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Cadence Design Systems, Inc.
Condensed Consolidated Balance Sheets
June 28, 2014 and December 28, 2013
(In thousands)
(Unaudited)

	June 28, 2014	December 28, 2013
Current assets:		
Cash and cash equivalents	\$ 557,416	\$ 536,260
Short-term investments	97,910	96,788
Receivables, net	101,924	107,624
Inventories	58,311	50,220
2015 notes hedges	455,844	306,817
Prepaid expenses and other	143,314	123,382
Total current assets	1,414,719	1,221,091
Property, plant and equipment, net of accumulated depreciation of \$584,613 and \$568,494, respectively	239,314	238,715
Goodwill	559,957	456,905
Acquired intangibles, net of accumulated amortization of \$121,797 and \$139,820, respectively	395,430	311,693
Long-term receivables	5,611	3,672
Other assets	170,802	196,525
Total assets	\$ 2,785,833	\$ 2,428,601
Current liabilities:		
Revolving credit facility	\$ 100,000	\$ -
Convertible notes	333,333	324,826
2015 notes embedded conversion derivative	455,844	306,817
Accounts payable and accrued liabilities	216,959	216,594
Current portion of deferred revenue	301,911	299,973
Total current liabilities	1,408,047	1,148,210
Long-term liabilities:		
Long-term portion of deferred revenue	46,800	52,850
Other long-term liabilities	70,502	71,436
Total long-term liabilities	117,302	124,286
Stockholders' equity	1,260,484	1,156,105
Total liabilities and stockholders' equity	\$ 2,785,833	\$ 2,428,601

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

	June 29, 2013	September 28, 2013	December 28, 2013	March 29, 2014	June 28, 2014
Current assets:					
Cash and cash equivalents	\$ 577,233	\$ 620,403	\$ 536,260	\$ 532,761	\$ 557,416
Short-term investments	101,251	96,019	96,788	97,006	97,910
Receivables, net	92,581	101,896	107,624	106,322	101,924
Inventories	38,705	45,877	50,220	55,605	58,311
2015 notes hedges	335,131	292,511	306,817	369,731	455,844
Prepaid expenses and other	120,598	117,457	123,382	136,300	143,314
Total current assets	<u>1,265,499</u>	<u>1,274,163</u>	<u>1,221,091</u>	<u>1,297,725</u>	<u>1,414,719</u>
Property, plant and equipment, net	243,288	241,965	238,715	239,425	239,314
Goodwill	457,556	456,267	456,905	478,990	559,957
Acquired intangibles, net	337,705	323,807	311,693	316,498	395,430
Long-term receivables	5,929	3,994	3,672	6,193	5,611
Other assets	253,112	257,191	196,525	185,389	170,802
Total assets	<u>\$ 2,563,089</u>	<u>\$ 2,557,387</u>	<u>\$ 2,428,601</u>	<u>\$ 2,524,220</u>	<u>\$ 2,785,833</u>
Current liabilities:					
Revolving credit facility	\$ 100,000	\$ 50,000	\$ -	\$ -	\$ 100,000
Convertible notes	458,179	463,837	324,826	329,058	333,333
2015 notes embedded conversion derivative	335,131	292,511	306,817	369,731	455,844
Accounts payable and accrued liabilities	185,809	193,445	216,594	189,200	216,959
Current portion of deferred revenue	282,784	297,897	299,973	304,705	301,911
Total current liabilities	<u>1,361,903</u>	<u>1,297,690</u>	<u>1,148,210</u>	<u>1,192,694</u>	<u>1,408,047</u>
Long-term liabilities:					
Long-term portion of deferred revenue	43,892	48,229	52,850	48,299	46,800
Other long-term liabilities	117,034	115,262	71,436	69,025	70,502
Total long-term liabilities	<u>160,926</u>	<u>163,491</u>	<u>124,286</u>	<u>117,324</u>	<u>117,302</u>
Stockholders' equity:					
Common stock and capital in excess of par value	1,744,261	1,739,677	1,757,242	1,785,069	1,812,175
Treasury stock, at cost	(168,573)	(141,344)	(140,142)	(147,621)	(154,839)
Accumulated deficit	(561,511)	(523,011)	(485,306)	(452,236)	(428,973)
Accumulated other comprehensive income	26,083	20,884	24,311	28,990	32,121
Total stockholders' equity	<u>1,040,260</u>	<u>1,096,206</u>	<u>1,156,105</u>	<u>1,214,202</u>	<u>1,260,484</u>
Total liabilities and stockholders' equity	<u>\$ 2,563,089</u>	<u>\$ 2,557,387</u>	<u>\$ 2,428,601</u>	<u>\$ 2,524,220</u>	<u>\$ 2,785,833</u>

