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Cadence Design Systems, Inc.
Condensed Consolidated Balance Sheets
September 28, 2019 and December 29, 2018
(In thousands)
(Unaudited)

	September 28, 2019	December 29, 2018
Current assets:		
Cash and cash equivalents	\$ 655,216	\$ 533,298
Receivables, net of allowances of \$310 and \$3,936, respectively	274,914	297,082
Inventories	66,745	28,162
Prepaid expenses and other	53,074	92,550
Total current assets	1,049,949	951,092
Property, plant and equipment, net of accumulated depreciation of \$730,067 and \$698,493, respectively	259,453	252,630
Goodwill	661,678	662,272
Acquired intangibles, net of accumulated amortization of \$351,619 and \$333,687, respectively	185,037	225,457
Long-term receivables	1,204	5,972
Other assets	504,877	371,231
Total assets	\$ 2,662,198	\$ 2,468,654
Current liabilities:		
Revolving credit facility	\$ -	\$ 100,000
Accounts payable and accrued liabilities	274,882	256,526
Current portion of deferred revenue	344,100	352,456
Total current liabilities	618,982	708,982
Long-term liabilities:		
Long-term portion of deferred revenue	48,036	48,718
Long-term debt	345,833	345,291
Other long-term liabilities	169,085	77,262
Total long-term liabilities	562,954	471,271
Stockholders' equity	1,480,262	1,288,401
Total liabilities and stockholders' equity	\$ 2,662,198	\$ 2,468,654

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

	September 29, 2018	December 29, 2018	March 30, 2019	June 29, 2019	September 28, 2019
Current assets:					
Cash and cash equivalents	\$ 544,585	\$ 533,298	\$ 538,898	\$ 633,415	\$ 655,216
Receivables, net	240,836	297,082	264,767	237,609	274,914
Inventories	30,535	28,162	37,480	49,299	66,745
Prepaid expenses and other	72,425	92,550	76,802	58,918	53,074
Total current assets	<u>888,381</u>	<u>951,092</u>	<u>917,947</u>	<u>979,241</u>	<u>1,049,949</u>
Property, plant and equipment, net	248,165	252,630	253,392	257,882	259,453
Goodwill	661,341	662,272	662,871	662,713	661,678
Acquired intangibles, net	238,385	225,457	212,298	197,840	185,037
Long-term receivables	4,395	5,972	3,241	2,140	1,204
Other assets	232,540	371,231	496,562	512,509	504,877
Total assets	<u>\$ 2,273,207</u>	<u>\$ 2,468,654</u>	<u>\$ 2,546,311</u>	<u>\$ 2,612,325</u>	<u>\$ 2,662,198</u>
Current liabilities:					
Revolving credit facility	\$ -	\$ 100,000	\$ 50,000	\$ -	\$ -
Accounts payable and accrued liabilities	212,153	256,526	235,688	246,591	274,882
Current portion of deferred revenue	329,168	352,456	345,751	363,592	344,100
Total current liabilities	<u>541,321</u>	<u>708,982</u>	<u>631,439</u>	<u>610,183</u>	<u>618,982</u>
Long-term liabilities:					
Long-term portion of deferred revenue	49,343	48,718	51,312	57,280	48,036
Long-term debt	345,113	345,291	345,470	345,652	345,833
Other long-term liabilities	80,013	77,262	152,253	168,665	169,085
Total long-term liabilities	<u>474,469</u>	<u>471,271</u>	<u>549,035</u>	<u>571,597</u>	<u>562,954</u>
Stockholders' equity:					
Common stock and capital in excess of par value	1,897,749	1,936,124	1,944,895	1,984,464	2,007,268
Treasury stock, at cost	(1,292,265)	(1,395,652)	(1,446,247)	(1,526,421)	(1,589,027)
Retained earnings	674,284	772,709	893,264	1,000,499	1,102,013
Accumulated other comprehensive loss	(22,351)	(24,780)	(26,075)	(27,997)	(39,992)
Total stockholders' equity	<u>1,257,417</u>	<u>1,288,401</u>	<u>1,365,837</u>	<u>1,430,545</u>	<u>1,480,262</u>
Total liabilities and stockholders' equity	<u>\$ 2,273,207</u>	<u>\$ 2,468,654</u>	<u>\$ 2,546,311</u>	<u>\$ 2,612,325</u>	<u>\$ 2,662,198</u>

