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

	<u>December 28, 2019</u>	<u>December 29, 2018</u>
Current assets:		
Cash and cash equivalents	\$ 705,210	\$ 533,298
Receivables, net	304,546	297,082
Inventories	55,802	28,162
Prepaid expenses and other	103,785	92,550
Total current assets	<u>1,169,343</u>	<u>951,092</u>
Property, plant and equipment, net	275,855	252,630
Goodwill	661,856	662,272
Acquired intangibles, net	172,375	225,457
Deferred taxes	732,367	154,894
Other assets	345,429	222,309
Total assets	<u>\$ 3,357,225</u>	<u>\$ 2,468,654</u>
Current liabilities:		
Revolving credit facility	\$ -	\$ 100,000
Accounts payable and accrued liabilities	316,908	256,526
Current portion of deferred revenue	355,483	352,456
Total current liabilities	<u>672,391</u>	<u>708,982</u>
Long-term liabilities:		
Long-term portion of deferred revenue	73,400	48,718
Long-term debt	346,019	345,291
Other long-term liabilities	162,521	77,262
Total long-term liabilities	<u>581,940</u>	<u>471,271</u>
Stockholders' equity	2,102,894	1,288,401
Total liabilities and stockholders' equity	<u>\$ 3,357,225</u>	<u>\$ 2,468,654</u>

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

	December 29, 2018	March 30, 2019	June 29, 2019	September 28, 2019	December 28, 2019
Current assets:					
Cash and cash equivalents	\$ 533,298	\$ 538,898	\$ 633,415	\$ 655,216	\$ 705,210
Receivables, net	297,082	264,767	237,609	274,914	304,546
Inventories	28,162	37,480	49,299	66,745	55,802
Prepaid expenses and other	92,550	76,802	58,918	53,074	103,785
Total current assets	951,092	917,947	979,241	1,049,949	1,169,343
Property, plant and equipment, net	252,630	253,392	257,882	259,453	275,855
Goodwill	662,272	662,871	662,713	661,678	661,856
Acquired intangibles, net	225,457	212,298	197,840	185,037	172,375
Deferred taxes	154,894	159,735	163,085	165,759	732,367
Other assets	222,309	340,068	351,564	340,322	345,429
Total assets	\$ 2,468,654	\$ 2,546,311	\$ 2,612,325	\$ 2,662,198	\$ 3,357,225
Current liabilities:					
Revolving credit facility	\$ 100,000	\$ 50,000	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	256,526	235,688	246,591	274,882	316,908
Current portion of deferred revenue	352,456	345,751	363,592	344,100	355,483
Total current liabilities	708,982	631,439	610,183	618,982	672,391
Long-term liabilities:					
Long-term portion of deferred revenue	48,718	51,312	57,280	48,036	73,400
Long-term debt	345,291	345,470	345,652	345,833	346,019
Other long-term liabilities	77,262	152,253	168,665	169,085	162,521
Total long-term liabilities	471,271	549,035	571,597	562,954	581,940
Stockholders' equity:					
Common stock and capital in excess of par value	1,936,124	1,944,895	1,984,464	2,007,268	2,046,237
Treasury stock, at cost	(1,395,652)	(1,446,247)	(1,526,421)	(1,589,027)	(1,668,105)
Retained earnings	772,709	893,264	1,000,499	1,102,013	1,761,688
Accumulated other comprehensive loss	(24,780)	(26,075)	(27,997)	(39,992)	(36,926)
Total stockholders' equity	1,288,401	1,365,837	1,430,545	1,480,262	2,102,894
Total liabilities and stockholders' equity	\$ 2,468,654	\$ 2,546,311	\$ 2,612,325	\$ 2,662,198	\$ 3,357,225