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three and Six Months Ended June 28, 2014 and June 29, 2013
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Revenue:				
Product and maintenance	\$ 354,468	\$ 337,983	\$ 711,818	\$ 666,254
Services	24,320	24,498	45,520	50,493
Total revenue	378,788	362,481	757,338	716,747
Costs and expenses:				
Cost of product and maintenance	37,707	28,095	79,904	57,942
Cost of services	16,706	15,148	31,608	33,492
Marketing and sales	98,611	95,277	196,934	185,679
Research and development	152,672	136,395	299,138	260,479
General and administrative	32,042	34,441	60,786	64,251
Amortization of acquired intangibles	5,579	5,327	10,789	9,118
Restructuring and other charges (credits)	(26)	2,656	370	2,508
Total costs and expenses	343,291	317,339	679,529	613,469
Income from operations	35,497	45,142	77,809	103,278
Interest expense	(7,369)	(9,528)	(14,637)	(18,790)
Other income, net	1,635	2,018	5,017	4,193
Income before provision for income taxes	29,763	37,632	68,189	88,681
Provision for income taxes	6,500	28,203	11,856	643
Net income	\$ 23,263	\$ 9,429	\$ 56,333	\$ 88,038
Net income per share - basic	\$ 0.08	\$ 0.03	\$ 0.20	\$ 0.32
Net income per share - diluted	\$ 0.08	\$ 0.03	\$ 0.19	\$ 0.30
Weighted average common shares outstanding - basic	283,344	277,146	282,480	276,018
Weighted average common shares outstanding - diluted	305,755	294,443	303,395	293,274

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

	Three Months Ended				
	June 29, 2013	September 28, 2013	December 28, 2013	March 29, 2014	June 28, 2014
Revenue:					
Product and maintenance	\$ 337,983	\$ 341,601	\$ 350,079	\$ 357,350	\$ 354,468
Services	24,498	25,046	26,643	21,200	24,320
Total revenue	<u>362,481</u>	<u>366,647</u>	<u>376,722</u>	<u>378,550</u>	<u>378,788</u>
Costs and expenses:					
Cost of product and maintenance	28,095	32,546	41,757	42,197	37,707
Cost of services	15,148	17,190	17,274	14,902	16,706
Marketing and sales	95,277	98,094	94,384	98,323	98,611
Research and development	136,395	138,078	135,465	146,466	152,672
General and administrative	34,441	27,582	29,481	28,744	32,042
Amortization of acquired intangibles	5,327	5,141	5,157	5,210	5,579
Restructuring and other charges (credits)	2,656	86	15,405	396	(26)
Total costs and expenses	<u>317,339</u>	<u>318,717</u>	<u>338,923</u>	<u>336,238</u>	<u>343,291</u>
Income from operations	45,142	47,930	37,799	42,312	35,497
Interest expense	(9,528)	(9,583)	(9,208)	(7,268)	(7,369)
Other income, net	2,018	2,535	842	3,382	1,635
Income before provision (benefit) for income taxes	37,632	40,882	29,433	38,426	29,763
Provision (benefit) for income taxes	28,203	2,382	(8,272)	5,356	6,500
Net income	<u>\$ 9,429</u>	<u>\$ 38,500</u>	<u>\$ 37,705</u>	<u>\$ 33,070</u>	<u>\$ 23,263</u>
Net income per share - basic	<u>\$ 0.03</u>	<u>\$ 0.14</u>	<u>\$ 0.13</u>	<u>\$ 0.12</u>	<u>\$ 0.08</u>
Net income per share - diluted	<u>\$ 0.03</u>	<u>\$ 0.13</u>	<u>\$ 0.13</u>	<u>\$ 0.11</u>	<u>\$ 0.08</u>
Weighted average common shares outstanding - basic	<u>277,146</u>	<u>278,977</u>	<u>280,083</u>	<u>281,615</u>	<u>283,344</u>
Weighted average common shares outstanding - diluted	<u>294,443</u>	<u>296,958</u>	<u>294,663</u>	<u>301,034</u>	<u>305,755</u>