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three and Nine Months Ended September 28, 2019 and September 29, 2018
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Revenue:				
Product and maintenance	\$ 548,105	\$ 494,990	\$ 1,639,651	\$ 1,463,469
Services	31,498	37,478	97,113	104,703
Total revenue	<u>579,603</u>	<u>532,468</u>	<u>1,736,764</u>	<u>1,568,172</u>
Costs and expenses:				
Cost of product and maintenance	41,715	36,406	135,625	118,263
Cost of services	19,260	24,048	57,404	64,360
Marketing and sales	121,368	108,608	354,406	327,056
Research and development	240,542	223,231	700,566	666,545
General and administrative	33,204	33,247	97,713	101,421
Amortization of acquired intangibles	2,874	3,470	9,341	10,618
Restructuring and other credits	(186)	(172)	(1,188)	(2,610)
Total costs and expenses	<u>458,777</u>	<u>428,838</u>	<u>1,353,867</u>	<u>1,285,653</u>
Income from operations	120,826	103,630	382,897	282,519
Interest expense	(4,240)	(5,177)	(14,607)	(18,821)
Other income, net	122	1,106	5,253	4,055
Income before provision for income taxes	116,708	99,559	373,543	267,753
Provision for income taxes	15,194	241	44,239	20,401
Net income	<u>\$ 101,514</u>	<u>\$ 99,318</u>	<u>\$ 329,304</u>	<u>\$ 247,352</u>
Net income per share - basic	<u>\$ 0.37</u>	<u>\$ 0.36</u>	<u>\$ 1.21</u>	<u>\$ 0.90</u>
Net income per share - diluted	<u>\$ 0.36</u>	<u>\$ 0.35</u>	<u>\$ 1.17</u>	<u>\$ 0.88</u>
Weighted average common shares outstanding - basic	<u>273,329</u>	<u>273,716</u>	<u>273,224</u>	<u>273,718</u>
Weighted average common shares outstanding - diluted	<u>280,666</u>	<u>281,646</u>	<u>280,817</u>	<u>281,391</u>

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

	Three Months Ended				
	September 29, 2018	December 29, 2018	March 30, 2019	June 29, 2019	September 28, 2019
Revenue:					
Product and maintenance	\$ 494,990	\$ 534,418	\$ 543,518	\$ 548,028	\$ 548,105
Services	37,478	35,432	33,224	32,391	31,498
Total revenue	<u>532,468</u>	<u>569,850</u>	<u>576,742</u>	<u>580,419</u>	<u>579,603</u>
Costs and expenses:					
Cost of product and maintenance	36,406	54,748	50,522	43,388	41,715
Cost of services	24,048	21,376	20,063	18,081	19,260
Marketing and sales	108,608	112,613	116,830	116,208	121,368
Research and development	223,231	218,271	228,210	231,814	240,542
General and administrative	33,247	31,985	30,102	34,407	33,204
Amortization of acquired intangibles	3,470	3,468	3,308	3,159	2,874
Restructuring and other charges (credits)	(172)	13,699	(689)	(313)	(186)
Total costs and expenses	<u>428,838</u>	<u>456,160</u>	<u>448,346</u>	<u>446,744</u>	<u>458,777</u>
Income from operations	103,630	113,690	128,396	133,675	120,826
Interest expense	(5,177)	(4,318)	(5,391)	(4,976)	(4,240)
Other income (expense), net	1,106	(735)	5,241	(110)	122
Income before provision for income taxes	99,559	108,637	128,246	128,589	116,708
Provision for income taxes	241	10,212	7,691	21,354	15,194
Net income	<u>\$ 99,318</u>	<u>\$ 98,425</u>	<u>\$ 120,555</u>	<u>\$ 107,235</u>	<u>\$ 101,514</u>
Net income per share - basic	<u>\$ 0.36</u>	<u>\$ 0.36</u>	<u>\$ 0.44</u>	<u>\$ 0.39</u>	<u>\$ 0.37</u>
Net income per share - diluted	<u>\$ 0.35</u>	<u>\$ 0.35</u>	<u>\$ 0.43</u>	<u>\$ 0.38</u>	<u>\$ 0.36</u>
Weighted average common shares outstanding - basic	<u>273,716</u>	<u>273,680</u>	<u>273,066</u>	<u>273,159</u>	<u>273,329</u>
Weighted average common shares outstanding - diluted	<u>281,646</u>	<u>280,321</u>	<u>280,615</u>	<u>281,054</u>	<u>280,666</u>

