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**Cadence Design Systems, Inc.**  
**Condensed Consolidated Balance Sheets**  
**June 29, 2013 and December 29, 2012**  
(In thousands)  
(Unaudited)

	<b>June 29, 2013</b>	<b>December 29, 2012</b>
Current assets:		
Cash and cash equivalents	\$ 577,233	\$ 726,357
Short-term investments	101,251	100,704
Receivables, net of allowances of \$0 and \$85, respectively	92,581	97,821
Inventories	38,705	36,163
2015 notes hedges	335,131	303,154
Prepaid expenses and other	120,598	127,036
Total current assets	1,265,499	1,391,235
Property, plant and equipment, net of accumulated depreciation of \$623,356 and \$635,450, respectively	243,288	244,439
Goodwill	457,556	233,266
Acquired intangibles, net of accumulated amortization of \$115,406 and \$104,351, respectively	337,705	184,938
Long-term receivables	5,929	7,559
Other assets	253,112	225,566
Total assets	\$ 2,563,089	\$ 2,287,003
Current liabilities:		
Revolving credit facility	\$ 100,000	\$ -
Convertible notes	458,179	447,011
2015 notes embedded conversion derivative	335,131	303,154
Accounts payable and accrued liabilities	185,809	171,318
Current portion of deferred revenue	282,784	295,787
Total current liabilities	1,361,903	1,217,270
Long-term liabilities:		
Long-term portion of deferred revenue	43,892	50,529
Other long-term liabilities	117,034	104,033
Total long-term liabilities	160,926	154,562
Stockholders' equity	1,040,260	915,171
Total liabilities and stockholders' equity	\$ 2,563,089	\$ 2,287,003

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

	June 30, 2012	September 29, 2012	December 29, 2012	March 30, 2013	June 29, 2013
<b>Current assets:</b>					
Cash and cash equivalents	\$ 661,658	\$ 649,099	\$ 726,357	\$ 810,152	\$ 577,233
Short-term investments	51,304	95,819	100,704	100,992	101,251
Receivables, net	123,243	123,206	97,821	75,253	92,581
Inventories	41,066	34,629	36,163	37,016	38,705
2015 notes hedges	219,199	287,079	303,154	315,895	335,131
Prepaid expenses and other	61,976	60,780	127,036	122,604	120,598
Total current assets	<u>1,158,446</u>	<u>1,250,612</u>	<u>1,391,235</u>	<u>1,461,912</u>	<u>1,265,499</u>
Property, plant and equipment, net	251,920	246,856	244,439	237,455	243,288
Goodwill	192,238	233,275	233,266	232,608	457,556
Acquired intangibles, net	159,807	192,768	184,938	177,891	337,705
Long-term receivables	7,750	5,668	7,559	3,734	5,929
Other assets	59,096	59,335	225,566	209,663	253,112
Total assets	<u>\$ 1,829,257</u>	<u>\$ 1,988,514</u>	<u>\$ 2,287,003</u>	<u>\$ 2,323,263</u>	<u>\$ 2,563,089</u>
<b>Current liabilities:</b>					
Revolving credit facility	\$ -	\$ -	\$ -	\$ -	\$ 100,000
Convertible notes	301,292	305,029	447,011	452,571	458,179
2015 notes embedded conversion derivative	219,199	287,079	303,154	315,895	335,131
Accounts payable and accrued liabilities	153,957	160,250	171,318	156,606	185,809
Current portion of deferred revenue	328,405	322,260	295,787	285,553	282,784
Total current liabilities	<u>1,002,853</u>	<u>1,074,618</u>	<u>1,217,270</u>	<u>1,210,625</u>	<u>1,361,903</u>
<b>Long-term liabilities:</b>					
Long-term portion of deferred revenue	58,213	58,436	50,529	41,432	43,892
Convertible notes	135,006	136,594	-	-	-
Other long-term liabilities	131,172	130,478	104,033	51,533	117,034
Total long-term liabilities	<u>324,391</u>	<u>325,508</u>	<u>154,562</u>	<u>92,965</u>	<u>160,926</u>
<b>Stockholders' equity:</b>					
Common stock and capital in excess of par value	1,741,869	1,711,797	1,721,556	1,727,901	1,744,261
Treasury stock, at cost	(266,820)	(207,018)	(200,786)	(175,110)	(168,573)
Accumulated deficit	(1,018,190)	(962,515)	(649,549)	(570,940)	(561,511)
Accumulated other comprehensive income	45,154	46,124	43,950	37,822	26,083
Total stockholders' equity	<u>502,013</u>	<u>588,388</u>	<u>915,171</u>	<u>1,019,673</u>	<u>1,040,260</u>
Total liabilities and stockholders' equity	<u>\$ 1,829,257</u>	<u>\$ 1,988,514</u>	<u>\$ 2,287,003</u>	<u>\$ 2,323,263</u>	<u>\$ 2,563,089</u>