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Six Months Ended June 28, 2014 and June 29, 2013
(In thousands)
(Unaudited)

	Six Months Ended	
	June 28, 2014	June 29, 2013
Cash and cash equivalents at beginning of period	\$ 536,260	\$ 726,357
Cash flows from operating activities:		
Net income	56,333	88,038
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	53,609	46,977
Amortization of debt discount and fees	9,814	12,625
Stock-based compensation	37,941	28,921
Gain on investments, net	(5,128)	(2,477)
Deferred income taxes	4,778	(4,413)
Other non-cash items	3,694	433
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	5,336	8,719
Inventories	(12,266)	(2,672)
Prepaid expenses and other	(13,602)	26,516
Other assets	(1,273)	(45,274)
Accounts payable and accrued liabilities	(13,550)	10,023
Deferred revenue	(23,740)	(24,359)
Other long-term liabilities	(4,983)	7,174
Net cash provided by operating activities	<u>96,963</u>	<u>150,231</u>
Cash flows from investing activities:		
Purchases of available-for-sale securities	(77,490)	(63,705)
Proceeds from the sale of available-for-sale securities	54,601	46,857
Proceeds from the maturity of available-for-sale securities	23,799	15,716
Proceeds from the sale of long-term investments	-	6,102
Purchases of property, plant and equipment	(17,715)	(23,739)
Cash paid in business combinations and asset acquisitions, net of cash acquired	(163,685)	(392,139)
Net cash used for investing activities	<u>(180,490)</u>	<u>(410,908)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility	100,000	100,000
Principal payments on receivable financing	-	(2,526)
Payment of acquisition-related contingent consideration	(1,835)	(582)
Tax effect related to employee stock transactions allocated to equity	2,642	7,300
Proceeds from issuance of common stock	36,482	30,227
Stock received for payment of employee taxes on vesting of restricted stock	(12,292)	(11,758)
Payments for repurchases of common stock	(25,032)	-
Net cash provided by financing activities	<u>99,965</u>	<u>122,661</u>
Effect of exchange rate changes on cash and cash equivalents	<u>4,718</u>	<u>(11,108)</u>
Increase (decrease) in cash and cash equivalents	<u>21,156</u>	<u>(149,124)</u>
Cash and cash equivalents at end of period	<u>\$ 557,416</u>	<u>\$ 577,233</u>

Cadence Design Systems, Inc.
Trended Condensed Consolidated Statements of Cash Flows
For the Five Quarters Ended June 28, 2014
(In thousands)
(Unaudited)

