

## TABLE OF CONTENTS

Condensed Consolidated Balance Sheets, December 30, 2017 and December 31, 2016.....	1
Trended Condensed Consolidated Balance Sheets.....	2
Condensed Consolidated Statements of Operations for the Three Months and Years Ended December 30, 2017 and December 31, 2016.....	3
Trended Condensed Statements of Operations.....	4
Condensed Consolidated Statements of Cash Flows for the Years Ended December 30, 2017 and December 31, 2016.....	5
Trended Condensed Consolidated Statements of Cash Flows.....	6
Revenue Mix by Geography.....	7
Revenue Mix by Product Group.....	7
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share, as of January 31, 2018.....	8
Impact of Non-GAAP Adjustments on Forward Looking Net Income, as of January 31, 2018.....	8
Reconciliation of GAAP Net Income to Non-GAAP Net Income, for the Three Months and Years Ended December 30, 2017 and December 31, 2016.....	9
Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share, for the Three Months and Years Ended December 30, 2017 and December 31, 2016.....	10
Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures.....	11
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Three Months Ended December 30, 2017.....	12
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Three Months Ended December 31, 2016.....	13
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Year Ended December 30, 2017.....	14
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Year Ended December 31, 2016.....	15

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

	<u>December 30, 2017</u>	<u>December 31, 2016</u>
Current assets:		
Cash and cash equivalents	\$ 688,087	\$ 465,232
Short-term investments	4,455	3,057
Receivables, net	190,426	157,171
Inventories	33,209	39,475
Prepaid expenses and other	63,811	37,099
Total current assets	<u>979,988</u>	<u>702,034</u>
Property, plant and equipment, net of accumulated depreciation of \$658,377 and \$612,961, respectively	251,342	238,607
Goodwill	666,009	572,764
Acquired intangibles, net of accumulated amortization of \$297,456 and \$267,723, respectively	278,835	258,814
Long-term receivables	12,239	12,949
Other assets	230,301	311,740
Total assets	<u>\$ 2,418,714</u>	<u>\$ 2,096,908</u>
Current liabilities:		
Revolving credit facility	\$ 85,000	\$ 50,000
Accounts payable and accrued liabilities	221,101	239,496
Current portion of deferred revenue	336,297	296,066
Total current liabilities	<u>642,398</u>	<u>585,562</u>
Long-term liabilities:		
Long-term portion of deferred revenue	61,513	66,769
Long-term debt	644,369	643,493
Other long-term liabilities	81,232	59,314
Total long-term liabilities	<u>787,114</u>	<u>769,576</u>
Stockholders' equity	989,202	741,770
Total liabilities and stockholders' equity	<u>\$ 2,418,714</u>	<u>\$ 2,096,908</u>

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

	December 31, 2016	April 1, 2017	July 1, 2017	September 30, 2017	December 30, 2017
<b>Current assets:</b>					
Cash and cash equivalents	\$ 465,232	\$ 544,128	\$ 655,998	\$ 678,284	\$ 688,087
Short-term investments	3,057	3,479	3,229	4,135	4,455
Receivables, net	157,171	180,571	153,154	170,312	190,426
Inventories	39,475	30,734	31,894	36,000	33,209
Prepaid expenses and other	37,099	41,092	39,175	42,374	63,811
Total current assets	<u>702,034</u>	<u>800,004</u>	<u>883,450</u>	<u>931,105</u>	<u>979,988</u>
Property, plant and equipment, net	238,607	243,949	249,140	244,620	251,342
Goodwill	572,764	574,545	575,025	574,912	666,009
Acquired intangibles, net	258,814	244,445	229,783	216,177	278,835
Long-term receivables	12,949	13,127	13,340	11,590	12,239
Other assets	311,740	315,128	316,961	326,823	230,301
Total assets	<u>\$ 2,096,908</u>	<u>\$ 2,191,198</u>	<u>\$ 2,267,699</u>	<u>\$ 2,305,227</u>	<u>\$ 2,418,714</u>
<b>Current liabilities:</b>					
Revolving credit facility	\$ 50,000	\$ 50,000	\$ -	\$ -	\$ 85,000
Accounts payable and accrued liabilities	239,496	193,978	222,216	199,672	221,101
Current portion of deferred revenue	296,066	331,848	322,509	320,462	336,297
Total current liabilities	<u>585,562</u>	<u>575,826</u>	<u>544,725</u>	<u>520,134</u>	<u>642,398</u>
<b>Long-term liabilities:</b>					
Long-term portion of deferred revenue	66,769	66,399	60,158	57,865	61,513
Long-term debt	643,493	643,709	643,927	644,146	644,369
Other long-term liabilities	59,314	64,672	67,096	72,342	81,232
Total long-term liabilities	<u>769,576</u>	<u>774,780</u>	<u>771,181</u>	<u>774,353</u>	<u>787,114</u>
<b>Stockholders' equity:</b>					
Common stock and capital in excess of par value	1,820,081	1,824,306	1,848,719	1,807,839	1,829,950
Treasury stock, at cost	(1,190,053)	(1,166,599)	(1,156,626)	(1,142,524)	(1,178,121)
Retained earnings	136,902	205,161	274,288	355,445	341,003
Accumulated other comprehensive loss	(25,160)	(22,276)	(14,588)	(10,020)	(3,630)
Total stockholders' equity	<u>741,770</u>	<u>840,592</u>	<u>951,793</u>	<u>1,010,740</u>	<u>989,202</u>
Total liabilities and stockholders' equity	<u>\$ 2,096,908</u>	<u>\$ 2,191,198</u>	<u>\$ 2,267,699</u>	<u>\$ 2,305,227</u>	<u>\$ 2,418,714</u>