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended September 28, 2019 and September 29, 2018
(In thousands)
(Unaudited)

	Nine Months Ended	
	September 28, 2019	September 29, 2018
Cash and cash equivalents at beginning of period	\$ 533,298	\$ 688,087
Cash flows from operating activities:		
Net income	329,304	247,352
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	91,400	89,003
Amortization of debt discount and fees	747	950
Stock-based compensation	134,789	125,121
(Gain) loss on investments, net	2,655	(902)
Deferred income taxes	(10,938)	(3,221)
Provisions for losses (recoveries) on receivables	(358)	4,790
ROU asset amortization and change in operating lease liabilities	4,285	-
Other non-cash items	197	(126)
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	26,553	(28,471)
Inventories	(43,781)	(1,455)
Prepaid expenses and other	38,703	2,018
Other assets	3,554	1,856
Accounts payable and accrued liabilities	(4,001)	(41,718)
Deferred revenue	(6,968)	77,370
Other long-term liabilities	4,163	300
Net cash provided by operating activities	<u>570,304</u>	<u>472,867</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	(47,527)	(41,761)
Cash paid in business combinations	(338)	-
Net cash used for investing activities	<u>(78,630)</u>	<u>(41,761)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility	150,000	-
Payment on revolving credit facility	(250,000)	(85,000)
Principal payments on term loan	-	(300,000)
Proceeds from issuance of common stock	49,127	38,190
Stock received for payment of employee taxes on vesting of restricted stock	(75,016)	(59,619)
Payments for repurchases of common stock	(231,131)	(150,036)
Change in book overdraft	-	(3,867)
Net cash used for financing activities	<u>(357,020)</u>	<u>(560,332)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(12,736)</u>	<u>(14,276)</u>
Increase (decrease) in cash and cash equivalents	<u>121,918</u>	<u>(143,502)</u>
Cash and cash equivalents at end of period	<u>\$ 655,216</u>	<u>\$ 544,585</u>

Cadence Design Systems, Inc.
Trended Condensed Consolidated Statements of Cash Flows
For the Five Quarters Ended September 28, 2019
(In thousands)
(Unaudited)

	<u>Q3 2018</u>	<u>Q4 2018</u>	<u>Q1 2019</u>	<u>Q2 2019</u>	<u>Q3 2019</u>
Cash and cash equivalents at beginning of period	\$ 819,540	\$ 544,585	\$ 533,298	\$ 538,898	\$ 633,415
Cash flows from operating activities:					
Net income	99,318	98,425	120,555	107,235	101,514
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	29,721	29,718	29,740	31,457	30,203
Amortization of debt discount and fees	364	246	247	250	250
Stock-based compensation	46,264	42,594	42,253	44,257	48,279
(Gain) loss on investments, net	639	(1,830)	(2,646)	2,905	2,396
Deferred income taxes	(4,885)	(8,455)	(4,966)	(3,193)	(2,779)
Provisions for losses (recoveries) on receivables	3,775	312	(183)	(203)	28
ROU asset amortization and change in operating lease liabilities	-	-	1,341	1,163	1,781
Other non-cash items	7	2,733	122	38	37
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	(25,865)	(58,612)	35,681	28,195	(37,323)
Inventories	(3,387)	2,207	(10,618)	(15,071)	(18,092)
Prepaid expenses and other	(11,276)	(21,640)	15,618	17,437	5,648
Other assets	(3,171)	(16,462)	4,559	(2,012)	1,007
Accounts payable and accrued liabilities	(29,886)	43,271	(41,261)	6,591	30,669
Deferred revenue	5,703	23,326	(4,451)	24,158	(26,675)
Other long-term liabilities	2,633	(3,949)	(577)	3,153	1,587
Net cash provided by operating activities	<u>109,954</u>	<u>131,884</u>	<u>185,414</u>	<u>246,360</u>	<u>138,530</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	(10,656)	(19,742)	(15,275)	(15,287)	(16,965)
Cash paid in business combinations	-	-	-	(338)	-
Net cash used for investing activities	<u>(10,656)</u>	<u>(132,084)</u>	<u>(45,987)</u>	<u>(15,678)</u>	<u>(16,965)</u>
Cash flows from financing activities:					
Proceeds from revolving credit facility	-	100,000	50,000	100,000	-
Payment on revolving credit facility	-	-	(100,000)	(150,000)	-
Principal payments on term loan	(300,000)	-	-	-	-
Proceeds from issuance of common stock	12,534	2,718	29,858	2,997	16,272
Stock received for payment of employee taxes on vesting of restricted stock	(29,494)	(10,302)	(32,822)	(12,876)	(29,318)
Payments for repurchases of common stock	(50,011)	(100,023)	(81,114)	(75,006)	(75,011)
Net cash used for financing activities	<u>(366,971)</u>	<u>(7,607)</u>	<u>(134,078)</u>	<u>(134,885)</u>	<u>(88,057)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(7,282)</u>	<u>(3,480)</u>	<u>251</u>	<u>(1,280)</u>	<u>(11,707)</u>
Increase (decrease) in cash and cash equivalents	<u>(274,955)</u>	<u>(11,287)</u>	<u>5,600</u>	<u>94,517</u>	<u>21,801</u>
Cash and cash equivalents at end of period	<u>\$ 544,585</u>	<u>\$ 533,298</u>	<u>\$ 538,898</u>	<u>\$ 633,415</u>	<u>\$ 655,216</u>