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

	<u>Three Months Ended</u>		<u>Years Ended</u>	
	<u>December 28, 2019</u>	<u>December 29, 2018</u>	<u>December 28, 2019</u>	<u>December 29, 2018</u>
Revenue:				
Product and maintenance	\$ 564,964	\$ 534,418	\$ 2,204,615	\$ 1,997,887
Services	34,591	35,432	131,704	140,135
Total revenue	<u>599,555</u>	<u>569,850</u>	<u>2,336,319</u>	<u>2,138,022</u>
Costs and expenses:				
Cost of product and maintenance	53,521	54,748	189,146	173,011
Cost of services	19,807	21,376	77,211	85,736
Marketing and sales	127,267	112,613	481,673	439,669
Research and development	235,372	218,271	935,938	884,816
General and administrative	42,093	31,985	139,806	133,406
Amortization of acquired intangibles	2,787	3,468	12,128	14,086
Restructuring and other charges	9,809	13,699	8,621	11,089
Total costs and expenses	<u>490,656</u>	<u>456,160</u>	<u>1,844,523</u>	<u>1,741,813</u>
Income from operations	108,899	113,690	491,796	396,209
Interest expense	(4,222)	(4,318)	(18,829)	(23,139)
Other income (expense), net	748	(735)	6,001	3,320
Income before provision (benefit) for income taxes	105,425	108,637	478,968	376,390
Provision (benefit) for income taxes	(554,250)	10,212	(510,011)	30,613
Net income	<u>\$ 659,675</u>	<u>\$ 98,425</u>	<u>\$ 988,979</u>	<u>\$ 345,777</u>
Net income per share - basic	<u>\$ 2.41</u>	<u>\$ 0.36</u>	<u>\$ 3.62</u>	<u>\$ 1.26</u>
Net income per share - diluted	<u>\$ 2.36</u>	<u>\$ 0.35</u>	<u>\$ 3.53</u>	<u>\$ 1.23</u>
Weighted average common shares outstanding - basic	<u>273,234</u>	<u>273,680</u>	<u>273,239</u>	<u>273,729</u>
Weighted average common shares outstanding - diluted	<u>279,557</u>	<u>280,321</u>	<u>280,515</u>	<u>281,144</u>

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

	Three Months Ended				
	December 29, 2018	March 30, 2019	June 29, 2019	September 28, 2019	December 28, 2019
Revenue:					
Product and maintenance	\$ 534,418	\$ 543,518	\$ 548,028	\$ 548,105	\$ 564,964
Services	35,432	33,224	32,391	31,498	34,591
Total revenue	<u>569,850</u>	<u>576,742</u>	<u>580,419</u>	<u>579,603</u>	<u>599,555</u>
Costs and expenses:					
Cost of product and maintenance	54,748	50,522	43,388	41,715	53,521
Cost of services	21,376	20,063	18,081	19,260	19,807
Marketing and sales	112,613	116,830	116,208	121,368	127,267
Research and development	218,271	228,210	231,814	240,542	235,372
General and administrative	31,985	30,102	34,407	33,204	42,093
Amortization of acquired intangibles	3,468	3,308	3,159	2,874	2,787
Restructuring and other charges (credits)	13,699	(689)	(313)	(186)	9,809
Total costs and expenses	<u>456,160</u>	<u>448,346</u>	<u>446,744</u>	<u>458,777</u>	<u>490,656</u>
Income from operations	113,690	128,396	133,675	120,826	108,899
Interest expense	(4,318)	(5,391)	(4,976)	(4,240)	(4,222)
Other income (expense), net	(735)	5,241	(110)	122	748
Income before provision (benefit) for income taxes	108,637	128,246	128,589	116,708	105,425
Provision (benefit) for income taxes	10,212	7,691	21,354	15,194	(554,250)
Net income	<u>\$ 98,425</u>	<u>\$ 120,555</u>	<u>\$ 107,235</u>	<u>\$ 101,514</u>	<u>\$ 659,675</u>
Net income per share - basic	<u>\$ 0.36</u>	<u>\$ 0.44</u>	<u>\$ 0.39</u>	<u>\$ 0.37</u>	<u>\$ 2.41</u>
Net income per share - diluted	<u>\$ 0.35</u>	<u>\$ 0.43</u>	<u>\$ 0.38</u>	<u>\$ 0.36</u>	<u>\$ 2.36</u>
Weighted average common shares outstanding - basic	<u>273,680</u>	<u>273,066</u>	<u>273,159</u>	<u>273,329</u>	<u>273,234</u>
Weighted average common shares outstanding - diluted	<u>280,321</u>	<u>280,615</u>	<u>281,054</u>	<u>280,666</u>	<u>279,557</u>