**Cadence Design Systems, Inc.**  
**Condensed Consolidated Statements of Operations**  
**For the Three Months and Years Ended December 30, 2017 and December 31, 2016**  
(In thousands, except per share amounts)  
(Unaudited)

	<u>Three Months Ended</u>		<u>Years Ended</u>	
	<u>December 30, 2017</u>	<u>December 31, 2016</u>	<u>December 30, 2017</u>	<u>December 31, 2016</u>
Revenue:				
Product and maintenance	\$ 467,504	\$ 436,694	\$ 1,813,987	\$ 1,683,771
Services	34,218	32,286	129,045	132,312
Total revenue	<u>501,722</u>	<u>468,980</u>	<u>1,943,032</u>	<u>1,816,083</u>
Costs and expenses:				
Cost of product and maintenance	39,305	57,410	156,676	183,291
Cost of services	20,979	18,638	80,714	73,201
Marketing and sales	107,654	98,091	419,161	395,194
Research and development	203,468	181,516	804,223	735,340
General and administrative	33,289	29,977	134,181	125,106
Amortization of acquired intangibles	3,571	3,889	14,716	18,095
Restructuring and other charges	12,178	26,342	9,406	40,955
Total costs and expenses	<u>420,444</u>	<u>415,863</u>	<u>1,619,077</u>	<u>1,571,182</u>
Income from operations	81,278	53,117	323,955	244,901
Interest expense	(6,712)	(6,364)	(25,664)	(23,670)
Other income, net	2,385	5,481	16,755	15,922
Income before provision for income taxes	76,951	52,234	315,046	237,153
Provision for income taxes	91,393	13,757	110,945	34,067
Net income (loss)	<u>\$ (14,442)</u>	<u>\$ 38,477</u>	<u>\$ 204,101</u>	<u>\$ 203,086</u>
Net income (loss) per share - basic	<u>\$ (0.05)</u>	<u>\$ 0.14</u>	<u>\$ 0.75</u>	<u>\$ 0.71</u>
Net income (loss) per share - diluted	<u>\$ (0.05)</u>	<u>\$ 0.14</u>	<u>\$ 0.73</u>	<u>\$ 0.70</u>
Weighted average common shares outstanding - basic	<u>273,157</u>	<u>272,578</u>	<u>272,097</u>	<u>284,502</u>
Weighted average common shares outstanding - diluted	<u>273,157</u>	<u>278,917</u>	<u>280,221</u>	<u>291,256</u>

