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**Cadence Design Systems, Inc.**  
**Condensed Consolidated Balance Sheets**  
**July 2, 2016 and January 2, 2016**  
(In thousands)  
(Unaudited)

	<b>July 2, 2016</b>	<b>January 2, 2016</b>
Current assets:		
Cash and cash equivalents	\$ 669,573	\$ 616,686
Short-term investments	34,745	94,498
Receivables, net	156,444	164,848
Inventories	61,932	56,762
Prepaid expenses and other	39,485	31,441
Total current assets	962,179	964,235
Property, plant and equipment, net of accumulated depreciation of \$604,532 and \$581,345, respectively	235,911	228,599
Goodwill	573,714	551,772
Acquired intangibles, net of accumulated amortization of \$239,170 and \$216,589, respectively	287,888	296,482
Long-term receivables	17,368	4,498
Other assets	300,813	299,929
Total assets	\$ 2,377,873	\$ 2,345,515
Current liabilities:		
Revolving credit facility	\$ 50,000	\$ -
Accounts payable and accrued liabilities	224,685	238,022
Current portion of deferred revenue	289,786	298,285
Total current liabilities	564,471	536,307
Long-term liabilities:		
Long-term portion of deferred revenue	38,094	30,209
Long-term debt	643,073	343,288
Other long-term liabilities	56,842	59,596
Total long-term liabilities	738,009	433,093
Stockholders' equity	1,075,393	1,376,115
Total liabilities and stockholders' equity	\$ 2,377,873	\$ 2,345,515

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

	July 4, 2015	October 3, 2015	January 2, 2016	April 2, 2016	July 2, 2016
<b>Current assets:</b>					
Cash and cash equivalents	\$ 647,851	\$ 616,091	\$ 616,686	\$ 810,400	\$ 669,573
Short-term investments	96,560	95,104	94,498	96,317	34,745
Receivables, net	131,325	133,665	164,848	147,533	156,444
Inventories	62,172	57,690	56,762	56,634	61,932
Prepaid expenses and other	128,806	139,015	31,441	41,360	39,485
Total current assets	<u>1,066,714</u>	<u>1,041,565</u>	<u>964,235</u>	<u>1,152,244</u>	<u>962,179</u>
Property, plant and equipment, net	229,838	227,689	228,599	231,180	235,911
Goodwill	553,831	552,411	551,772	551,897	573,714
Acquired intangibles, net	328,338	312,405	296,482	283,825	287,888
Long-term receivables	1,628	1,568	4,498	11,365	17,368
Other assets	194,552	189,876	299,929	308,513	300,813
Total assets	<u>\$ 2,374,901</u>	<u>\$ 2,325,514</u>	<u>\$ 2,345,515</u>	<u>\$ 2,539,024</u>	<u>\$ 2,377,873</u>
<b>Current liabilities:</b>					
Revolving credit facility	\$ -	\$ -	\$ -	\$ 50,000	\$ 50,000
Accounts payable and accrued liabilities	202,794	194,427	238,022	195,216	224,685
Current portion of deferred revenue	324,569	315,220	298,285	322,684	289,786
Total current liabilities	<u>527,363</u>	<u>509,647</u>	<u>536,307</u>	<u>567,900</u>	<u>564,471</u>
<b>Long-term liabilities:</b>					
Long-term portion of deferred revenue	36,402	31,234	30,209	38,447	38,094
Long-term debt	342,981	343,134	343,288	642,862	643,073
Other long-term liabilities	70,940	56,937	59,596	55,763	56,842
Total long-term liabilities	<u>450,323</u>	<u>431,305</u>	<u>433,093</u>	<u>737,072</u>	<u>738,009</u>
<b>Stockholders' equity:</b>					
Common stock and capital in excess of par value	1,886,421	1,853,284	1,863,086	1,844,287	1,851,724
Treasury stock, at cost	(256,476)	(307,408)	(400,555)	(587,348)	(800,059)
Retained earnings (accumulated deficit)	(231,989)	(154,365)	(73,991)	(15,622)	33,713
Accumulated other comprehensive loss	(741)	(6,949)	(12,425)	(7,265)	(9,985)
Total stockholders' equity	<u>1,397,215</u>	<u>1,384,562</u>	<u>1,376,115</u>	<u>1,234,052</u>	<u>1,075,393</u>
Total liabilities and stockholders' equity	<u>\$ 2,374,901</u>	<u>\$ 2,325,514</u>	<u>\$ 2,345,515</u>	<u>\$ 2,539,024</u>	<u>\$ 2,377,873</u>

