862</u>	<u>\$ 1,889</u>	<u>\$ 61,466</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 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 2019 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 Six Months Ended June 29, 2019**  
**(In thousands)**  
**(Unaudited)**

	Six Months Ended June 29, 2019		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 1,091,546	\$ -	\$ 1,091,546
Services	65,615	-	65,615
Total revenue	<u>1,157,161</u>	<u>-</u>	<u>1,157,161</u>
Costs and expenses:			
Cost of product and maintenance	93,910	(22,517) (A)	71,393
Cost of services	38,144	(1,738) (A)	36,406
Marketing and sales	233,038	(18,964) (A)	214,074
Research and development	460,024	(59,577) (A)	400,447
General and administrative	64,509	(11,072) (A)	53,437
Amortization of acquired intangibles	6,467	(6,467) (A)	-
Restructuring and other credits	(1,002)	1,002	-
Total costs and expenses	<u>895,090</u>	<u>(119,333)</u>	<u>775,757</u>
Income from operations	262,071	119,333	381,404
Interest expense	(10,367)	-	(10,367)
Other income, net	5,131	(3,145) (B)	1,986
Income before provision for income taxes	256,835	116,188	373,023
Provision for income taxes	29,045	30,638 (C)	59,683
Net income	<u>\$ 227,790</u>	<u>\$ 85,550</u>	<u>\$ 313,340</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 2019 for a further discussion of its non-GAAP measures.

Notes:

(A) For the six months ended June 29, 2019, adjustments to GAAP are as follows for the line items specified:

	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Acquisition and integration-related costs	Total adjustments
Cost of product and maintenance	\$ 21,153	\$ 1,333	\$ 31	\$ -	\$ 22,517
Cost of services	-	1,695	43	-	1,738
Marketing and sales	-	18,615	349	-	18,964
Research and development	-	54,557	2,219	2,801	59,577
General and administrative	-	10,310	760	2	11,072
Amortization of acquired intangibles	6,467	-	-	-	6,467
Total	<u>\$ 27,620</u>	<u>\$ 86,510</u>	<u>\$ 3,402</u>	<u>\$ 2,803</u>	<u>\$ 120,335</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	<u>1,035,704</u>	<u>-</u>	<u>1,035,704</u>
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	<u>856,815</u>	<u>(118,978)</u>	<u>737,837</u>
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	<u>\$ 148,034</u>	<u>\$ 91,396</u>	<u>\$ 239,430</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 2019 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	<u>\$ 27,416</u>	<u>\$ 78,857</u>	<u>\$ 595</u>	<u>\$ 14,548</u>	<u>\$ 121,416</u>

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

(C) Income tax effect of non-GAAP adjustments