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

	<b>Three Months Ended</b>				
	<b>December 31, 2016</b>	<b>April 1, 2017</b>	<b>July 1, 2017</b>	<b>September 30, 2017</b>	<b>December 30, 2017</b>
Revenue:					
Product and maintenance	\$ 436,694	\$ 451,407	\$ 443,847	\$ 451,229	\$ 467,504
Services	32,286	25,504	35,154	34,169	34,218
Total revenue	<u>468,980</u>	<u>476,911</u>	<u>479,001</u>	<u>485,398</u>	<u>501,722</u>
Costs and expenses:					
Cost of product and maintenance	57,410	43,717	38,829	34,825	39,305
Cost of services	18,638	18,075	22,003	19,657	20,979
Marketing and sales	98,091	103,347	103,897	104,263	107,654
Research and development	181,516	198,286	195,901	206,568	203,468
General and administrative	29,977	31,816	32,774	36,302	33,289
Amortization of acquired intangibles	3,889	3,856	3,836	3,453	3,571
Restructuring and other charges (credits)	26,342	(1,788)	(929)	(55)	12,178
Total costs and expenses	<u>415,863</u>	<u>397,309</u>	<u>396,311</u>	<u>405,013</u>	<u>420,444</u>
Income from operations	53,117	79,602	82,690	80,385	81,278
Interest expense	(6,364)	(6,479)	(6,248)	(6,225)	(6,712)
Other income, net	5,481	1,059	924	12,387	2,385
Income before provision for income taxes	52,234	74,182	77,366	86,547	76,951
Provision for income taxes	13,757	5,923	8,239	5,390	91,393
Net income (loss)	<u>\$ 38,477</u>	<u>\$ 68,259</u>	<u>\$ 69,127</u>	<u>\$ 81,157</u>	<u>\$ (14,442)</u>
Net income (loss) per share - basic	<u>\$ 0.14</u>	<u>\$ 0.25</u>	<u>\$ 0.25</u>	<u>\$ 0.30</u>	<u>\$ (0.05)</u>
Net income (loss) per share - diluted	<u>\$ 0.14</u>	<u>\$ 0.25</u>	<u>\$ 0.25</u>	<u>\$ 0.29</u>	<u>\$ (0.05)</u>
Weighted average common shares outstanding - basic	<u>272,578</u>	<u>270,173</u>	<u>271,887</u>	<u>273,156</u>	<u>273,157</u>
Weighted average common shares outstanding - diluted	<u>278,917</u>	<u>277,736</u>	<u>279,526</u>	<u>281,400</u>	<u>273,157</u>

**Cadence Design Systems, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**For the Years Ended December 30, 2017 and December 31, 2016**  
**(In thousands)**  
**(Unaudited)**

	<b>Years Ended</b>	
	<b>December 30, 2017</b>	<b>December 31, 2016</b>
Cash and cash equivalents at beginning of year	\$ 465,232	\$ 616,686
Cash flows from operating activities:		
Net income	204,101	203,086
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	115,524	119,588
Amortization of debt discount and fees	1,211	1,069
Stock-based compensation	130,023	109,217
Gain on investments, net	(13,869)	(4,725)
Gain on sale of property, plant and equipment	-	(923)
Deferred income taxes	79,934	(4,869)
Other non-cash items	5,068	4,027
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	(28,409)	(3,299)
Inventories	5,034	4,934
Prepaid expenses and other	(25,793)	(6,903)
Other assets	(22,336)	(6,566)
Accounts payable and accrued liabilities	(25,987)	2,655
Deferred revenue	33,614	30,742
Other long-term liabilities	12,625	(3,154)
Net cash provided by operating activities	<u>470,740</u>	<u>444,879</u>
Cash flows from investing activities:		
Purchases of available-for-sale securities	-	(20,525)
Proceeds from the sale of available-for-sale securities	833	55,619
Proceeds from the maturity of available-for-sale securities	-	57,762
Proceeds from the sale of long-term investments	9,108	2,917
Proceeds from the sale of property, plant and equipment	-	923
Purchases of property, plant and equipment	(57,901)	(53,712)
Cash paid in business combinations and asset acquisitions, net of cash acquired	<u>(143,249)</u>	<u>(41,627)</u>
Net cash provided by (used for) investing activities	<u>(191,209)</u>	<u>1,357</u>
Cash flows from financing activities:		
Proceeds from term loan	-	300,000
Proceeds from revolving credit facility	135,000	115,000
Payment on revolving credit facility	(100,000)	(65,000)
Payment of debt issuance costs	(793)	(622)
Proceeds from issuance of common stock	48,965	55,440
Stock received for payment of employee taxes on vesting of restricted stock	(57,161)	(37,226)
Payments for repurchases of common stock	(100,025)	(960,289)
Change in book overdraft	3,867	-
Net cash used for financing activities	<u>(70,147)</u>	<u>(592,697)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>13,471</u>	<u>(4,993)</u>
Increase (decrease) in cash and cash equivalents	<u>222,855</u>	<u>(151,454)</u>
Cash and cash equivalents at end of year	<u>\$ 688,087</u>	<u>\$ 465,232</u>