**Cadence Design Systems, Inc.**  
**Condensed Consolidated Income Statements**  
**For the Three and Six Months Ended July 2, 2016 and July 4, 2015**  
(In thousands, except per share amounts)  
(Unaudited)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>July 2, 2016</u>	<u>July 4, 2015</u>	<u>July 2, 2016</u>	<u>July 4, 2015</u>
Revenue:				
Product and maintenance	\$ 419,963	\$ 384,951	\$ 831,707	\$ 768,588
Services	33,058	30,932	69,176	58,661
Total revenue	<u>453,021</u>	<u>415,883</u>	<u>900,883</u>	<u>827,249</u>
Costs and expenses:				
Cost of product and maintenance	42,960	31,715	87,141	73,774
Cost of services	18,823	20,040	36,696	38,566
Marketing and sales	101,110	96,662	200,310	196,930
Research and development	182,371	157,974	362,277	320,970
General and administrative	36,388	27,467	64,688	55,109
Amortization of acquired intangibles	4,537	6,119	10,317	12,350
Restructuring and other charges (credits)	(74)	(498)	14,512	3,861
Total costs and expenses	<u>386,115</u>	<u>339,479</u>	<u>775,941</u>	<u>701,560</u>
Income from operations	66,906	76,404	124,942	125,689
Interest expense	(5,896)	(8,180)	(11,253)	(19,934)
Other income, net	2,842	1,347	7,605	6,128
Income before provision for income taxes	63,852	69,571	121,294	111,883
Provision for income taxes	14,517	11,411	21,397	17,464
Net income	<u>\$ 49,335</u>	<u>\$ 58,160</u>	<u>\$ 99,897</u>	<u>\$ 94,419</u>
Net income per share - basic	<u>\$ 0.17</u>	<u>\$ 0.20</u>	<u>\$ 0.34</u>	<u>\$ 0.33</u>
Net income per share - diluted	<u>\$ 0.17</u>	<u>\$ 0.19</u>	<u>\$ 0.33</u>	<u>\$ 0.30</u>
Weighted average common shares outstanding - basic	<u>288,191</u>	<u>285,297</u>	<u>292,403</u>	<u>284,910</u>
Weighted average common shares outstanding - diluted	<u>295,201</u>	<u>313,665</u>	<u>299,318</u>	<u>312,756</u>

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

	<b>Three Months Ended</b>				
	<b>July 4, 2015</b>	<b>October 3, 2015</b>	<b>January 2, 2016</b>	<b>April 2, 2016</b>	<b>July 2, 2016</b>
Revenue:					
Product and maintenance	\$ 384,951	\$ 396,867	\$ 413,489	\$ 411,744	\$ 419,963
Services	30,932	36,896	27,590	36,118	33,058
Total revenue	<u>415,883</u>	<u>433,763</u>	<u>441,079</u>	<u>447,862</u>	<u>453,021</u>
Costs and expenses:					
Cost of product and maintenance	31,715	41,206	40,679	44,181	42,960
Cost of services	20,040	24,005	20,223	17,873	18,823
Marketing and sales	96,662	101,950	103,552	99,200	101,110
Research and development	157,974	154,627	161,970	179,906	182,371
General and administrative	27,467	28,084	26,789	28,300	36,388
Amortization of acquired intangibles	6,119	5,687	5,679	5,780	4,537
Restructuring and other charges (credits)	(498)	303	347	14,586	(74)
Total costs and expenses	<u>339,479</u>	<u>355,862</u>	<u>359,239</u>	<u>389,826</u>	<u>386,115</u>
Income from operations	76,404	77,901	81,840	58,036	66,906
Interest expense	(8,180)	(4,177)	(4,200)	(5,357)	(5,896)
Other income, net	1,347	1,839	2,510	4,763	2,842
Income before provision (benefit) for income taxes	69,571	75,563	80,150	57,442	63,852
Provision (benefit) for income taxes	11,411	(2,061)	(224)	6,880	14,517
Net income	<u>\$ 58,160</u>	<u>\$ 77,624</u>	<u>\$ 80,374</u>	<u>\$ 50,562</u>	<u>\$ 49,335</u>
Net income per share - basic	<u>\$ 0.20</u>	<u>\$ 0.27</u>	<u>\$ 0.27</u>	<u>\$ 0.17</u>	<u>\$ 0.17</u>
Net income per share - diluted	<u>\$ 0.19</u>	<u>\$ 0.25</u>	<u>\$ 0.26</u>	<u>\$ 0.17</u>	<u>\$ 0.17</u>
Weighted average common shares outstanding - basic	<u>285,297</u>	<u>284,818</u>	<u>297,433</u>	<u>296,615</u>	<u>288,191</u>
Weighted average common shares outstanding - diluted	<u>313,665</u>	<u>313,186</u>	<u>310,512</u>	<u>303,434</u>	<u>295,201</u>