	<u>Q2 2013</u>	<u>Q3 2013</u>	<u>Q4 2013</u>	<u>Q1 2014</u>	<u>Q2 2014</u>
Cash and cash equivalents at beginning of period	\$ 810,152	\$ 577,233	\$ 620,403	\$ 536,260	\$ 532,761
Cash flows from operating activities:					
Net income	9,429	38,500	37,705	33,070	23,263
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	25,295	25,704	25,627	26,017	27,592
Amortization of debt discount and fees	6,344	6,477	6,282	4,882	4,932
Stock-based compensation	15,111	18,566	18,798	18,864	19,077
Gain on investments, net	(1,471)	(1,558)	(1,276)	(3,651)	(1,477)
Deferred income taxes	(13,108)	(2,012)	4,059	2,245	2,533
Other non-cash items	1,440	1,750	1,749	2,344	1,350
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	(14,933)	(6,527)	(5,801)	(108)	5,444
Inventories	(1,693)	(7,333)	(4,589)	(9,373)	(2,893)
Prepaid expenses and other	27,615	411	3,441	(9,753)	(3,849)
Other assets	(49,422)	(1,377)	44,121	3,157	(4,430)
Accounts payable and accrued liabilities	21,026	8,254	23,450	(29,680)	16,130
Deferred revenue	(7,711)	18,885	7,980	(5,508)	(18,232)
Other long-term liabilities	56,973	(1,530)	(42,382)	(4,408)	(575)
Net cash provided by operating activities	<u>74,895</u>	<u>98,210</u>	<u>119,164</u>	<u>28,098</u>	<u>68,865</u>
Cash flows from investing activities:					
Purchases of available-for-sale securities	(39,423)	(20,295)	(27,702)	(47,005)	(30,485)
Proceeds from the sale of available-for-sale securities	31,872	12,157	18,607	32,586	22,015
Proceeds from the maturity of available-for-sale securities	7,016	14,790	8,200	13,905	9,894
Proceeds from the sale of long-term investments	-	98	34	-	-
Purchases of property, plant and equipment	(17,170)	(12,211)	(8,979)	(6,252)	(11,463)
Cash paid in business combinations and asset acquisitions, net of cash acquired	<u>(391,382)</u>	<u>(686)</u>	<u>-</u>	<u>(27,422)</u>	<u>(136,263)</u>
Net cash used for investing activities	<u>(409,087)</u>	<u>(6,147)</u>	<u>(9,840)</u>	<u>(34,188)</u>	<u>(146,302)</u>
Cash flows from financing activities:					
Proceeds from revolving credit facility	100,000	-	-	-	100,000
Payment on revolving credit facility	-	(50,000)	(50,000)	-	-
Payment of convertible notes	-	(78)	(144,561)	-	-
Payment of acquisition-related contingent consideration	-	(95)	-	(1,835)	-
Tax effect related to employee stock transactions allocated to equity	2,024	2,194	(460)	1,827	815
Proceeds from issuance of common stock	8,426	10,464	1,966	23,377	13,105
Stock received for payment of employee taxes on vesting of restricted stock	(2,983)	(7,703)	(679)	(10,981)	(1,311)
Payments for repurchases of common stock	-	-	-	(12,517)	(12,515)
Net cash provided by (used for) financing activities	<u>107,467</u>	<u>(45,218)</u>	<u>(193,734)</u>	<u>(129)</u>	<u>100,094</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(6,194)</u>	<u>(3,675)</u>	<u>267</u>	<u>2,720</u>	<u>1,998</u>
Increase (decrease) in cash and cash equivalents	<u>(232,919)</u>	<u>43,170</u>	<u>(84,143)</u>	<u>(3,499)</u>	<u>24,655</u>
Cash and cash equivalents at end of period	<u>\$ 577,233</u>	<u>\$ 620,403</u>	<u>\$ 536,260</u>	<u>\$ 532,761</u>	<u>\$ 557,416</u>

Cadence Design Systems, Inc.
As of July 21, 2014
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share
(Unaudited)

	<u>Three Months Ending</u> <u>September 27, 2014</u> <u>Forecast</u>	<u>Year Ending</u> <u>January 3, 2015</u> <u>Forecast</u>
Diluted net income per share on a GAAP basis	\$0.13 to \$0.15	\$0.48 to \$0.56
Amortization of acquired intangibles	0.05	0.20
Stock-based compensation expense	0.07	0.27
Non-qualified deferred compensation expenses	-	0.01
Acquisition and integration-related costs	0.02	0.08
Special charges*	-	0.03
Amortization of debt discount	0.01	0.06
Other income or expense related to investments and non-qualified deferred compensation plan assets**	-	(0.02)
Income tax effect of non-GAAP adjustments	(0.05)	(0.21)
Diluted net income per share on a non-GAAP basis	<u>\$0.23 to \$0.25</u>	<u>\$0.90 to \$0.98</u>

* Comprised of costs related to a voluntary retirement program

** 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 21, 2014
Impact of Non-GAAP Adjustments on Forward Looking Net Income
(Unaudited)

(\$ in millions)	<u>Three Months Ending</u> <u>September 27, 2014</u> <u>Forecast</u>	<u>Year Ending</u> <u>January 3, 2015</u> <u>Forecast</u>
Net income on a GAAP basis	\$41 to \$47	\$147 to \$172
Amortization of acquired intangibles	16	60
Stock-based compensation expense	21	83
Non-qualified deferred compensation expenses	-	3
Acquisition and integration-related costs	5	25
Special charges*	-	10
Amortization of debt discount	4	18
Other income or expense related to investments and non-qualified deferred compensation plan assets**	-	(5)
Income tax effect of non-GAAP adjustments	(16)	(66)
Net income on a non-GAAP basis	<u>\$71 to \$77</u>	<u>\$275 to \$300</u>