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

	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Cash and cash equivalents at beginning of period	\$ 524,333	\$ 465,232	\$ 544,128	\$ 655,998	\$ 678,284
Cash flows from operating activities:					
Net income (loss)	38,477	68,259	69,127	81,157	(14,442)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	29,862	28,894	29,410	28,301	28,919
Amortization of debt discount and fees	277	350	283	287	291
Stock-based compensation	29,231	27,436	30,482	36,090	36,015
Gain on investments, net	(655)	(1,228)	(855)	(10,419)	(1,367)
Gain on sale of property, plant and equipment	(441)	-	-	-	-
Deferred income taxes	(13,526)	1,990	2,823	(4,601)	79,722
Other non-cash items	2,158	1,359	798	1,606	1,305
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	(6,172)	(22,475)	28,817	(14,382)	(20,369)
Inventories	21,273	6,000	(3,465)	(253)	2,752
Prepaid expenses and other	5,232	(3,777)	2,220	(3,070)	(21,166)
Other assets	(2,744)	(3,657)	(5,133)	(5,679)	(7,867)
Accounts payable and accrued liabilities	49,240	(46,159)	24,164	(19,132)	15,140
Deferred revenue	41,565	34,325	(15,592)	(4,488)	19,369
Other long-term liabilities	3,085	1,113	(939)	3,897	8,554
Net cash provided by operating activities	<u>196,862</u>	<u>92,430</u>	<u>162,140</u>	<u>89,314</u>	<u>126,856</u>
Cash flows from investing activities:					
Proceeds from the sale of available-for-sale securities	201	107	82	232	412
Proceeds from the maturity of available-for-sale securities	5,400	-	-	-	-
Proceeds from the sale of long-term investments	4	-	-	9,108	-
Proceeds from the sale of property, plant and equipment	441	-	-	-	-
Purchases of property, plant and equipment	(11,260)	(14,843)	(12,645)	(12,188)	(18,225)
Cash paid in business combinations and asset acquisitions, net of cash acquired	-	-	-	(550)	(142,699)
Net cash used for investing activities	<u>(5,214)</u>	<u>(14,736)</u>	<u>(12,563)</u>	<u>(3,398)</u>	<u>(160,512)</u>
Cash flows from financing activities:					
Proceeds from revolving credit facility	65,000	50,000	-	-	85,000
Payment on revolving credit facility	(65,000)	(50,000)	(50,000)	-	-
Payment of debt issuance costs	-	(793)	-	-	-
Proceeds from issuance of common stock	5,147	22,715	7,252	15,452	3,546
Stock received for payment of employee taxes on vesting of restricted stock	(1,694)	(22,470)	(3,349)	(28,311)	(3,031)
Payments for repurchases of common stock	(240,093)	-	-	(50,013)	(50,012)
Change in book overdraft	-	-	-	-	3,867
Net cash provided by (used for) financing activities	<u>(236,640)</u>	<u>(548)</u>	<u>(46,097)</u>	<u>(62,872)</u>	<u>39,370</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(14,109)</u>	<u>1,750</u>	<u>8,390</u>	<u>(758)</u>	<u>4,089</u>
Increase (decrease) in cash and cash equivalents	<u>(59,101)</u>	<u>78,896</u>	<u>111,870</u>	<u>22,286</u>	<u>9,803</u>
Cash and cash equivalents at end of period	<u>\$ 465,232</u>	<u>\$ 544,128</u>	<u>\$ 655,998</u>	<u>\$ 678,284</u>	<u>\$ 688,087</u>

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

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

<u><b>GEOGRAPHY</b></u>	<b>2016</b>					<b>2017</b>				
	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Year</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Year</b>
Americas	49%	47%	46%	48%	<b>48%</b>	45%	45%	45%	44%	<b>44%</b>
Asia	22%	24%	27%	25%	<b>24%</b>	26%	28%	27%	28%	<b>27%</b>
Europe, Middle East and Africa	19%	20%	19%	19%	<b>19%</b>	20%	19%	19%	20%	<b>20%</b>
Japan	10%	9%	8%	8%	<b>9%</b>	9%	8%	9%	8%	<b>9%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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