**Cadence Design Systems, Inc.**  
**Condensed Consolidated Income Statements**  
**For the Three and Six Months Ended June 29, 2013 and June 30, 2012**  
(In thousands, except per share amounts)  
(Unaudited)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 29, 2013</u>	<u>June 30, 2012</u>	<u>June 29, 2013</u>	<u>June 30, 2012</u>
Revenue:				
Product and maintenance	\$ 337,983	\$ 297,510	\$ 666,254	\$ 583,798
Services	24,498	28,966	50,493	58,508
Total revenue	<u>362,481</u>	<u>326,476</u>	<u>716,747</u>	<u>642,306</u>
Costs and expenses:				
Cost of product and maintenance	28,095	32,406	57,942	59,618
Cost of services	15,148	17,071	33,492	36,445
Marketing and sales	95,277	80,418	185,679	164,213
Research and development	136,395	112,031	260,479	220,625
General and administrative	34,441	30,244	64,251	58,014
Amortization of acquired intangibles	5,327	3,643	9,118	7,429
Restructuring and other charges (credits)	2,656	43	2,508	(8)
Total costs and expenses	<u>317,339</u>	<u>275,856</u>	<u>613,469</u>	<u>546,336</u>
Income from operations	45,142	50,620	103,278	95,970
Interest expense	(9,528)	(8,566)	(18,790)	(17,103)
Other income, net	2,018	3,669	4,193	6,103
Income before provision for income taxes	37,632	45,723	88,681	84,970
Provision for income taxes	28,203	9,337	643	17,480
Net income	<u>\$ 9,429</u>	<u>\$ 36,386</u>	<u>\$ 88,038</u>	<u>\$ 67,490</u>
Net income per share - basic	<u>\$ 0.03</u>	<u>\$ 0.13</u>	<u>\$ 0.32</u>	<u>\$ 0.25</u>
Net income per share - diluted	<u>\$ 0.03</u>	<u>\$ 0.13</u>	<u>\$ 0.30</u>	<u>\$ 0.24</u>
Weighted average common shares outstanding - basic	<u>277,146</u>	<u>269,739</u>	<u>276,018</u>	<u>268,840</u>
Weighted average common shares outstanding - diluted	<u>294,443</u>	<u>275,318</u>	<u>293,274</u>	<u>276,526</u>

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

	Three Months Ended				
	June 30, 2012	September 29, 2012	December 29, 2012	March 30, 2013	June 29, 2013
Revenue:					
Product and maintenance	\$ 297,510	\$ 310,118	\$ 318,513	\$ 328,271	\$ 337,983
Services	28,966	28,415	27,072	25,995	24,498
Total revenue	<u>326,476</u>	<u>338,533</u>	<u>345,585</u>	<u>354,266</u>	<u>362,481</u>
Costs and expenses:					
Cost of product and maintenance	32,406	34,461	24,437	29,847	28,095
Cost of services	17,071	16,809	19,353	18,344	15,148
Marketing and sales	80,418	82,461	95,604	90,402	95,277
Research and development	112,031	115,078	118,382	124,084	136,395
General and administrative	30,244	26,350	27,712	29,810	34,441
Amortization of acquired intangibles	3,643	3,876	3,772	3,791	5,327
Restructuring and other charges (credits)	43	57	64	(148)	2,656
Total costs and expenses	<u>275,856</u>	<u>279,092</u>	<u>289,324</u>	<u>296,130</u>	<u>317,339</u>
Income from operations	50,620	59,441	56,261	58,136	45,142
Interest expense	(8,566)	(8,737)	(8,902)	(9,262)	(9,528)
Other income (expense), net	3,669	(131)	5,369	2,175	2,018
Income before provision (benefit) for income taxes	45,723	50,573	52,728	51,049	37,632
Provision (benefit) for income taxes	9,337	(8,011)	(261,146)	(27,560)	28,203
Net income	<u>\$ 36,386</u>	<u>\$ 58,584</u>	<u>\$ 313,874</u>	<u>\$ 78,609</u>	<u>\$ 9,429</u>
Net income per share - basic	<u>\$ 0.13</u>	<u>\$ 0.22</u>	<u>\$ 1.15</u>	<u>\$ 0.29</u>	<u>\$ 0.03</u>
Net income per share - diluted	<u>\$ 0.13</u>	<u>\$ 0.21</u>	<u>\$ 1.10</u>	<u>\$ 0.27</u>	<u>\$ 0.03</u>
Weighted average common shares outstanding - basic	<u>269,739</u>	<u>271,350</u>	<u>272,884</u>	<u>274,936</u>	<u>277,146</u>
Weighted average common shares outstanding - diluted	<u>275,318</u>	<u>283,328</u>	<u>286,289</u>	<u>292,151</u>	<u>294,443</u>