Cadence Design Systems, Inc.
(Unaudited)

Revenue Mix by Geography (% of Total Revenue)

<u>GEOGRAPHY</u>	<u>2018</u>					<u>2019</u>		
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Year</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>
Americas	45%	46%	44%	44%	45%	44%	42%	44%
China	9%	8%	9%	13%	10%	10%	12%	10%
Other Asia	18%	18%	20%	18%	18%	19%	19%	21%
Europe, Middle East and Africa	20%	20%	19%	17%	19%	18%	20%	18%
Japan	8%	8%	8%	8%	8%	9%	7%	7%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Revenue Mix by Product Group (% of Total Revenue)

<u>PRODUCT GROUP</u>	<u>2018</u>					<u>2019</u>		
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Year</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>
Functional Verification, including Emulation and Prototyping Hardware	26%	23%	22%	25%	24%	24%	22%	20%
Digital IC Design and Signoff	30%	30%	30%	28%	29%	30%	31%	30%
Custom IC Design and Simulation	26%	26%	26%	25%	26%	25%	26%	26%
System Interconnect and Analysis	9%	9%	9%	9%	9%	9%	10%	9%
IP	9%	12%	13%	13%	12%	12%	11%	15%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Operating Margin
As of October 21, 2019
(Unaudited)

	Three Months Ending December 28, 2019	Year Ending December 28, 2019
	Forecast	Forecast
GAAP operating margin as a percent of total revenue	~20%	21.3% - 21.8%
Reconciling items to non-GAAP operating margin as a percent of total revenue:		
Amortization of acquired intangibles	2%	2.2%
Stock-based compensation expense	8%	7.8%
Non-qualified deferred compensation expenses	0%	0.1%
Restructuring and other charges (credits)	0%	-0.1%
Acquisition and integration-related costs	0%	0.2%
Non-GAAP operating margin as a percent of total revenue†	~30%	31.5% - 32.0%

†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 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 October 21, 2019
(Unaudited)

	<u>Three Months Ending</u> <u>December 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	\$0.33 to \$0.35	\$1.50 to \$1.52
Amortization of acquired intangibles	0.04	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	-	0.02
Other income or expense related to investments and non-qualified deferred compensation plan assets*	0.01	-
Income tax effect of non-GAAP adjustments	(0.03)	(0.19)
Diluted net income per share on a non-GAAP basis†	<u><u>\$0.52 to \$0.54</u></u>	<u><u>\$2.18 to \$2.20</u></u>

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Net Income
As of October 21, 2019
(Unaudited)

(\$ in millions)	<u>Three Months Ending</u> <u>December 28, 2019</u> <u>Forecast</u>	<u>Year Ending</u> <u>December 28, 2019</u> <u>Forecast</u>
Net income on a GAAP basis	\$92 to \$98	\$421 to \$427
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	1	6
Other income or expense related to investments and non-qualified deferred compensation plan assets*	2	1
Income tax effect of non-GAAP adjustments	(9)	(53)
Net income on a non-GAAP basis†	<u><u>\$146 to \$152</u></u>	<u><u>\$612 to \$618</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 third 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 Nine Months Ended September 28, 2019 and September 29, 2018
(Unaudited)