<u><b>PRODUCT GROUP</b></u>	<b>2016</b>					<b>2017</b>				
	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Year</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Year</b>
Functional Verification, including Emulation and Prototyping Hardware	26%	27%	24%	25%	<b>25%</b>	23%	23%	21%	23%	<b>22%</b>
Digital IC Design and Signoff	30%	27%	28%	30%	<b>29%</b>	29%	30%	30%	29%	<b>29%</b>
Custom IC Design	25%	26%	27%	25%	<b>25%</b>	26%	26%	28%	26%	<b>27%</b>
System Interconnect and Analysis	9%	10%	10%	9%	<b>10%</b>	10%	10%	10%	10%	<b>10%</b>
IP	10%	10%	11%	11%	<b>11%</b>	12%	11%	11%	12%	<b>12%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



**Cadence Design Systems, Inc.**  
**As of January 31, 2018**  
**Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share**  
**(Unaudited)**

	<u>Three Months Ending</u> <u>March 31, 2018</u> <u>ASC 606 Forecast</u>	<u>Year Ending</u> <u>December 29, 2018</u> <u>ASC 606 Forecast</u>	<u>Year Ending</u> <u>December 29, 2018</u> <u>ASC 605 Forecast *</u>
Diluted net income per share on a GAAP basis	<b>\$0.20 to \$0.22</b>	<b>\$0.80 to \$0.90</b>	<b>\$0.93 to \$1.03</b>
Amortization of acquired intangibles	0.05	0.19	0.19
Stock-based compensation expense	0.14	0.59	0.59
Restructuring and other charges	-	-	-
Acquisition and integration-related costs	0.03	0.09	0.09
Income tax effect of non-GAAP adjustments	(0.06)	(0.17)	(0.18)
Diluted net income per share on a non-GAAP basis†	<u><u>\$0.36 to \$0.38</u></u>	<u><u>\$1.50 to \$1.60</u></u>	<u><u>\$1.62 to \$1.72</u></u>

**Cadence Design Systems, Inc.**  
**As of January 31, 2018**  
**Impact of Non-GAAP Adjustments on Forward Looking Net Income**  
**(Unaudited)**

(\$ in millions)	<u>Three Months Ending</u> <u>March 31, 2018</u> <u>ASC 606 Forecast</u>	<u>Year Ending</u> <u>December 29, 2018</u> <u>ASC 606 Forecast</u>	<u>Year Ending</u> <u>December 29, 2018</u> <u>ASC 605 Forecast *</u>
Net income on a GAAP basis	<b>\$58 to \$64</b>	<b>\$226 to \$254</b>	<b>\$264 to \$292</b>
Amortization of acquired intangibles	14	54	54
Stock-based compensation expense	39	167	167
Restructuring and other charges	1	1	1
Acquisition and integration-related costs	7	26	26
Income tax effect of non-GAAP adjustments	(16)	(48)	(52)
Net income on a non-GAAP basis†	<u><u>\$103 to \$109</u></u>	<u><u>\$426 to \$454</u></u>	<u><u>\$460 to \$488</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 fourth quarter and fiscal year 2017 for a further discussion of its non-GAAP measures.

\* As required by the new standard, Cadence will report revenue under both methods for the 2018 transition year. Cadence expects the difference between revenue under the new and old standard to gradually decline over time and be de minimis within two years.

**Cadence Design Systems, Inc.**  
**Reconciliation of GAAP Net Income (Loss) to Non-GAAP Net Income**  
**For the Three Months and Years Ended December 30, 2017 and December 31, 2016**  
**(Unaudited)**

(In thousands)	Three Months Ended		Years Ended	
	December 30, 2017	December 31, 2016	December 30, 2017	December 31, 2016
Net income (loss) on a GAAP basis	\$ (14,442)	\$ 38,477	\$ 204,101	\$ 203,086
Amortization of acquired intangibles*	13,741	14,474	56,497	60,482
Stock-based compensation expense**	36,015	29,231	130,023	109,217
Non-qualified deferred compensation expenses ***	1,295	544	6,145	1,741
Restructuring and other charges	12,178	26,342	9,406	40,955
Acquisition and integration-related costs****	5,712	1,433	8,468	11,268
Other income or expense related to investments and non-qualified deferred compensation plan assets †	(1,368)	(655)	(15,693)	(4,672)
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	(34,328)	(14,672)	(98,810)	(70,847)
Net income on a non-GAAP basis +	\$ 111,283	\$ 95,174	\$ 392,617	\$ 351,230

+ 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 2017 for a further discussion of its non-GAAP measures.