**Cadence Design Systems, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**For the Six Months Ended June 29, 2013 and June 30, 2012**  
(In thousands)  
(Unaudited)

	<b>Six Months Ended</b>	
	<b>June 29, 2013</b>	<b>June 30, 2012</b>
Cash and cash equivalents at beginning of period	\$ 726,357	\$ 601,602
Cash flows from operating activities:		
Net income	88,038	67,490
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	46,977	43,736
Amortization of debt discount and fees	12,625	11,529
Stock-based compensation	28,921	21,886
Gain on investments, net	(2,477)	(4,169)
Deferred income taxes	(4,413)	459
Other non-cash items	433	3,564
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	8,719	16,513
Inventories	(2,672)	499
Prepaid expenses and other	26,516	414
Other assets	(45,274)	(169)
Accounts payable and accrued liabilities	10,023	(4,694)
Deferred revenue	(24,359)	(27,446)
Other long-term liabilities	7,174	(1,424)
Net cash provided by operating activities	<u>150,231</u>	<u>128,188</u>
Cash flows from investing activities:		
Purchases of available-for-sale securities	(63,705)	(49,083)
Proceeds from the sale of available-for-sale securities	46,857	136
Proceeds from the maturity of available-for-sale securities	15,716	-
Proceeds from the sale of long-term investments	6,102	44
Purchases of property, plant and equipment	(23,739)	(18,269)
Investment in venture capital partnerships and equity investments	-	(250)
Cash paid in business combinations and asset acquisitions, net of cash acquired	(392,139)	(1,041)
Net cash used for investing activities	<u>(410,908)</u>	<u>(68,463)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility	100,000	-
Principal payments on receivable financing	(2,526)	(2,907)
Payment of acquisition-related contingent consideration	(582)	(39)
Tax effect related to employee stock transactions allocated to equity	7,300	4,075
Proceeds from issuance of common stock	30,227	13,063
Stock received for payment of employee taxes on vesting of restricted stock	(11,758)	(9,897)
Net cash provided by financing activities	<u>122,661</u>	<u>4,295</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(11,108)</u>	<u>(3,964)</u>
Increase (decrease) in cash and cash equivalents	<u>(149,124)</u>	<u>60,056</u>
Cash and cash equivalents at end of period	<u>\$ 577,233</u>	<u>\$ 661,658</u>

**Cadence Design Systems, Inc.**  
**Trended Condensed Consolidated Statements of Cash Flows**  
**For the Five Quarters Ended June 29, 2013**  
(In thousands)  
(Unaudited)