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

	Years Ended	
	December 28, 2019	December 29, 2018
Cash and cash equivalents at beginning of year	\$ 533,298	\$ 688,087
Cash flows from operating activities:		
Net income	988,979	345,777
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	122,789	118,721
Amortization of debt discount and fees	1,001	1,196
Stock-based compensation	181,547	167,715
(Gain) loss on investments, net	4,090	(2,732)
Deferred income taxes	(576,738)	(11,676)
Provisions for losses on receivables	632	5,102
ROU asset amortization and change in operating lease liabilities	562	-
Other non-cash items	428	2,607
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	(4,718)	(87,083)
Inventories	(33,024)	752
Prepaid expenses and other	(11,031)	(19,622)
Other assets	(8,011)	(14,606)
Accounts payable and accrued liabilities	33,915	1,553
Deferred revenue	27,498	100,696
Other long-term liabilities	1,681	(3,649)
Net cash provided by operating activities	<u>729,600</u>	<u>604,751</u>
Cash flows from investing activities:		
Purchases of non-marketable investments	(33,717)	(115,839)
Proceeds from the sale of non-marketable investments	2,952	3,497
Purchases of property, plant and equipment	(74,605)	(61,503)
Cash paid in business combinations	(338)	-
Net cash used for investing activities	<u>(105,708)</u>	<u>(173,845)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility	150,000	100,000
Payment on revolving credit facility	(250,000)	(85,000)
Principal payments on term loan	-	(300,000)
Proceeds from issuance of common stock	52,842	40,908
Stock received for payment of employee taxes on vesting of restricted stock	(90,580)	(69,921)
Payments for repurchases of common stock	(306,148)	(250,059)
Change in book overdraft	-	(3,867)
Net cash used for financing activities	<u>(443,886)</u>	<u>(567,939)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(8,094)</u>	<u>(17,756)</u>
Increase (decrease) in cash and cash equivalents	<u>171,912</u>	<u>(154,789)</u>
Cash and cash equivalents at end of year	<u>\$ 705,210</u>	<u>\$ 533,298</u>

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

	<u>Q4 2018</u>	<u>Q1 2019</u>	<u>Q2 2019</u>	<u>Q3 2019</u>	<u>Q4 2019</u>
Cash and cash equivalents at beginning of period	\$ 544,585	\$ 533,298	\$ 538,898	\$ 633,415	\$ 655,216
Cash flows from operating activities:					
Net income	98,425	120,555	107,235	101,514	659,675
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	29,718	29,740	31,457	30,203	31,389
Amortization of debt discount and fees	246	247	250	250	254
Stock-based compensation	42,594	42,253	44,257	48,279	46,758
(Gain) loss on investments, net	(1,830)	(2,646)	2,905	2,396	1,435
Deferred income taxes	(8,455)	(4,966)	(3,193)	(2,779)	(565,800)
Provisions for losses (recoveries) on receivables	312	(183)	(203)	28	990
ROU asset amortization and change in operating lease liabilities	-	1,341	1,163	1,781	(3,723)
Other non-cash items	2,733	122	38	37	231
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	(58,612)	35,681	28,195	(37,323)	(31,271)
Inventories	2,207	(10,618)	(15,071)	(18,092)	10,757
Prepaid expenses and other	(21,640)	15,618	17,437	5,648	(49,734)
Other assets	(16,462)	4,559	(2,012)	1,007	(11,565)
Accounts payable and accrued liabilities	43,271	(41,261)	6,591	30,669	37,916
Deferred revenue	23,326	(4,451)	24,158	(26,675)	34,466
Other long-term liabilities	(3,949)	(577)	3,153	1,587	(2,482)
Net cash provided by operating activities	<u>131,884</u>	<u>185,414</u>	<u>246,360</u>	<u>138,530</u>	<u>159,296</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	(19,742)	(15,275)	(15,287)	(16,965)	(27,078)
Cash paid in business combinations	-	-	(338)	-	-
Net cash used for investing activities	<u>(132,084)</u>	<u>(45,987)</u>	<u>(15,678)</u>	<u>(16,965)</u>	<u>(27,078)</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)	-	-
Proceeds from issuance of common stock	2,718	29,858	2,997	16,272	3,715
Stock received for payment of employee taxes on vesting of restricted stock	(10,302)	(32,822)	(12,876)	(29,318)	(15,564)
Payments for repurchases of common stock	(100,023)	(81,114)	(75,006)	(75,011)	(75,017)
Net cash used for financing activities	<u>(7,607)</u>	<u>(134,078)</u>	<u>(134,885)</u>	<u>(88,057)</u>	<u>(86,866)</u>
Effect of exchange rate changes on cash and cash equivalents	(3,480)	251	(1,280)	(11,707)	4,642
Increase (decrease) in cash and cash equivalents	<u>(11,287)</u>	<u>5,600</u>	<u>94,517</u>	<u>21,801</u>	<u>49,994</u>
Cash and cash equivalents at end of period	<u>\$ 533,298</u>	<u>\$ 538,898</u>	<u>\$ 633,415</u>	<u>\$ 655,216</u>	<u>\$ 705,210</u>