**Cadence Design Systems, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**For the Six Months Ended July 2, 2016 and July 4, 2015**  
(In thousands)  
(Unaudited)

	<b>Six Months Ended</b>	
	<b>July 2, 2016</b>	<b>July 4, 2015</b>
Cash and cash equivalents at beginning of period	\$ 616,686	\$ 932,161
Cash flows from operating activities:		
Net income	99,897	94,419
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	62,759	58,963
Amortization of debt discount and fees	527	8,971
Stock-based compensation	49,988	43,564
Gain on investments, net	(3,265)	(1,590)
Deferred income taxes	10,252	7,097
Other non-cash items	750	1,142
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	(3,532)	(8,078)
Inventories	(10,296)	(6,243)
Prepaid expenses and other	(8,690)	(8,036)
Other assets	(8,709)	1,117
Accounts payable and accrued liabilities	(14,012)	(20,653)
Deferred revenue	(7,412)	5,827
Other long-term liabilities	(4,700)	(8,058)
Net cash provided by operating activities	<u>163,557</u>	<u>168,442</u>
Cash flows from investing activities:		
Purchases of available-for-sale securities	(20,525)	(59,516)
Proceeds from the sale of available-for-sale securities	55,168	37,586
Proceeds from the maturity of available-for-sale securities	26,115	15,600
Proceeds from the sale of long-term investments	2,583	2,293
Purchases of property, plant and equipment	(28,287)	(24,067)
Cash paid in business combinations and asset acquisitions, net of cash acquired	(41,627)	-
Net cash used for investing activities	<u>(6,573)</u>	<u>(28,104)</u>
Cash flows from financing activities:		
Proceeds from term loan	300,000	-
Proceeds from revolving credit facility	50,000	-
Payment of convertible notes	-	(349,999)
Payment of convertible notes embedded conversion derivative liability	-	(530,643)
Proceeds from convertible notes hedges	-	530,643
Payment of debt issuance costs	(622)	-
Excess tax benefits from stock-based compensation	-	10,097
Proceeds from issuance of common stock	36,296	38,167
Stock received for payment of employee taxes on vesting of restricted stock	(17,490)	(15,814)
Payments for repurchases of common stock	(480,100)	(93,076)
Net cash used for financing activities	<u>(111,916)</u>	<u>(410,625)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>7,819</u>	<u>(14,023)</u>
Increase (decrease) in cash and cash equivalents	<u>52,887</u>	<u>(284,310)</u>
Cash and cash equivalents at end of period	<u>\$ 669,573</u>	<u>\$ 647,851</u>

**Cadence Design Systems, Inc.**  
**Trended Condensed Consolidated Statements of Cash Flows**  
**For the Five Quarters Ended July 2, 2016**  
(In thousands)  
(Unaudited)