* Comprised of costs related to a voluntary retirement program

** 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 28, 2014 and June 29, 2013
(Unaudited)

(In thousands)	Three Months Ended		Six Months Ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Net income on a GAAP basis	\$ 23,263	\$ 9,429	\$ 56,333	\$ 88,038
Amortization of acquired intangibles*	14,192	11,087	26,978	18,685
Stock-based compensation expense**	19,077	15,111	37,941	28,921
Non-qualified deferred compensation expenses ***	1,047	1,699	3,110	1,851
Restructuring and other charges (credits)	(26)	2,656	370	2,508
Acquisition and integration-related costs****	8,787	10,093	15,905	15,028
Special charges † *****	10,357	-	10,357	-
Amortization of debt discount	4,241	5,571	8,450	11,107
Other income or expense related to investments and non-qualified deferred compensation plan assets ††	(1,480)	(1,193)	(5,089)	(2,183)
Income tax benefit due to a release of an uncertain tax position	-	-	-	(33,719)
Income tax effect of non-GAAP adjustments	(15,849)	6,712	(31,359)	(8,434)
Net income on a non-GAAP basis	\$ 63,609	\$ 61,165	\$ 122,996	\$ 121,802

† Comprised of costs related to a voluntary retirement program

†† 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 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Cost of product and maintenance	\$ 8,613	\$ 5,760	\$ 16,189	\$ 9,567
Amortization of acquired intangibles	5,579	5,327	10,789	9,118
Total amortization of acquired intangibles	\$ 14,192	\$ 11,087	\$ 26,978	\$ 18,685

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

(In thousands)	Three Months Ended		Six Months Ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Cost of product and maintenance	\$ 485	\$ 323	\$ 967	\$ 687
Cost of services	709	466	1,412	991
Marketing and sales	4,560	3,327	9,156	6,345
Research and development	9,701	7,485	19,368	14,038
General and administrative	3,622	3,510	7,038	6,860
Total stock-based compensation expense	\$ 19,077	\$ 15,111	\$ 37,941	\$ 28,921

*** 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		Six Months Ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Cost of product and maintenance	\$ 5	\$ 12	\$ 29	\$ 16
Cost of services	8	17	44	22
Marketing and sales	20	146	131	168
Research and development	642	879	1,765	957
General and administrative	372	645	1,141	688
Total non-qualified deferred compensation expenses	\$ 1,047	\$ 1,699	\$ 3,110	\$ 1,851

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

(In thousands)	Three Months Ended		Six Months Ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Marketing and sales	\$ 499	\$ 395	\$ 1,487	\$ 459
Research and development	4,980	4,732	9,941	6,029
General and administrative	3,308	4,966	4,477	8,540
Total acquisition and integration-related costs	\$ 8,787	\$ 10,093	\$ 15,905	\$ 15,028

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

(In thousands)	Three Months Ended		Six Months Ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Cost of product and maintenance	\$ 401	\$ -	\$ 401	\$ -
Cost of services	667	-	667	-
Marketing and sales	1,913	-	1,913	-
Research and development	5,854	-	5,854	-
General and administrative	1,522	-	1,522	-
Total special charges	\$ 10,357	\$ -	\$ 10,357	\$ -

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 28, 2014, March 29, 2014, and June 29, 2013
and the Six Months Ended June 28, 2014 and June 29, 2013
(Unaudited)

(In thousands, except per share data)	Three Months Ended			Six Months Ended	
	June 28, 2014	March 29, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Diluted net income per share on a GAAP basis	\$ 0.08	\$ 0.11	\$ 0.03	\$ 0.19	\$ 0.30
Amortization of acquired intangibles	0.05	0.04	0.04	0.09	0.06
Stock-based compensation expense	0.06	0.06	0.05	0.13	0.10
Non-qualified deferred compensation expenses	-	0.01	0.01	0.01	0.01
Restructuring and other charges (credits)	-	-	0.01	-	0.01
Acquisition and integration-related costs	0.03	0.02	0.03	0.05	0.05
Special Charges*	0.03	-	-	0.03	-
Amortization of debt discount	0.01	0.02	0.02	0.03	0.04
Other income or expense related to investments and non-qualified deferred compensation plan assets **	-	(0.01)	-	(0.02)	(0.01)
Income tax benefit due to a release of an uncertain tax position	-	-	-	-	(0.12)
Income tax effect of non-GAAP adjustments	(0.05)	(0.05)	0.02	(0.10)	(0.02)
Diluted net income per share on a non-GAAP basis	\$ 0.21	\$ 0.20	\$ 0.21	\$ 0.41	\$ 0.42
Shares used in calculation of diluted net income per share - GAAP ***	305,755	301,034	294,443	303,395	293,274
Shares used in calculation of diluted net income per share - non-GAAP ***	305,755	301,034	294,443	303,395	293,274