	<u>Q2 2012</u>	<u>Q3 2012</u>	<u>Q4 2012</u>	<u>Q1 2013</u>	<u>Q2 2013</u>
Cash and cash equivalents at beginning of period	\$ 659,687	\$ 661,658	\$ 649,099	\$ 726,357	\$ 810,152
Cash flows from operating activities:					
Net income	36,386	58,584	313,874	78,609	9,429
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	21,797	23,435	22,046	21,682	25,295
Amortization of debt discount and fees	5,795	5,951	6,033	6,281	6,344
Stock-based compensation	10,361	12,399	13,276	13,810	15,111
(Gain) loss on investments, net	(2,220)	1,947	(4,098)	(1,006)	(1,471)
Deferred income taxes	236	(14,566)	(226,317)	8,695	(13,108)
Other non-cash items	2,818	14	(48)	(1,007)	1,440
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	(43,659)	7,763	21,354	23,652	(14,933)
Inventories	653	6,437	(1,691)	(979)	(1,693)
Prepaid expenses and other	5,959	1,133	(13,973)	(1,099)	27,615
Other assets	408	(2,932)	(1,801)	4,148	(49,422)
Accounts payable and accrued liabilities	14,888	2,980	19,237	(11,003)	21,026
Deferred revenue	11,869	(10,784)	(31,432)	(16,648)	(7,711)
Other long-term liabilities	2,188	(431)	(20,584)	(49,799)	56,973
Net cash provided by operating activities	<u>67,479</u>	<u>91,930</u>	<u>95,876</u>	<u>75,336</u>	<u>74,895</u>
Cash flows from investing activities:					
Purchases of available-for-sale securities	(49,083)	(52,165)	(19,906)	(24,282)	(39,423)
Proceeds from the sale of available-for-sale securities	136	5,800	12,402	14,985	31,872
Proceeds from the maturity of available-for-sale securities	-	1,500	2,650	8,700	7,016
Proceeds from the sale of long-term investments	-	-	30	6,102	-
Purchases of property, plant and equipment	(10,068)	(7,663)	(10,034)	(6,569)	(17,170)
Cash paid in business combinations and asset acquisitions, net of cash acquired	-	(65,391)	-	(757)	(391,382)
Net cash used for investing activities	<u>(59,015)</u>	<u>(117,919)</u>	<u>(14,858)</u>	<u>(1,821)</u>	<u>(409,087)</u>
Cash flows from financing activities:					
Proceeds from revolving credit facility	-	-	-	-	100,000
Principal payments on receivable financing	(2,907)	-	(2,869)	(2,526)	-
Payment of debt issuance costs	-	-	(1,372)	-	-
Payment of acquisition-related contingent consideration	-	-	-	(582)	-
Tax effect related to employee stock transactions allocated to equity	1,233	1,715	271	5,276	2,024
Proceeds from issuance of common stock	302	15,692	3,932	21,801	8,426
Stock received for payment of employee taxes on vesting of restricted stock	(3,724)	(3,560)	(2,271)	(8,775)	(2,983)
Net cash provided by (used for) financing activities	<u>(5,096)</u>	<u>13,847</u>	<u>(2,309)</u>	<u>15,194</u>	<u>107,467</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(1,397)</u>	<u>(417)</u>	<u>(1,451)</u>	<u>(4,914)</u>	<u>(6,194)</u>
Increase (decrease) in cash and cash equivalents	<u>1,971</u>	<u>(12,559)</u>	<u>77,258</u>	<u>83,795</u>	<u>(232,919)</u>
Cash and cash equivalents at end of period	<u>\$ 661,658</u>	<u>\$ 649,099</u>	<u>\$ 726,357</u>	<u>\$ 810,152</u>	<u>\$ 577,233</u>

**Cadence Design Systems, Inc.**  
**As of July 24, 2013**  
**Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share**  
**(Unaudited)**

	<b>Three Months Ending September 28, 2013 Forecast</b>	<b>Year Ending December 28, 2013 Forecast</b>
Diluted net income per share on a GAAP basis	\$0.08 to \$0.10	\$0.45 to \$0.54
Amortization of acquired intangibles	0.04	0.14
Stock-based compensation expense	0.06	0.23
Non-qualified deferred compensation expenses	-	0.01
Restructuring and other charges	-	0.01
Integration and acquisition-related costs	0.03	0.10
Amortization of debt discount	0.02	0.08
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	(0.01)
Income tax benefit due to a release of an uncertain tax position	-	(0.11)
Income tax effect of non-GAAP adjustments	(0.04)	(0.10)
Diluted net income per share on a non-GAAP basis	<u>\$0.19 to \$0.21</u>	<u>\$0.80 to \$0.89</u>

\* 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.

**Cadence Design Systems, Inc.**  
**As of July 24, 2013**  
**Impact of Non-GAAP Adjustments on Forward Looking Net Income**  
**(Unaudited)**

(\$ in millions)	<b>Three Months Ending September 28, 2013 Forecast</b>	<b>Year Ending December 28, 2013 Forecast</b>
Net income on a GAAP basis	\$24 to \$30	\$134 to \$161
Amortization of acquired intangibles	12	43
Stock-based compensation expense	19	69
Non-qualified deferred compensation expenses	-	2
Restructuring and other charges	-	3
Integration and acquisition-related costs	8	29
Amortization of debt discount	6	22
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	(2)
Income tax benefit due to a release of an uncertain tax position	-	(34)
Income tax effect of non-GAAP adjustments	(11)	(30)
Net income on a non-GAAP basis	<u>\$58 to \$64</u>	<u>\$236 to \$263</u>

\* 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.