	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
Cash and cash equivalents at beginning of period	\$ 887,736	\$ 647,851	\$ 616,091	\$ 616,686	\$ 810,400
Cash flows from operating activities:					
Net income	58,160	77,624	80,374	50,562	49,335
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	29,530	29,043	30,159	31,231	31,528
Amortization of debt discount and fees	3,026	214	217	255	272
Stock-based compensation	21,703	24,117	24,660	24,632	25,356
(Gain) loss on investments, net	(320)	156	(690)	(2,617)	(648)
Deferred income taxes	5,233	(5,384)	(14,861)	1,623	8,629
Other non-cash items	213	(1,211)	715	209	541
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	4,372	(2,022)	(34,632)	11,618	(15,150)
Inventories	(7,925)	4,382	741	(3,714)	(6,582)
Prepaid expenses and other	1,968	(4,415)	11,071	(10,132)	1,442
Other assets	(2,510)	(817)	(1,858)	(3,595)	(5,114)
Accounts payable and accrued liabilities	24,101	(7,501)	43,475	(42,557)	28,545
Deferred revenue	(10,985)	(15,034)	(17,812)	30,710	(38,122)
Other long-term liabilities	(4,812)	(12,245)	1,292	(5,034)	334
Net cash provided by operating activities	<u>121,754</u>	<u>86,907</u>	<u>122,851</u>	<u>83,191</u>	<u>80,366</u>
Cash flows from investing activities:					
Purchases of available-for-sale securities	(26,355)	(21,784)	(15,231)	(20,525)	-
Proceeds from the sale of available-for-sale securities	17,035	13,220	10,143	1,000	54,168
Proceeds from the maturity of available-for-sale securities	5,250	9,950	5,766	19,000	7,115
Proceeds from the sale of long-term investments	929	2,217	60	2,583	-
Purchases of property, plant and equipment	(16,547)	(10,026)	(10,715)	(12,116)	(16,171)
Cash paid in business combinations and asset acquisitions, net of cash acquired	-	-	-	(3,853)	(37,774)
Net cash provided by (used for) investing activities	<u>(19,688)</u>	<u>(6,423)</u>	<u>(9,977)</u>	<u>(13,911)</u>	<u>7,338</u>
Cash flows from financing activities:					
Proceeds from term loan	-	-	-	300,000	-
Proceeds from revolving credit facility	-	-	-	50,000	-
Payment of convertible notes	(296,137)	-	-	-	-
Payment of convertible notes embedded conversion derivative liability	(453,504)	-	-	-	-
Proceeds from convertible notes hedges	453,504	-	-	-	-
Payment of debt issuance costs	-	-	-	(542)	(80)
Excess tax benefits from stock-based compensation	3,615	6,843	(1,349)	-	-
Proceeds from issuance of common stock	13,558	21,281	15,490	24,200	12,096
Stock received for payment of employee taxes on vesting of restricted stock	(1,700)	(15,981)	(1,856)	(15,225)	(2,265)
Payments for repurchases of common stock	(56,279)	(120,059)	(120,054)	(240,000)	(240,100)
Net cash provided by (used for) financing activities	<u>(336,943)</u>	<u>(107,916)</u>	<u>(107,769)</u>	<u>118,433</u>	<u>(230,349)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(5,008)</u>	<u>(4,328)</u>	<u>(4,510)</u>	<u>6,001</u>	<u>1,818</u>
Increase (decrease) in cash and cash equivalents	<u>(239,885)</u>	<u>(31,760)</u>	<u>595</u>	<u>193,714</u>	<u>(140,827)</u>
Cash and cash equivalents at end of period	<u>\$ 647,851</u>	<u>\$ 616,091</u>	<u>\$ 616,686</u>	<u>\$ 810,400</u>	<u>\$ 669,573</u>