Cadence Design Systems, Inc.
(Unaudited)

Revenue Mix by Geography (% of Total Revenue)

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

Revenue Mix by Product Group (% of Total Revenue)

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

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Operating Margin
As of February 12, 2020
(Unaudited)

	Three Months Ending March 28, 2020	Year Ending January 2, 2021
	Forecast	Forecast
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%
Acquisition and integration-related costs	1%	1%
Non-GAAP operating margin as a percent of total revenue†	~30%	32% - 33%

†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 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 February 12, 2020
(Unaudited)

	Three Months Ending March 28, 2020 Forecast	Year Ending January 2, 2021 Forecast
Diluted net income per share on a GAAP basis	\$0.32 to \$0.34	\$1.46 to \$1.56
Amortization of acquired intangibles	0.05	0.23
Stock-based compensation expense	0.17	0.71
Acquisition and integration-related costs	0.01	0.07
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	(0.03)	(0.08)
Diluted net income per share on a non-GAAP basis†	\$0.53 to \$0.55	\$2.40 to \$2.50

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Net Income
As of February 12, 2020
(Unaudited)

(\$ in millions)	Three Months Ending March 28, 2020 Forecast	Year Ending January 2, 2021 Forecast
Net income on a GAAP basis	\$91 to \$97	\$410 to \$438
Amortization of acquired intangibles	15	65
Stock-based compensation expense	47	198
Acquisition and integration-related costs	4	18
Other income or expense related to investments and non-qualified deferred compensation plan assets*	2	4
Income tax effect of non-GAAP adjustments	(10)	(23)
Net income on a non-GAAP basis†	\$149 to \$155	\$672 to \$700

†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 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 Months and Years Ended December 28, 2019 and December 29, 2018
(Unaudited)

(In thousands)	Three Months Ended		Years Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
Net income on a GAAP basis	\$ 659,675	\$ 98,425	\$ 988,979	\$ 345,777
Amortization of acquired intangibles*	12,660	12,942	53,079	53,333
Stock-based compensation expense**	46,758	42,594	181,547	167,715
Non-qualified deferred compensation expenses (credits)***	1,948	(3,186)	5,402	(1,471)
Restructuring and other charges	9,809	13,699	8,621	11,089
Acquisition and integration-related costs (credits)****	3,466	(1,360)	8,107	19,858
Special charges *****	875	-	875	-
Other income or expense related to investments and non-qualified deferred compensation plan assets †	(513)	1,356	(1,314)	(1,278)
Income tax benefit related to intercompany transfers of certain intellectual property rights	(575,618)	-	(575,618)	-
Income tax effect of non-GAAP adjustments	(7,500)	(17,737)	(52,037)	(69,489)
Net income on a non-GAAP basis +	\$ 151,560	\$ 146,733	\$ 617,641	\$ 525,534

+ 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 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		Years Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
Cost of product and maintenance	\$ 9,873	\$ 9,474	\$ 40,951	\$ 39,247
Amortization of acquired intangibles	2,787	3,468	12,128	14,086
Total amortization of acquired intangibles	\$ 12,660	\$ 12,942	\$ 53,079	\$ 53,333

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

(In thousands)	Three Months Ended		Years Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
Cost of product and maintenance	\$ 695	\$ 699	\$ 2,759	\$ 2,631
Cost of services	884	889	3,510	3,714
Marketing and sales	10,049	9,255	39,088	34,665
Research and development	29,641	27,350	114,656	104,353
General and administrative	5,489	4,401	21,534	22,352
Total stock-based compensation expense	\$ 46,758	\$ 42,594	\$ 181,547	\$ 167,715

***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		Years Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
Cost of product and maintenance	\$ 22	\$ (31)	\$ 53	\$ (21)
Cost of services	32	(44)	76	(30)
Marketing and sales	248	(281)	607	(167)
Research and development	1,123	(2,160)	3,383	(948)
General and administrative	523	(670)	1,283	(305)
Total non-qualified deferred compensation expenses (credits)	\$ 1,948	\$ (3,186)	\$ 5,402	\$ (1,471)