**Cadence Design Systems, Inc.**  
**Reconciliation of GAAP Net Income to Non-GAAP Net Income**  
**For the Three and Six Months Ended June 29, 2013 and June 30, 2012**  
(Unaudited)

(In thousands)	Three Months Ended		Six Months Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
Net income on a GAAP basis	\$ 9,429	\$ 36,386	\$ 88,038	\$ 67,490
Amortization of acquired intangibles*	11,087	6,534	18,685	13,219
Stock-based compensation expense**	15,111	10,361	28,921	21,886
Non-qualified deferred compensation expenses***	1,699	2,278	1,851	4,076
Restructuring and other charges (credits)	2,656	43	2,508	(8)
Shareholder litigation costs	-	-	-	46
Integration and acquisition-related costs****	10,093	3,627	15,028	4,075
Amortization of debt discount	5,571	5,124	11,107	10,213
Other income or expense related to investments and non-qualified deferred compensation plan assets †	(1,193)	(2,220)	(2,183)	(4,169)
Income tax benefit due to a release of an uncertain tax position	-	-	(33,719)	-
Income tax effect of non-GAAP adjustments	6,712	(9,245)	(8,434)	(17,440)
Net income on a non-GAAP basis	\$ 61,165	\$ 52,888	\$ 121,802	\$ 99,388

† 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 Income Statements as follows:

(In thousands)	Three Months Ended		Six Months Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
Cost of product and maintenance	\$ 5,760	\$ 2,891	\$ 9,567	\$ 5,790
Amortization of acquired intangibles	5,327	3,643	9,118	7,429
Total amortization of acquired intangibles	\$ 11,087	\$ 6,534	\$ 18,685	\$ 13,219

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

(In thousands)	Three Months Ended		Six Months Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
Cost of product and maintenance	\$ 323	\$ 268	\$ 687	\$ 599
Cost of services	466	384	991	858
Marketing and sales	3,327	2,128	6,345	4,639
Research and development	7,485	4,441	14,038	9,449
General and administrative	3,510	3,140	6,860	6,341
Total stock-based compensation expense	\$ 15,111	\$ 10,361	\$ 28,921	\$ 21,886

\*\*\*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, net, such that the net impact on Cadence's net income is not significant. The operating expenses (credits) are reported in the Condensed Consolidated Income Statements as follows:

(In thousands)	Three Months Ended		Six Months Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
Cost of product and maintenance	\$ 12	\$ 29	\$ 16	\$ 49
Cost of services	17	42	22	71
Marketing and sales	146	212	168	469
Research and development	879	1,083	957	1,890
General and administrative	645	912	688	1,597
Total non-qualified deferred compensation expenses	\$ 1,699	\$ 2,278	\$ 1,851	\$ 4,076

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

(In thousands)	Three Months Ended		Six Months Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
Marketing and sales	\$ 395	\$ 80	\$ 459	\$ 189
Research and development	4,732	2,341	6,029	2,571
General and administrative	4,966	1,206	8,540	1,315
Total integration and acquisition-related costs	\$ 10,093	\$ 3,627	\$ 15,028	\$ 4,075

**Cadence Design Systems, Inc.**  
**Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share**  
**For the Three Months Ended June 29, 2013, March 30, 2013, and June 30, 2012**  
**and the Six Months Ended June 29, 2013 and June 30, 2012**  
(Unaudited)

(In thousands, except per share data)	Three Months Ended			Six Months Ended	
	June 29, 2013	March 30, 2013	June 30, 2012	June 29, 2013	June 30, 2012
Diluted net income per share on a GAAP basis	\$ 0.03	\$ 0.27	\$ 0.13	\$ 0.30	\$ 0.24
Amortization of acquired intangibles	0.04	0.03	0.02	0.06	0.05
Stock-based compensation expense	0.05	0.05	0.04	0.10	0.08
Non-qualified deferred compensation expenses	0.01	-	0.01	0.01	0.01
Restructuring and other charges	0.01	-	-	0.01	-
Shareholder litigation costs	-	-	-	-	-
Integration and acquisition-related costs	0.03	0.02	0.01	0.05	0.01
Amortization of debt discount	0.02	0.02	0.02	0.04	0.04
Other income or expense related to investments and non-qualified deferred compensation plan assets *	-	(0.01)	(0.01)	(0.01)	(0.01)
Income tax benefit due to a release of an uncertain tax position	-	(0.12)	-	(0.12)	-
Income tax effect of non-GAAP adjustments	0.02	(0.05)	(0.03)	(0.02)	(0.06)
Diluted net income per share on a non-GAAP basis	\$ 0.21	\$ 0.21	\$ 0.19	\$ 0.42	\$ 0.36