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

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

<u><b>GEOGRAPHY</b></u>	<u><b>2015</b></u>					<u><b>2016</b></u>	
	<u><b>Q1</b></u>	<u><b>Q2</b></u>	<u><b>Q3</b></u>	<u><b>Q4</b></u>	<u><b>Year</b></u>	<u><b>Q1</b></u>	<u><b>Q2</b></u>
Americas	47%	48%	48%	48%	<b>47%</b>	49%	47%
Asia	24%	23%	25%	25%	<b>24%</b>	22%	24%
Europe, Middle East and Africa	19%	20%	18%	17%	<b>19%</b>	19%	20%
Japan	10%	9%	9%	10%	<b>10%</b>	10%	9%
<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><b>PRODUCT GROUP</b></u>	<u><b>2015</b></u>					<u><b>2016</b></u>	
	<u><b>Q1</b></u>	<u><b>Q2</b></u>	<u><b>Q3</b></u>	<u><b>Q4</b></u>	<u><b>Year</b></u>	<u><b>Q1</b></u>	<u><b>Q2</b></u>
Functional Verification, including Emulation Hardware	23%	21%	23%	25%	<b>23%</b>	26%	27%
Digital IC Design and Signoff	28%	29%	28%	28%	<b>28%</b>	30%	27%
Custom IC Design	27%	27%	26%	25%	<b>26%</b>	25%	26%
System Interconnect and Analysis	11%	11%	10%	10%	<b>11%</b>	9%	10%
IP	11%	12%	13%	12%	<b>12%</b>	10%	10%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



**Cadence Design Systems, Inc.**  
**As of July 25, 2016**  
**Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share**  
**(Unaudited)**

	<u>Three Months Ending</u> <u>October 1, 2016</u> <u>Forecast</u>	<u>Year Ending</u> <u>December 31, 2016</u> <u>Forecast</u>
Diluted net income per share on a GAAP basis	<b>\$0.17 to \$0.19</b>	<b>\$0.70 to \$0.76</b>
Amortization of acquired intangibles	0.05	0.21
Stock-based compensation expense	0.10	0.38
Restructuring and other charges	-	0.05
Acquisition and integration-related costs	-	0.04
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	(0.01)
Income tax effect of non-GAAP adjustments	(0.05)	(0.20)
Diluted net income per share on a non-GAAP basis†	<u>\$0.27 to \$0.29</u>	<u>\$1.17 to \$1.23</u>

**Cadence Design Systems, Inc.**  
**As of July 25, 2016**  
**Impact of Non-GAAP Adjustments on Forward Looking Net Income**  
**(Unaudited)**

(\$ in millions)	<u>Three Months Ending</u> <u>October 1, 2016</u> <u>Forecast</u>	<u>Year Ending</u> <u>December 31, 2016</u> <u>Forecast</u>
Net income on a GAAP basis	<b>\$48 to \$54</b>	<b>\$203 to \$221</b>
Amortization of acquired intangibles	14	61
Stock-based compensation expense	28	109
Restructuring and other charges	-	15
Acquisition and integration-related costs	1	11
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	(3)
Income tax effect of non-GAAP adjustments	(14)	(57)
Net income on a non-GAAP basis†	<u>\$77 to \$83</u>	<u>\$339 to \$357</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 second quarter of 2016 for a further discussion of its non-GAAP financial measures.

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

**Cadence Design Systems, Inc.**  
**Reconciliation of GAAP Net Income to Non-GAAP Net Income**  
**For the Three and Six Months Ended July 2, 2016 and July 4, 2015**  
**(Unaudited)**

(In thousands)	Three Months Ended		Six Months Ended	
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
Net income on a GAAP basis	\$ 49,335	\$ 58,160	\$ 99,897	\$ 94,419
Amortization of acquired intangibles*	15,083	16,224	31,526	32,628
Stock-based compensation expense**	25,356	21,703	49,988	43,564
Non-qualified deferred compensation expenses***	359	37	276	564
Restructuring and other charges (credits)	(74)	(498)	14,512	3,861
Acquisition and integration-related costs****	7,190	1,681	7,994	5,431
Amortization of debt discount on convertible notes	-	2,470	-	7,496
Other income or expense related to investments and non-qualified deferred compensation plan assets †	(594)	(311)	(3,211)	(1,574)
Income tax effect of non-GAAP adjustments	(11,053)	(14,091)	(29,751)	(29,422)
Net income on a non-GAAP basis +	\$ 85,602	\$ 85,375	\$ 171,231	\$ 156,967

+ 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 second quarter of 2016 for a further discussion of its non-GAAP measures.