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

(In thousands)	Three Months Ended		Years Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
Research and development	\$ 1,155	\$ (1,357)	5,794	19,705
General and administrative	2,311	(3)	2,313	153
Total acquisition and integration-related costs (credits)	\$ 3,466	\$ (1,360)	\$ 8,107	\$ 19,858

***** Total special charges are reported in the Condensed Consolidated Income Statements as follows:

(In thousands)	Three Months Ended		Years Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
General and administrative	\$ 875	\$ -	\$ 875	\$ -
Total special charges	\$ 875	\$ -	\$ 875	\$ -

Cadence Design Systems, Inc.
Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share
For the Three Months and Years Ended December 28, 2019 and December 29, 2018
(Unaudited)

(In thousands, except per share data)	Three Months Ended		Years Ended	
	December 28, 2019	December 29, 2018	December 28, 2019	December 29, 2018
Diluted net income per share on a GAAP basis	\$ 2.36	\$ 0.35	\$ 3.53	\$ 1.23
Amortization of acquired intangibles	0.05	0.05	0.19	0.19
Stock-based compensation expense	0.17	0.15	0.65	0.60
Non-qualified deferred compensation expenses (credits)	0.01	(0.01)	0.02	(0.01)
Restructuring and other charges	0.03	0.05	0.03	0.04
Acquisition and integration-related costs (credits)	0.01	(0.01)	0.03	0.07
Special charges	-	-	-	-
Other income or expense related to investments and non-qualified deferred compensation plan assets *	-	-	(0.01)	-
Income tax benefit related to intercompany transfers of certain intellectual property rights	(2.06)	-	(2.05)	-
Income tax effect of non-GAAP adjustments	(0.03)	(0.06)	(0.19)	(0.25)
Diluted net income per share on a non-GAAP basis +	\$ 0.54	\$ 0.52	\$ 2.20	\$ 1.87
Shares used in calculation of diluted net income per share - GAAP **	279,557	280,321	280,515	281,144
Shares used in calculation of diluted net income per share - non-GAAP **	279,557	280,321	280,515	281,144

+ **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 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)

	<u>Three Months Ended</u>	<u>Three Months Ended</u>
	<u>December 28, 2019</u>	<u>December 29, 2018</u>
	Actual	Actual
	(In thousands)	(In thousands)
GAAP total costs and expenses	\$ 490,656	\$ 456,160
Reconciling items to non-GAAP total costs and expenses		
Amortization of acquired intangibles	(12,660)	(12,942)
Stock-based compensation expense	(46,758)	(42,594)
Non-qualified deferred compensation (expenses) credits	(1,948)	3,186
Restructuring and other charges	(9,809)	(13,699)
Acquisition and integration-related (costs) credits	(3,466)	1,360
Special charges	(875)	-
Non-GAAP total costs and expenses†	<u>\$ 415,140</u>	<u>\$ 391,471</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 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)

	<u>For the three months ended December 28, 2019</u>						
	<u>Operating expenses on a GAAP basis†</u>	<u>Amortization of acquired intangibles</u>	<u>Stock-based compensation expense</u>	<u>Non-qualified deferred compensation expenses</u>	<u>Acquisition and integration-related costs</u>	<u>Special charges</u>	<u>Operating expenses on a non-GAAP basis</u>
Cost of product and maintenance	53,521	(9,873)	(695)	(22)	-	-	42,931
Cost of services	19,807	-	(884)	(32)	-	-	18,891
Marketing and sales	127,267	-	(10,049)	(248)	-	-	116,970
Research and development	235,372	-	(29,641)	(1,123)	(1,155)	-	203,453
General and administrative	42,093	-	(5,489)	(523)	(2,311)	(875)	32,895
Amortization of acquired intangibles	2,787	(2,787)	-	-	-	-	-
		<u>(12,660)</u>	<u>(46,758)</u>	<u>(1,948)</u>	<u>(3,466)</u>	<u>(875)</u>	
	<u>For the year ended December 28, 2019</u>						
	<u>Operating expenses on a GAAP basis†</u>	<u>Amortization of acquired intangibles</u>	<u>Stock-based compensation expense</u>	<u>Non-qualified deferred compensation expenses</u>	<u>Acquisition and integration-related costs</u>	<u>Special charges</u>	<u>Operating expenses on a non-GAAP basis</u>
Cost of product and maintenance	189,146	(40,951)	(2,759)	(53)	-	-	145,383
Cost of services	77,211	-	(3,510)	(76)	-	-	73,625
Marketing and sales	481,673	-	(39,088)	(607)	-	-	441,978
Research and development	935,938	-	(114,656)	(3,383)	(5,794)	-	812,105
General and administrative	139,806	-	(21,534)	(1,283)	(2,313)	(875)	113,801
Amortization of acquired intangibles	12,128	(12,128)	-	-	-	-	-
		<u>(53,079)</u>	<u>(181,547)</u>	<u>(5,402)</u>	<u>(8,107)</u>	<u>(875)</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 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 December 28, 2019
(In thousands)
(Unaudited)