Shares used in calculation of diluted net income per share - GAAP **	294,443	292,151	275,318	293,274	276,526
Shares used in calculation of diluted net income per share - non-GAAP **	294,443	292,151	275,318	293,274	276,526

\* 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 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 June 29, 2013</u> Actual (In thousands)	<u>Three Months Ended March 30, 2013</u> Actual (In thousands)	<u>Three Months Ended June 30, 2012</u> Actual (In thousands)		
GAAP total costs and expenses	\$ 317,339	\$ 296,130	\$ 275,856		
Reconciling items to non-GAAP total costs and expenses					
Amortization of acquired intangibles	(11,087)	(7,598)	(6,534)		
Stock-based compensation expense	(15,111)	(13,810)	(10,361)		
Non-qualified deferred compensation expenses	(1,699)	(152)	(2,278)		
Restructuring and other (charges) credits	(2,656)	148	(43)		
Integration and acquisition-related costs	(10,093)	(4,935)	(3,627)		
Non-GAAP total costs and expenses	<u>\$ 276,693</u>	<u>\$ 269,783</u>	<u>\$ 253,013</u>		
	<u>Three Months Ended June 29, 2013</u> Actual	<u>Three Months Ended March 30, 2013</u> Actual	<u>Three Months Ended June 30, 2012</u> Actual	<u>Three Months Ending September 28, 2013</u> Forecast	<u>Year Ending December 28, 2013</u> Forecast
GAAP operating margin as a percent of total revenue	12%	16%	16%	13% to 14%	14%
Reconciling items to non-GAAP operating margin as a percent of total revenue					
Amortization of acquired intangibles	3%	2%	2%	3%	3%
Stock-based compensation expense	4%	4%	3%	5%	5%
Non-qualified deferred compensation expenses	1%	0%	1%	0%	0%
Restructuring and other charges (credits)	1%	0%	0%	0%	0%
Integration and acquisition-related costs	3%	2%	1%	2%	2%
Non-GAAP operating margin as a percent of total revenue	<u>24%</u>	<u>24%</u>	<u>23%</u>	<u>23% to 24%</u>	<u>24%</u>
	<u>Year Ending December 28, 2013</u> Forecast				
(In millions)					
GAAP total other income (expense), net	\$(36) to \$(30)				
Reconciling items to non-GAAP total other income (expense), net					
Other income or expense related to investments and non-qualified deferred compensation plan assets*	(2)				
Amortization of debt discount	22				
Non-GAAP total other income (expense), net	<u>\$(16) to \$(10)</u>				

\* 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.

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

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

<u>GEOGRAPHY</u>	<u>2012</u>					<u>2013</u>	
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Year</u>	<u>Q1</u>	<u>Q2</u>
Americas	44%	46%	43%	45%	<b>45%</b>	44%	45%
EMEA	19%	20%	20%	21%	<b>20%</b>	22%	21%
Japan	18%	16%	17%	14%	<b>16%</b>	15%	13%
Asia	19%	18%	20%	20%	<b>19%</b>	19%	21%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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

<u>PRODUCT GROUP</u>	<u>2012</u>					<u>2013</u>	
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Year</u>	<u>Q1</u>	<u>Q2</u>
Functional Verification, Hardware and IP	30%	33%	30%	30%	<b>30%</b>	26%	28%
Digital IC Design	23%	22%	23%	23%	<b>23%</b>	25%	23%
Custom IC Design	23%	22%	24%	24%	<b>23%</b>	25%	25%
Design for Manufacturing	7%	6%	6%	6%	<b>6%</b>	7%	6%
System Interconnect Design	8%	8%	9%	9%	<b>9%</b>	10%	11%
Services and other	9%	9%	8%	8%	<b>9%</b>	7%	7%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Note: Product Group total revenue includes product + maintenance

**Cadence Design Systems, Inc.**  
**Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures**  
**For the Three Months Ended June 29, 2013**  
(In thousands, except per share amounts)  
(Unaudited)