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

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

(In thousands)	Three Months Ended		Six Months Ended	
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
Cost of product and maintenance	\$ 10,546	\$ 10,105	\$ 21,209	\$ 20,278
Amortization of acquired intangibles	4,537	6,119	10,317	12,350
Total amortization of acquired intangibles	\$ 15,083	\$ 16,224	\$ 31,526	\$ 32,628

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

(In thousands)	Three Months Ended		Six Months Ended	
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
Cost of product and maintenance	\$ 447	\$ 558	\$ 911	\$ 1,127
Cost of services	653	815	1,334	1,647
Marketing and sales	5,305	5,236	10,841	10,683
Research and development	14,477	11,401	28,374	22,778
General and administrative	4,474	3,693	8,528	7,329
Total stock-based compensation expense	\$ 25,356	\$ 21,703	\$ 49,988	\$ 43,564

\*\*\*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	
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
Cost of product and maintenance	\$ -	\$ (3)	\$ -	\$ 1
Cost of services	-	(5)	-	1
Marketing and sales	12	(12)	12	22
Research and development	294	22	267	384
General and administrative	53	35	(3)	156
Total non-qualified deferred compensation expenses	\$ 359	\$ 37	\$ 276	\$ 564

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

(In thousands)	Three Months Ended		Six Months Ended	
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
Marketing and sales	\$ 93	\$ 114	\$ 219	\$ 389
Research and development	1,148	1,551	1,728	4,965
General and administrative	5,949	16	6,047	77
Total acquisition and integration-related costs	\$ 7,190	\$ 1,681	\$ 7,994	\$ 5,431

**Cadence Design Systems, Inc.**  
**Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share**  
**For the Three and Six Months Ended July 2, 2016 and July 4, 2015**  
**(Unaudited)**

(In thousands, except per share data)	Three Months Ended		Six Months Ended	
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
Diluted net income per share on a GAAP basis	\$ 0.17	\$ 0.19	\$ 0.33	\$ 0.30
Amortization of acquired intangibles	0.05	0.05	0.10	0.10
Stock-based compensation expense	0.09	0.07	0.17	0.14
Non-qualified deferred compensation expenses	-	-	-	-
Restructuring and other charges (credits)	-	-	0.05	0.01
Acquisition and integration-related costs	0.02	-	0.03	0.02
Amortization of debt discount on convertible notes	-	0.01	-	0.02
Other income or expense related to investments and non-qualified deferred compensation plan assets *	-	-	(0.01)	-
Income tax effect of non-GAAP adjustments	(0.04)	(0.05)	(0.10)	(0.09)
Diluted net income per share on a non-GAAP basis +	\$ 0.29	\$ 0.27	\$ 0.57	\$ 0.50
Shares used in calculation of diluted net income per share - GAAP **	295,201	313,665	299,318	312,756
Shares used in calculation of diluted net income per share - non-GAAP **	295,201	313,665	299,318	312,756

+ **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 second quarter of 2016 for a further discussion of its non-GAAP measures.**

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

\*\* Shares used in the calculation of GAAP net income 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)

	Three Months Ended	Three Months Ended
	July 2, 2016	July 4, 2015
	Actual	Actual
	(In thousands)	(In thousands)
GAAP total costs and expenses	\$ 386,115	\$ 339,479
Reconciling items to non-GAAP total costs and expenses		
Amortization of acquired intangibles	(15,083)	(16,224)
Stock-based compensation expense	(25,356)	(21,703)
Non-qualified deferred compensation expenses	(359)	(37)
Restructuring and other (charges) credits	74	498
Acquisition and integration-related costs	(7,190)	(1,681)
Non-GAAP total costs and expenses†	\$ 338,201	\$ 300,332

†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 second quarter of 2016 for a further discussion of its non-GAAP financial measures.