(In thousands)	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
	Net income on a GAAP basis	\$ 101,514	\$ 99,318	\$ 329,304
Amortization of acquired intangibles*	12,799	12,975	40,419	40,391
Stock-based compensation expense**	48,279	46,264	134,789	125,121
Non-qualified deferred compensation expenses***	52	1,120	3,454	1,715
Restructuring and other credits	(186)	(172)	(1,188)	(2,610)
Acquisition and integration-related costs****	1,838	6,670	4,641	21,218
Other income or expense related to investments and non-qualified deferred compensation plan assets †	2,344	(498)	(801)	(2,634)
Income tax effect of non-GAAP adjustments	(13,899)	(26,306)	(44,537)	(51,752)
Net income on a non-GAAP basis +	\$ 152,741	\$ 139,371	\$ 466,081	\$ 378,801

+ 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 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		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
	Cost of product and maintenance	\$ 9,925	\$ 9,505	\$ 31,078
Amortization of acquired intangibles	2,874	3,470	9,341	10,618
Total amortization of acquired intangibles	\$ 12,799	\$ 12,975	\$ 40,419	\$ 40,391

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

(In thousands)	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
	Cost of product and maintenance	\$ 731	\$ 736	\$ 2,064
Cost of services	931	1,078	2,626	2,825
Marketing and sales	10,424	9,528	29,039	25,410
Research and development	30,458	28,668	85,015	77,003
General and administrative	5,735	6,254	16,045	17,951
Total stock-based compensation expense	\$ 48,279	\$ 46,264	\$ 134,789	\$ 125,121

*** 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 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
	Cost of product and maintenance	\$ -	\$ 7	\$ 31
Cost of services	1	10	44	14
Marketing and sales	10	95	359	114
Research and development	41	752	2,260	1,212
General and administrative	-	256	760	365
Total non-qualified deferred compensation expenses	\$ 52	\$ 1,120	\$ 3,454	\$ 1,715

**** 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 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
	Research and development	\$ 1,838	\$ 6,642	4,639
General and administrative	-	28	2	156
Total acquisition and integration-related costs	\$ 1,838	\$ 6,670	\$ 4,641	\$ 21,218

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 28, 2019 and September 29, 2018
(Unaudited)

(In thousands, except per share data)	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Diluted net income per share on a GAAP basis	\$ 0.36	\$ 0.35	\$ 1.17	\$ 0.88
Amortization of acquired intangibles	0.04	0.05	0.14	0.14
Stock-based compensation expense	0.17	0.16	0.48	0.44
Non-qualified deferred compensation expenses	-	-	0.01	0.01
Restructuring and other credits	-	-	-	(0.01)
Acquisition and integration-related costs	0.01	0.02	0.02	0.08
Other income or expense related to investments and non-qualified deferred compensation plan assets *	0.01	-	-	(0.01)
Income tax effect of non-GAAP adjustments	(0.05)	(0.09)	(0.16)	(0.18)
Diluted net income per share on a non-GAAP basis +	\$ 0.54	\$ 0.49	\$ 1.66	\$ 1.35
Shares used in calculation of diluted net income per share - GAAP **	280,666	281,646	280,817	281,391
Shares used in calculation of diluted net income per share - non-GAAP **	280,666	281,646	280,817	281,391