	<b>Three Months Ended</b>		
	<b>June 29, 2013</b>		
	<b>GAAP</b>	<b>Adjustments</b>	<b>Non-GAAP</b>
<b>Revenue:</b>			
Product and maintenance	\$ 337,983	\$ -	\$ 337,983
Services	24,498	-	24,498
<b>Total revenue</b>	<b>362,481</b>	<b>-</b>	<b>362,481</b>
<b>Costs and expenses:</b>			
Cost of product and maintenance	28,095	(6,095) (A)	22,000
Cost of services	15,148	(483) (A)	14,665
Marketing and sales	95,277	(3,868) (A)	91,409
Research and development	136,395	(13,096) (A)	123,299
General and administrative	34,441	(9,121) (A)	25,320
Amortization of acquired intangibles	5,327	(5,327) (A)	-
Restructuring and other charges	2,656	(2,656)	-
<b>Total costs and expenses</b>	<b>317,339</b>	<b>(40,646)</b>	<b>276,693</b>
<b>Income from operations</b>	<b>45,142</b>	<b>40,646</b>	<b>85,788</b>
Interest expense	(9,528)	5,571 (B)	(3,957)
Other income, net	2,018	(1,193) (C)	825
<b>Income before provision for income taxes</b>	<b>37,632</b>	<b>45,024</b>	<b>82,656</b>
Provision for income taxes	28,203	(6,712) (D)	21,491
<b>Net income</b>	<b>\$ 9,429</b>	<b>\$ 51,736</b>	<b>\$ 61,165</b>

Notes:

(A) For the three months ended June 29, 2013 adjustments to GAAP are as follows for the line items specified:

	<b>Amortization of acquired intangibles</b>	<b>Stock-based compensation expense</b>	<b>Non-qualified deferred compensation expenses</b>	<b>Integration and acquisition- related costs</b>	<b>Total adjustments</b>
Cost of product and maintenance	\$ 5,760	\$ 323	\$ 12	\$ -	\$ 6,095
Cost of services	-	466	17	-	483
Marketing and sales	-	3,327	146	395	3,868
Research and development	-	7,485	879	4,732	13,096
General and administrative	-	3,510	645	4,966	9,121
Amortization of acquired intangibles	5,327	-	-	-	5,327
<b>Total</b>	<b>\$ 11,087</b>	<b>\$ 15,111</b>	<b>\$ 1,699</b>	<b>\$ 10,093</b>	<b>\$ 37,990</b>

(B) Amortization of debt discount related to convertible notes

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

(D) Income tax effect of non-GAAP adjustments

**Cadence Design Systems, Inc.**  
**Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures**  
**For the Three Months Ended June 30, 2012**  
(In thousands, except per share amounts)  
(Unaudited)

	<b>Three Months Ended</b>		
	<b>June 30, 2012</b>		
	<b>GAAP</b>	<b>Adjustments</b>	<b>Non-GAAP</b>
Revenue:			
Product and maintenance	\$ 297,510	\$ -	\$ 297,510
Services	28,966	-	28,966
Total revenue	326,476	-	326,476
Costs and expenses:			
Cost of product and maintenance	32,406	(3,188) (E)	29,218
Cost of services	17,071	(426) (E)	16,645
Marketing and sales	80,418	(2,420) (E)	77,998
Research and development	112,031	(7,865) (E)	104,166
General and administrative	30,244	(5,258) (E)	24,986
Amortization of acquired intangibles	3,643	(3,643) (E)	-
Restructuring and other charges	43	(43)	-
Total costs and expenses	275,856	(22,843)	253,013
Income from operations	50,620	22,843	73,463
Interest expense	(8,566)	5,124 (F)	(3,442)
Other income, net	3,669	(2,220) (G)	1,449
Income before provision for income taxes	45,723	25,747	71,470
Provision for income taxes	9,337	9,245 (H)	18,582
Net income	<u>\$ 36,386</u>	<u>\$ 16,502</u>	<u>\$ 52,888</u>

Notes:

(E) For the three months ended June 30, 2012 adjustments to GAAP are as follows for the line items specified:

	<b>Amortization of acquired intangibles</b>	<b>Stock-based compensation expense</b>	<b>Non-qualified deferred compensation expenses</b>	<b>Integration and acquisition- related costs</b>	<b>Total adjustments</b>
Cost of product and maintenance	\$ 2,891	\$ 268	\$ 29	\$ -	\$ 3,188
Cost of services	-	384	42	-	426
Marketing and sales	-	2,128	212	80	2,420
Research and development	-	4,441	1,083	2,341	7,865
General and administrative	-	3,140	912	1,206	5,258
Amortization of acquired intangibles	3,643	-	-	-	3,643
Total	<u>\$ 6,534</u>	<u>\$ 10,361</u>	<u>\$ 2,278</u>	<u>\$ 3,627</u>	<u>\$ 22,800</u>

(F) Amortization of debt discount related to convertible notes

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

(H) Income tax effect of non-GAAP adjustments

**Cadence Design Systems, Inc.**  
**Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures**  
**For the Six Months Ended June 29, 2013**  
(In thousands, except per share amounts)  
(Unaudited)