	Three Months Ended	Three Months Ended	Three Months Ending	Year Ending
	July 2, 2016	July 4, 2015	October 1, 2016	December 31, 2016
	Actual	Actual	Forecast	Forecast
GAAP operating margin as a percent of total revenue	15%	18%	15%	15%
Reconciling items to non-GAAP operating margin as a percent of total revenue				
Amortization of acquired intangibles	3%	4%	3%	3%
Stock-based compensation expense	6%	5%	7%	6%
Non-qualified deferred compensation expenses	0%	0%	0%	0%
Restructuring and other charges (credits)	0%	0%	0%	1%
Acquisition and integration-related costs	1%	1%	0%	1%
Non-GAAP operating margin as a percent of total revenue†	25%	28%	25%	26%

†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 second quarter of 2016 for a further discussion of its non-GAAP financial measures.

(In millions)	Year Ending
	December 31, 2016
	Forecast
GAAP total other income (expense), net	\$(17) to \$(11)
Reconciling items to non-GAAP total other income (expense), net	
Other income or expense related to investments and non-qualified deferred compensation plan assets*	(3)
Non-GAAP total other income (expense), net†	\$(20) to \$(14)

†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 second quarter of 2016 for a further discussion of its non-GAAP financial measures.

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

Cadence Design Systems, Inc.  
**Reconciliation of Selected GAAP Operating Expenses to Non-GAAP Operating Expenses**  
(Unaudited)

(In thousands)	For the three months ended July 2, 2016					
	Operating expenses on a GAAP basis†	Amortization of acquired intangibles	Stock-based compensation	Non-qualified deferred compensation expenses	Acquisition and integration-related costs	Operating expenses on a non-GAAP basis
Cost of product and maintenance	42,960	(10,546)	(447)	-	-	31,967
Cost of services	18,823	-	(653)	-	-	18,170
Marketing and sales	101,110	-	(5,305)	(12)	(93)	95,700
Research and development	182,371	-	(14,477)	(294)	(1,148)	166,452
General and administrative	36,388	-	(4,474)	(53)	(5,949)	25,912
Amortization of acquired intangibles	4,537	(4,537)	-	-	-	-
		(15,083)	(25,356)	(359)	(7,190)	
		(15,083)	(25,356)	(359)	(7,190)	
	For the six months ended July 2, 2016					
	Operating expenses on a GAAP basis	Amortization of acquired intangibles	Stock-based compensation	Non-qualified deferred compensation expenses	Acquisition and integration-related costs	Operating expenses on a non-GAAP basis
Cost of product and maintenance	87,141	(21,209)	(911)	-	-	65,021
Cost of services	36,696	-	(1,334)	-	-	35,362
Marketing and sales	200,310	-	(10,841)	(12)	(219)	189,238
Research and development	362,277	-	(28,374)	(267)	(1,728)	331,908
General and administrative	64,688	-	(8,528)	3	(6,047)	50,116
Amortization of acquired intangibles	10,317	(10,317)	-	-	-	-
		(31,526)	(49,988)	(276)	(7,994)	
		(31,526)	(49,988)	(276)	(7,994)	

†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 second quarter of 2016 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 July 2, 2016**  
(In thousands)  
(Unaudited)

	Three Months Ended July 2, 2016		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 419,963	\$ -	\$ 419,963
Services	33,058	-	33,058
Total revenue	<u>453,021</u>	<u>-</u>	<u>453,021</u>
Costs and expenses:			
Cost of product and maintenance	42,960	(10,993) (A)	31,967
Cost of services	18,823	(653) (A)	18,170
Marketing and sales	101,110	(5,410) (A)	95,700
Research and development	182,371	(15,919) (A)	166,452
General and administrative	36,388	(10,476) (A)	25,912
Amortization of acquired intangibles	4,537	(4,537) (A)	-
Restructuring and other charges (credits)	(74)	74	-
Total costs and expenses	<u>386,115</u>	<u>(47,914)</u>	<u>338,201</u>
Income from operations	66,906	47,914	114,820
Interest expense	(5,896)	-	(5,896)
Other income, net	2,842	(594) (B)	2,248
Income before provision for income taxes	63,852	47,320	111,172
Provision for income taxes	14,517	11,053 (C)	25,570
Net income	<u>\$ 49,335</u>	<u>\$ 36,267</u>	<u>\$ 85,602</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 second quarter of 2016 for a further discussion of its non-GAAP financial measures.

