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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