	Three Months Ended December 28, 2019		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 564,964	\$ -	\$ 564,964
Services	34,591	-	34,591
Total revenue	599,555	-	599,555
Costs and expenses:			
Cost of product and maintenance	53,521	(10,590) (A)	42,931
Cost of services	19,807	(916) (A)	18,891
Marketing and sales	127,267	(10,297) (A)	116,970
Research and development	235,372	(31,919) (A)	203,453
General and administrative	42,093	(9,198) (A)	32,895
Amortization of acquired intangibles	2,787	(2,787) (A)	-
Restructuring and other charges	9,809	(9,809)	-
Total costs and expenses	490,656	(75,516)	415,140
Income from operations	108,899	75,516	184,415
Interest expense	(4,222)	-	(4,222)
Other income, net	748	(513) (B)	235
Income before provision (benefit) for income taxes	105,425	75,003	180,428
Provision (benefit) for income taxes	(554,250)	583,118 (C)	28,868
Net income	\$ 659,675	\$ (508,115)	\$ 151,560

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

Notes:

(A) For the three months ended December 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	Special charges	Total adjustments
Cost of product and maintenance	\$ 9,873	\$ 695	\$ 22	\$ -	\$ -	\$ 10,590
Cost of services	-	884	32	-	-	916
Marketing and sales	-	10,049	248	-	-	10,297
Research and development	-	29,641	1,123	1,155	-	31,919
General and administrative	-	5,489	523	2,311	875	9,198
Amortization of acquired intangibles	2,787	-	-	-	-	2,787
Total	\$ 12,660	\$ 46,758	\$ 1,948	\$ 3,466	\$ 875	\$ 65,707

(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 29, 2018
(In thousands)
(Unaudited)

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

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

Notes:

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

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

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

(C) Income tax effect of non-GAAP adjustments

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Year Ended December 28, 2019
(In thousands)
(Unaudited)

	Year Ended December 28, 2019		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 2,204,615	\$ -	\$ 2,204,615
Services	131,704	-	131,704
Total revenue	2,336,319	-	2,336,319
Costs and expenses:			
Cost of product and maintenance	189,146	(43,763) (A)	145,383
Cost of services	77,211	(3,586) (A)	73,625
Marketing and sales	481,673	(39,695) (A)	441,978
Research and development	935,938	(123,833) (A)	812,105
General and administrative	139,806	(26,005) (A)	113,801
Amortization of acquired intangibles	12,128	(12,128) (A)	-
Restructuring and other charges	8,621	(8,621)	-
Total costs and expenses	1,844,523	(257,631)	1,586,892
Income from operations	491,796	257,631	749,427
Interest expense	(18,829)	-	(18,829)
Other income, net	6,001	(1,314) (B)	4,687
Income before provision (benefit) for income taxes	478,968	256,317	735,285
Provision (benefit) for income taxes	(510,011)	627,655 (C)	117,644
Net income	\$ 988,979	\$ (371,338)	\$ 617,641

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

Notes:

(A) For the year ended December 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	Special charges	Total adjustments
Cost of product and maintenance	\$ 40,951	\$ 2,759	\$ 53	\$ -	\$ -	\$ 43,763
Cost of services	-	3,510	76	-	-	\$ 3,586
Marketing and sales	-	39,088	607	-	-	\$ 39,695
Research and development	-	114,656	3,383	5,794	-	\$ 123,833
General and administrative	-	21,534	1,283	2,313	875	\$ 26,005
Amortization of acquired intangibles	12,128	-	-	-	-	\$ 12,128
Total	\$ 53,079	\$ 181,547	\$ 5,402	\$ 8,107	\$ 875	\$ 249,010

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

(C) Income tax effect of non-GAAP adjustments

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Year Ended December 29, 2018
(In thousands)
(Unaudited)

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

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

Notes:

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

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

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

(C) Income tax effect of non-GAAP adjustments