* Comprised of costs related to a voluntary retirement program

** 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 28, 2014</u>	<u>Three Months Ended March 29, 2014</u>	<u>Three Months Ended June 29, 2013</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
	<u>(In thousands)</u>	<u>(In thousands)</u>	<u>(In thousands)</u>
GAAP total costs and expenses	\$ 343,291	\$ 336,238	\$ 317,339
Reconciling items to non-GAAP total costs and expenses			
Amortization of acquired intangibles	(14,192)	(12,786)	(11,087)
Stock-based compensation expense	(19,077)	(18,864)	(15,111)
Non-qualified deferred compensation expenses	(1,047)	(2,063)	(1,699)
Restructuring and other (charges) credits	26	(396)	(2,656)
Acquisition and integration-related costs	(8,787)	(7,118)	(10,093)
Special charges*	(10,357)	-	-
Non-GAAP total costs and expenses	<u>\$ 289,857</u>	<u>\$ 295,011</u>	<u>\$ 276,693</u>

*Comprised of costs related to a voluntary retirement program

	<u>Three Months Ended June 28, 2014</u>	<u>Three Months Ended March 29, 2014</u>	<u>Three Months Ended June 29, 2013</u>	<u>Three Months Ending September 27, 2014</u>	<u>Year Ending January 3, 2015</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Forecast</u>	<u>Forecast</u>
GAAP operating margin as a percent of total revenue	9%	11%	12%	15%	13% to 14%
Reconciling items to non-GAAP operating margin as a percent of total revenue					
Amortization of acquired intangibles	4%	3%	3%	4%	4%
Stock-based compensation expense	5%	5%	4%	6%	5%
Non-qualified deferred compensation expenses	0%	1%	1%	0%	0%
Restructuring and other charges (credits)	0%	0%	1%	0%	0%
Acquisition and integration-related costs	2%	2%	3%	1%	2%
Special charges*	3%	0%	0%	0%	1%
Non-GAAP operating margin as a percent of total revenue	<u>23%</u>	<u>22%</u>	<u>24%</u>	<u>26%</u>	<u>25% to 26%</u>

*Comprised of costs related to a voluntary retirement program

	<u>Year Ending January 3, 2015</u>
(In millions)	<u>Forecast</u>
GAAP total other income (expense), net	\$(28) to \$(22)
Reconciling items to non-GAAP total other income (expense), net	
Other income or expense related to investments and non-qualified deferred compensation plan assets**	(5)
Amortization of debt discount	18
Non-GAAP total other income (expense), net	<u>\$(15) to \$(9)</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>	2013					2014	
	Q1	Q2	Q3	Q4	Year	Q1	Q2
Americas	44%	45%	48%	47%	46%	45%	44%
Asia	19%	21%	20%	19%	20%	23%	23%
Europe, Middle East and Africa	22%	21%	20%	20%	21%	20%	22%
Japan	15%	13%	12%	14%	13%	12%	11%
Total	100%	100%	100%	100%	100%	100%	100%

Revenue Mix by Product Group (% of Total Revenue)

<u>PRODUCT GROUP</u>	2013					2014	
	Q1	Q2	Q3	Q4	Year	Q1	Q2
Functional Verification, including Emulation Hardware	22%	22%	24%	25%	23%	23%	21%
Digital IC Design and Signoff	33%	31%	29%	29%	30%	30%	30%
Custom IC Design	28%	28%	28%	26%	27%	27%	28%
System Interconnect and Analysis	10%	11%	10%	10%	11%	10%	11%
IP	7%	8%	9%	10%	9%	10%	10%
Total	100%	100%	100%	100%	100%	100%	100%

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Three Months Ended June 28, 2014
(In thousands)
(Unaudited)

	Three Months Ended June 28, 2014		
	GAAP	Adjustments	Non-GAAP
Revenue:			
Product and maintenance	\$ 354,468	\$ -	\$ 354,468
Services	24,320	-	24,320
Total revenue	378,788	-	378,788
Costs and expenses:			
Cost of product and maintenance	37,707	(9,504) (A)	28,203
Cost of services	16,706	(1,384) (A)	15,322
Marketing and sales	98,611	(6,992) (A)	91,619
Research and development	152,672	(21,177) (A)	131,495
General and administrative	32,042	(8,824) (A)	23,218
Amortization of acquired intangibles	5,579	(5,579) (A)	-
Restructuring and other charges (credits)	(26)	26	-
Total costs and expenses	343,291	(53,434)	289,857
Income from operations	35,497	53,434	88,931
Interest expense	(7,369)	4,241 (B)	(3,128)
Other income, net	1,635	(1,480) (C)	155
Income before provision for income taxes	29,763	56,195	85,958
Provision for income taxes	6,500	15,849 (D)	22,349
Net income	\$ 23,263	\$ 40,346	\$ 63,609