+ **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 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
	September 28, 2019	September 29, 2018
	Actual	Actual
	(In thousands)	(In thousands)
GAAP total costs and expenses	\$ 458,777	\$ 428,838
Reconciling items to non-GAAP total costs and expenses		
Amortization of acquired intangibles	(12,799)	(12,975)
Stock-based compensation expense	(48,279)	(46,264)
Non-qualified deferred compensation expenses	(52)	(1,120)
Restructuring and other credits	186	172
Acquisition and integration-related costs	(1,838)	(6,670)
Non-GAAP total costs and expenses†	<u>\$ 395,995</u>	<u>\$ 361,981</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 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 September 28, 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	41,715	(9,925)	(731)	-	-	31,059
Cost of services	19,260	-	(931)	(1)	-	18,328
Marketing and sales	121,368	-	(10,424)	(10)	-	110,934
Research and development	240,542	-	(30,458)	(41)	(1,838)	208,205
General and administrative	33,204	-	(5,735)	-	-	27,469
Amortization of acquired intangibles	2,874	(2,874)	-	-	-	-
		<u>(12,799)</u>	<u>(48,279)</u>	<u>(52)</u>	<u>(1,838)</u>	
	For the nine months ended September 28, 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	135,625	(31,078)	(2,064)	(31)	-	102,452
Cost of services	57,404	-	(2,626)	(44)	-	54,734
Marketing and sales	354,406	-	(29,039)	(359)	-	325,008
Research and development	700,566	-	(85,015)	(2,260)	(4,639)	608,652
General and administrative	97,713	-	(16,045)	(760)	(2)	80,906
Amortization of acquired intangibles	9,341	(9,341)	-	-	-	-
		<u>(40,419)</u>	<u>(134,789)</u>	<u>(3,454)</u>	<u>(4,641)</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 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 September 28, 2019
(In thousands)
(Unaudited)

	Three Months Ended September 28, 2019		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 548,105	\$ -	\$ 548,105
Services	31,498	-	31,498
Total revenue	<u>579,603</u>	<u>-</u>	<u>579,603</u>
Costs and expenses:			
Cost of product and maintenance	41,715	(10,656) (A)	31,059
Cost of services	19,260	(932) (A)	18,328
Marketing and sales	121,368	(10,434) (A)	110,934
Research and development	240,542	(32,337) (A)	208,205
General and administrative	33,204	(5,735) (A)	27,469
Amortization of acquired intangibles	2,874	(2,874) (A)	-
Restructuring and other credits	(186)	186	-
Total costs and expenses	<u>458,777</u>	<u>(62,782)</u>	<u>395,995</u>
Income from operations	120,826	62,782	183,608
Interest expense	(4,240)	-	(4,240)
Other income, net	122	2,344 (B)	2,466
Income before provision for income taxes	116,708	65,126	181,834
Provision for income taxes	15,194	13,899 (C)	29,093
Net income	<u>\$ 101,514</u>	<u>\$ 51,227</u>	<u>\$ 152,741</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 2019 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended September 28, 2019, adjustments to GAAP are as follows for the line items specified:

	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Acquisition and integration-related costs	Total adjustments
Cost of product and maintenance	\$ 9,925	\$ 731	\$ -	\$ -	\$ 10,656
Cost of services	-	931	1	-	932
Marketing and sales	-	10,424	10	-	10,434
Research and development	-	30,458	41	1,838	32,337
General and administrative	-	5,735	-	-	5,735
Amortization of acquired intangibles	2,874	-	-	-	2,874
Total	<u>\$ 12,799</u>	<u>\$ 48,279</u>	<u>\$ 52</u>	<u>\$ 1,838</u>	<u>\$ 62,968</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 September 29, 2018
(In thousands)
(Unaudited)

	Three Months Ended September 29, 2018		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 494,990	\$ -	\$ 494,990
Services	37,478	-	37,478
Total revenue	<u>532,468</u>	<u>-</u>	<u>532,468</u>
Costs and expenses:			
Cost of product and maintenance	36,406	(10,248) (A)	26,158
Cost of services	24,048	(1,088) (A)	22,960
Marketing and sales	108,608	(9,623) (A)	98,985
Research and development	223,231	(36,062) (A)	187,169
General and administrative	33,247	(6,538) (A)	26,709
Amortization of acquired intangibles	3,470	(3,470) (A)	-
Restructuring and other credits	(172)	172	-
Total costs and expenses	<u>428,838</u>	<u>(66,857)</u>	<u>361,981</u>
Income from operations	103,630	66,857	170,487
Interest expense	(5,177)	-	(5,177)
Other income, net	1,106	(498) (B)	608
Income before provision for income taxes	99,559	66,359	165,918
Provision for income taxes	241	26,306 (C)	26,547
Net income	<u>\$ 99,318</u>	<u>\$ 40,053</u>	<u>\$ 139,371</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 2019 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended September 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 expenses	Acquisition and integration-related costs	Total adjustments
Cost of product and maintenance	\$ 9,505	\$ 736	\$ 7	\$ -	\$ 10,248
Cost of services	-	1,078	10	-	1,088
Marketing and sales	-	9,528	95	-	9,623
Research and development	-	28,668	752	6,642	36,062
General and administrative	-	6,254	256	28	6,538
Amortization of acquired intangibles	3,470	-	-	-	3,470
Total	<u>\$ 12,975</u>	<u>\$ 46,264</u>	<u>\$ 1,120</u>	<u>\$ 6,670</u>	<u>\$ 67,029</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 28, 2019
(In thousands)
(Unaudited)