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

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

(In thousands)	Three Months Ended		Years Ended	
	December 30, 2017	December 31, 2016	December 30, 2017	December 31, 2016
Cost of product and maintenance	\$ 10,170	\$ 10,585	\$ 41,781	\$ 42,387
Amortization of acquired intangibles	3,571	3,889	14,716	18,095
Total amortization of acquired intangibles	\$ 13,741	\$ 14,474	\$ 56,497	\$ 60,482

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

(In thousands)	Three Months Ended		Years Ended	
	December 30, 2017	December 31, 2016	December 30, 2017	December 31, 2016
Cost of product and maintenance	\$ 586	\$ 534	\$ 2,218	\$ 1,995
Cost of services	859	770	3,232	2,911
Marketing and sales	7,171	5,819	26,838	22,700
Research and development	21,934	17,685	77,222	64,061
General and administrative	5,465	4,423	20,513	17,550
Total stock-based compensation expense	\$ 36,015	\$ 29,231	\$ 130,023	\$ 109,217

\*\*\*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	
	December 30, 2017	December 31, 2016	December 30, 2017	December 31, 2016
Cost of product and maintenance	\$ 9	\$ 8	\$ 64	\$ 13
Cost of services	12	12	92	19
Marketing and sales	90	29	528	105
Research and development	886	413	3,059	1,303
General and administrative	298	82	2,402	301
Total non-qualified deferred compensation expenses	\$ 1,295	\$ 544	\$ 6,145	\$ 1,741

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

(In thousands)	Three Months Ended		Years Ended	
	December 30, 2017	December 31, 2016	December 30, 2017	December 31, 2016
Marketing and sales	\$ -	\$ 43	\$ 168	\$ 305
Research and development	4,879	1,377	7,261	4,615
General and administrative	833	13	1,039	6,348
Total acquisition and integration-related costs	\$ 5,712	\$ 1,433	\$ 8,468	\$ 11,268

**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 30, 2017 and December 31, 2016**  
**(Unaudited)**

(In thousands, except per share data)	Three Months Ended		Years Ended	
	December 30, 2017	December 31, 2016	December 30, 2017	December 31, 2016
Diluted net income (loss) per share on a GAAP basis	\$ (0.05)	\$ 0.14	\$ 0.73	\$ 0.70
Amortization of acquired intangibles	0.05	0.05	0.20	0.21
Stock-based compensation expense	0.13	0.10	0.46	0.37
Non-qualified deferred compensation expenses	-	-	0.02	0.01
Restructuring and other charges	0.04	0.09	0.03	0.14
Acquisition and integration-related costs	0.02	0.01	0.03	0.04
Other income or expense related to investments and non-qualified deferred compensation plan assets *	(0.01)	-	(0.05)	(0.02)
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	(0.12)	(0.05)	(0.35)	(0.24)
Diluted net income per share on a non-GAAP basis +	\$ 0.39	\$ 0.34	\$ 1.40	\$ 1.21
Shares used in calculation of diluted net income (loss) per share - GAAP **	273,157	278,917	280,221	291,256
Shares used in calculation of diluted net income per share - non-GAAP **	282,206	278,917	280,221	291,256

+ **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 2017 for a further discussion of its non-GAAP measures.**

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

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



**Cadence Design Systems, Inc.**  
**Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures**  
**For the Three Months Ended 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
	<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)	-
	<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
	<u>76,951</u>	<u>67,573</u>	<u>144,524</u>
Income before provision for income taxes	76,951	67,573	144,524
Provision for income taxes	91,393	(58,152) (C)	33,241
	<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 2017 for a further discussion of its non-GAAP financial 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 Three Months Ended December 31, 2016**  
(In thousands)  
(Unaudited)