	Six Months Ended June 29, 2013		
	GAAP	Adjustments	Non-GAAP
Revenue:			
Product and maintenance	\$ 666,254	\$ -	\$ 666,254
Services	50,493	-	50,493
Total revenue	<u>716,747</u>	<u>-</u>	<u>716,747</u>
Costs and expenses:			
Cost of product and maintenance	57,942	(10,270) (A)	47,672
Cost of services	33,492	(1,013) (A)	32,479
Marketing and sales	185,679	(6,972) (A)	178,707
Research and development	260,479	(21,024) (A)	239,455
General and administrative	64,251	(16,088) (A)	48,163
Amortization of acquired intangibles	9,118	(9,118) (A)	-
Restructuring and other charges	2,508	(2,508)	-
Total costs and expenses	<u>613,469</u>	<u>(66,993)</u>	<u>546,476</u>
Income from operations	103,278	66,993	170,271
Interest expense	(18,790)	11,107 (B)	(7,683)
Other income, net	4,193	(2,183) (C)	2,010
Income before provision for income taxes	88,681	75,917	164,598
Provision for income taxes	643	42,153 (D)	42,796
Net income	<u>\$ 88,038</u>	<u>\$ 33,764</u>	<u>\$ 121,802</u>

Notes:

(A) For the six months ended June 29, 2013 adjustments to GAAP are as follows for the line items specified:

	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Integration and acquisition-related costs	Total adjustments
Cost of product and maintenance	\$ 9,567	\$ 687	\$ 16	\$ -	\$ 10,270
Cost of services	-	991	22	-	1,013
Marketing and sales	-	6,345	168	459	6,972
Research and development	-	14,038	957	6,029	21,024
General and administrative	-	6,860	688	8,540	16,088
Amortization of acquired intangibles	9,118	-	-	-	9,118
Total	<u>\$ 18,685</u>	<u>\$ 28,921</u>	<u>\$ 1,851</u>	<u>\$ 15,028</u>	<u>\$ 64,485</u>

(B) Amortization of debt discount related to convertible notes

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

(D) Income tax effect of non-GAAP adjustments

**Cadence Design Systems, Inc.**  
**Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures**  
**For the Six Months Ended June 30, 2012**  
(In thousands, except per share amounts)  
(Unaudited)

	Six Months Ended June 30, 2012		
	GAAP	Adjustments	Non-GAAP
Revenue:			
Product and maintenance	\$ 583,798	\$ -	\$ 583,798
Services	58,508	-	58,508
Total revenue	<u>642,306</u>	<u>-</u>	<u>642,306</u>
Costs and expenses:			
Cost of product and maintenance	59,618	(6,438) (E)	53,180
Cost of services	36,445	(929) (E)	35,516
Marketing and sales	164,213	(5,297) (E)	158,916
Research and development	220,625	(13,910) (E)	206,715
General and administrative	58,014	(9,299) (E)	48,715
Amortization of acquired intangibles	7,429	(7,429) (E)	-
Restructuring and other charges (credits)	(8)	8	-
Total costs and expenses	<u>546,336</u>	<u>(43,294)</u>	<u>503,042</u>
Income from operations	95,970	43,294	139,264
Interest expense	(17,103)	10,213 (F)	(6,890)
Other income, net	6,103	(4,169) (G)	1,934
Income before provision for income taxes	84,970	49,338	134,308
Provision for income taxes	17,480	17,440 (H)	34,920
Net income	<u>\$ 67,490</u>	<u>\$ 31,898</u>	<u>\$ 99,388</u>

Notes:

(E) For the six months ended June 30, 2012 adjustments to GAAP are as follows for the line items specified:

	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Integration and acquisition-related costs	Shareholder litigation costs	Total adjustments
Cost of product and maintenance	\$ 5,790	\$ 599	\$ 49	\$ -	\$ -	\$ 6,438
Cost of services	-	858	71	-	-	929
Marketing and sales	-	4,639	469	189	-	5,297
Research and development	-	9,449	1,890	2,571	-	13,910
General and administrative	-	6,341	1,597	1,315	46	9,299
Amortization of acquired intangibles	7,429	-	-	-	-	7,429
Total	<u>\$ 13,219</u>	<u>\$ 21,886</u>	<u>\$ 4,076</u>	<u>\$ 4,075</u>	<u>\$ 46</u>	<u>\$ 43,302</u>

(F) Amortization of debt discount related to convertible notes

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

(H) Income tax effect of non-GAAP adjustments