	Nine Months Ended September 28, 2019		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 1,639,651	\$ -	\$ 1,639,651
Services	97,113	-	97,113
Total revenue	<u>1,736,764</u>	<u>-</u>	<u>1,736,764</u>
Costs and expenses:			
Cost of product and maintenance	135,625	(33,173) (A)	102,452
Cost of services	57,404	(2,670) (A)	54,734
Marketing and sales	354,406	(29,398) (A)	325,008
Research and development	700,566	(91,914) (A)	608,652
General and administrative	97,713	(16,807) (A)	80,906
Amortization of acquired intangibles	9,341	(9,341) (A)	-
Restructuring and other credits	(1,188)	1,188	-
Total costs and expenses	<u>1,353,867</u>	<u>(182,115)</u>	<u>1,171,752</u>
Income from operations	382,897	182,115	565,012
Interest expense	(14,607)	-	(14,607)
Other income, net	5,253	(801) (B)	4,452
Income before provision for income taxes	373,543	181,314	554,857
Provision for income taxes	44,239	44,537 (C)	88,776
Net income	<u>\$ 329,304</u>	<u>\$ 136,777</u>	<u>\$ 466,081</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 2019 for a further discussion of its non-GAAP measures.

Notes:

(A) For the nine months ended September 28, 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	\$ 31,078	\$ 2,064	\$ 31	\$ -	\$ 33,173
Cost of services	-	2,626	44	-	2,670
Marketing and sales	-	29,039	359	-	29,398
Research and development	-	85,015	2,260	4,639	91,914
General and administrative	-	16,045	760	2	16,807
Amortization of acquired intangibles	9,341	-	-	-	9,341
Total	<u>\$ 40,419</u>	<u>\$ 134,789</u>	<u>\$ 3,454</u>	<u>\$ 4,641</u>	<u>\$ 183,303</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 29, 2018
(In thousands)
(Unaudited)

	Nine Months Ended September 29, 2018		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 1,463,469	\$ -	\$ 1,463,469
Services	104,703	-	104,703
Total revenue	<u>1,568,172</u>	<u>-</u>	<u>1,568,172</u>
Costs and expenses:			
Cost of product and maintenance	118,263	(31,715) (A)	86,548
Cost of services	64,360	(2,839) (A)	61,521
Marketing and sales	327,056	(25,524) (A)	301,532
Research and development	666,545	(99,277) (A)	567,268
General and administrative	101,421	(18,472) (A)	82,949
Amortization of acquired intangibles	10,618	(10,618) (A)	-
Restructuring and other credits	(2,610)	2,610	-
Total costs and expenses	<u>1,285,653</u>	<u>(185,835)</u>	<u>1,099,818</u>
Income from operations	282,519	185,835	468,354
Interest expense	(18,821)	-	(18,821)
Other income, net	4,055	(2,634) (B)	1,421
Income before provision for income taxes	267,753	183,201	450,954
Provision for income taxes	20,401	51,752 (C)	72,153
Net income	<u>\$ 247,352</u>	<u>\$ 131,449</u>	<u>\$ 378,801</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 2019 for a further discussion of its non-GAAP measures.

Notes:

(A) For the nine months ended September 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 expenses	Acquisition and integration-related costs	Total adjustments
Cost of product and maintenance	\$ 29,773	\$ 1,932	\$ 10	\$ -	\$ 31,715
Cost of services	-	2,825	14	-	2,839
Marketing and sales	-	25,410	114	-	25,524
Research and development	-	77,003	1,212	21,062	99,277
General and administrative	-	17,951	365	156	18,472
Amortization of acquired intangibles	10,618	-	-	-	10,618
Total	<u>\$ 40,391</u>	<u>\$ 125,121</u>	<u>\$ 1,715</u>	<u>\$ 21,218</u>	<u>\$ 188,445</u>

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

(C) Income tax effect of non-GAAP adjustments