Notes:

(A) For the three months ended June 28, 2014 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 (E)	Total adjustments
Cost of product and maintenance	\$ 8,613	\$ 485	\$ 5	\$ -	\$ 401	\$ 9,504
Cost of services	-	709	8	-	667	1,384
Marketing and sales	-	4,560	20	499	1,913	6,992
Research and development	-	9,701	642	4,980	5,854	21,177
General and administrative	-	3,622	372	3,308	1,522	8,824
Amortization of acquired intangibles	5,579	-	-	-	-	5,579
Total	\$ 14,192	\$ 19,077	\$ 1,047	\$ 8,787	\$ 10,357	\$ 53,460

(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

(E) Comprised of costs related to a voluntary retirement program

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

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

Notes:

(F) For the three 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	Acquisition and integration- related costs	Total adjustments
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
Total	\$ 11,087	\$ 15,111	\$ 1,699	\$ 10,093	\$ 37,990

(G) Amortization of debt discount related to convertible notes

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

(I) 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 28, 2014
(In thousands)
(Unaudited)

	Six Months Ended June 28, 2014		
	GAAP	Adjustments	Non-GAAP
Revenue:			
Product and maintenance	\$ 711,818	\$ -	\$ 711,818
Services	45,520	-	45,520
Total revenue	<u>757,338</u>	<u>-</u>	<u>757,338</u>
Costs and expenses:			
Cost of product and maintenance	79,904	(17,586) (A)	62,318
Cost of services	31,608	(2,123) (A)	29,485
Marketing and sales	196,934	(12,687) (A)	184,247
Research and development	299,138	(36,928) (A)	262,210
General and administrative	60,786	(14,178) (A)	46,608
Amortization of acquired intangibles	10,789	(10,789) (A)	-
Restructuring and other charges	370	(370)	-
Total costs and expenses	<u>679,529</u>	<u>(94,661)</u>	<u>584,868</u>
Income from operations	77,809	94,661	172,470
Interest expense	(14,637)	8,450 (B)	(6,187)
Other income (expense), net	5,017	(5,089) (C)	(72)
Income before provision for income taxes	68,189	98,022	166,211
Provision for income taxes	11,856	31,359 (D)	43,215
Net income	<u>\$ 56,333</u>	<u>\$ 66,663</u>	<u>\$ 122,996</u>

Notes:

(A) For the six months ended June 28, 2014 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 (E)	Total adjustments
Cost of product and maintenance	\$ 16,189	\$ 967	\$ 29	\$ -	\$ 401	\$ 17,586
Cost of services	-	1,412	44	-	667	2,123
Marketing and sales	-	9,156	131	1,487	1,913	12,687
Research and development	-	19,368	1,765	9,941	5,854	36,928
General and administrative	-	7,038	1,141	4,477	1,522	14,178
Amortization of acquired intangibles	10,789	-	-	-	-	10,789
Total	<u>\$ 26,978</u>	<u>\$ 37,941</u>	<u>\$ 3,110</u>	<u>\$ 15,905</u>	<u>\$ 10,357</u>	<u>\$ 94,291</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

(E) Comprised of costs related to a voluntary retirement program

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Six Months Ended June 29, 2013
(In thousands)
(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) (F)	47,672
Cost of services	33,492	(1,013) (F)	32,479
Marketing and sales	185,679	(6,972) (F)	178,707
Research and development	260,479	(21,024) (F)	239,455
General and administrative	64,251	(16,088) (F)	48,163
Amortization of acquired intangibles	9,118	(9,118) (F)	-
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 (G)	(7,683)
Other income, net	4,193	(2,183) (H)	2,010
Income before provision for income taxes	88,681	75,917	164,598
Provision for income taxes	643	42,153 (I)	42,796
Net income	<u>\$ 88,038</u>	<u>\$ 33,764</u>	<u>\$ 121,802</u>

Notes:

(F) 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	Acquisition and integration-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>

(G) Amortization of debt discount related to convertible notes

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

(I) Income tax benefit due to a release of an uncertain tax position \$33,719 and income tax effect of non-GAAP adjustments \$8,434