	Three Months Ended December 31, 2016		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 436,694	\$ -	\$ 436,694
Services	32,286	-	32,286
<b>Total revenue</b>	<b>468,980</b>	<b>-</b>	<b>468,980</b>
Costs and expenses:			
Cost of product and maintenance	57,410	(11,127) (A)	46,283
Cost of services	18,638	(782) (A)	17,856
Marketing and sales	98,091	(5,891) (A)	92,200
Research and development	181,516	(19,475) (A)	162,041
General and administrative	29,977	(4,518) (A)	25,459
Amortization of acquired intangibles	3,889	(3,889) (A)	-
Restructuring and other charges	26,342	(26,342)	-
<b>Total costs and expenses</b>	<b>415,863</b>	<b>(72,024)</b>	<b>343,839</b>
Income from operations	53,117	72,024	125,141
Interest expense	(6,364)	-	(6,364)
Other income, net	5,481	(655) (B)	4,826
Income before provision for income taxes	52,234	71,369	123,603
Provision for income taxes	13,757	14,672 (C)	28,429
<b>Net income</b>	<b>\$ 38,477</b>	<b>\$ 56,697</b>	<b>\$ 95,174</b>

\* The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its fourth quarter and fiscal year 2017 for a further discussion of its non-GAAP financial measures.

Notes:

(A) For the three months ended December 31, 2016, adjustments to GAAP are as follows for the line items specified:

	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Acquisition and integration-related costs	Total adjustments
Cost of product and maintenance	\$ 10,585	\$ 534	\$ 8	\$ -	\$ 11,127
Cost of services	-	770	12	-	782
Marketing and sales	-	5,819	29	43	5,891
Research and development	-	17,685	413	1,377	19,475
General and administrative	-	4,423	82	13	4,518
Amortization of acquired intangibles	3,889	-	-	-	3,889
<b>Total</b>	<b>\$ 14,474</b>	<b>\$ 29,231</b>	<b>\$ 544</b>	<b>\$ 1,433</b>	<b>\$ 45,682</b>

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

(C) Income tax effect of non-GAAP adjustments

**Cadence Design Systems, Inc.**  
**Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures**  
**For the 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 2017 for a further discussion of its non-GAAP financial 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

**Cadence Design Systems, Inc.**  
**Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures**  
**For the Year Ended December 31, 2016**  
(In thousands)  
(Unaudited)

	Year Ended December 31, 2016		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 1,683,771	\$ -	\$ 1,683,771
Services	132,312	-	132,312
<b>Total revenue</b>	<b>1,816,083</b>	<b>-</b>	<b>1,816,083</b>
Costs and expenses:			
Cost of product and maintenance	183,291	(44,395) (A)	138,896
Cost of services	73,201	(2,930) (A)	70,271
Marketing and sales	395,194	(23,110) (A)	372,084
Research and development	735,340	(69,979) (A)	665,361
General and administrative	125,106	(24,199) (A)	100,907
Amortization of acquired intangibles	18,095	(18,095) (A)	-
Restructuring and other charges	40,955	(40,955)	-
<b>Total costs and expenses</b>	<b>1,571,182</b>	<b>(223,663)</b>	<b>1,347,519</b>
Income from operations	244,901	223,663	468,564
Interest expense	(23,670)	-	(23,670)
Other income, net	15,922	(4,672) (B)	11,250
Income before provision for income taxes	237,153	218,991	456,144
Provision for income taxes	34,067	70,847 (C)	104,914
<b>Net income</b>	<b>\$ 203,086</b>	<b>\$ 148,144</b>	<b>\$ 351,230</b>

\* The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its fourth quarter and fiscal year 2017 for a further discussion of its non-GAAP financial measures.

Notes:

(A) For the year ended December 31, 2016, adjustments to GAAP are as follows for the line items specified:

	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Acquisition and integration-related costs	Total adjustments
Cost of product and maintenance	\$ 42,387	\$ 1,995	\$ 13	\$ -	\$ 44,395
Cost of services	-	2,911	19	-	2,930
Marketing and sales	-	22,700	105	305	23,110
Research and development	-	64,061	1,303	4,615	69,979
General and administrative	-	17,550	301	6,348	24,199
Amortization of acquired intangibles	18,095	-	-	-	18,095
<b>Total</b>	<b>\$ 60,482</b>	<b>\$ 109,217</b>	<b>\$ 1,741</b>	<b>\$ 11,268</b>	<b>\$ 182,708</b>

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

(C) Income tax effect of non-GAAP adjustments