Notes:

(A) For the three months ended July 2, 2016, adjustments to GAAP are as follows for the line items specified:

	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Acquisition and integration- related costs	Total adjustments
Cost of product and maintenance	\$ 10,546	\$ 447	\$ -	\$ -	\$ 10,993
Cost of services	-	653	-	-	653
Marketing and sales	-	5,305	12	93	5,410
Research and development	-	14,477	294	1,148	15,919
General and administrative	-	4,474	53	5,949	10,476
Amortization of acquired intangibles	4,537	-	-	-	4,537
Total	<u>\$ 15,083</u>	<u>\$ 25,356</u>	<u>\$ 359</u>	<u>\$ 7,190</u>	<u>\$ 47,988</u>

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

(C) Income tax effect of non-GAAP adjustments

**Cadence Design Systems, Inc.**  
**Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures**  
**For the Three Months Ended July 4, 2015**  
(In thousands)  
(Unaudited)

	Three Months Ended July 4, 2015		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 384,951	\$ -	\$ 384,951
Services	30,932	-	30,932
Total revenue	<u>415,883</u>	<u>-</u>	<u>415,883</u>
Costs and expenses:			
Cost of product and maintenance	31,715	(10,660) (A)	21,055
Cost of services	20,040	(810) (A)	19,230
Marketing and sales	96,662	(5,338) (A)	91,324
Research and development	157,974	(12,974) (A)	145,000
General and administrative	27,467	(3,744) (A)	23,723
Amortization of acquired intangibles	6,119	(6,119) (A)	-
Restructuring and other charges (credits)	(498)	498	-
Total costs and expenses	<u>339,479</u>	<u>(39,147)</u>	<u>300,332</u>
Income from operations	76,404	39,147	115,551
Interest expense	(8,180)	2,470 (B)	(5,710)
Other income, net	1,347	(311) (C)	1,036
Income before provision for income taxes	69,571	41,306	110,877
Provision for income taxes	11,411	14,091 (D)	25,502
Net income	<u>\$ 58,160</u>	<u>\$ 27,215</u>	<u>\$ 85,375</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 second quarter of 2016 for a further discussion of its non-GAAP financial measures.

Notes:

(A) For the three months ended July 4, 2015, adjustments to GAAP are as follows for the line items specified:

	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Acquisition and integration- related costs	Total adjustments
Cost of product and maintenance	\$ 10,105	\$ 558	\$ (3)	\$ -	\$ 10,660
Cost of services	-	815	(5)	-	810
Marketing and sales	-	5,236	(12)	114	5,338
Research and development	-	11,401	22	1,551	12,974
General and administrative	-	3,693	35	16	3,744
Amortization of acquired intangibles	6,119	-	-	-	6,119
Total	<u>\$ 16,224</u>	<u>\$ 21,703</u>	<u>\$ 37</u>	<u>\$ 1,681</u>	<u>\$ 39,645</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 July 2, 2016**  
(In thousands)  
(Unaudited)

	Six Months Ended July 2, 2016		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 831,707	\$ -	\$ 831,707
Services	69,176	-	69,176
<b>Total revenue</b>	<b>900,883</b>	<b>-</b>	<b>900,883</b>
Costs and expenses:			
Cost of product and maintenance	87,141	(22,120) (A)	65,021
Cost of services	36,696	(1,334) (A)	35,362
Marketing and sales	200,310	(11,072) (A)	189,238
Research and development	362,277	(30,369) (A)	331,908
General and administrative	64,688	(14,572) (A)	50,116
Amortization of acquired intangibles	10,317	(10,317) (A)	-
Restructuring and other charges	14,512	(14,512)	-
<b>Total costs and expenses</b>	<b>775,941</b>	<b>(104,296)</b>	<b>671,645</b>
<b>Income from operations</b>	<b>124,942</b>	<b>104,296</b>	<b>229,238</b>
Interest expense	(11,253)	-	(11,253)
Other income, net	7,605	(3,211) (B)	4,394
<b>Income before provision for income taxes</b>	<b>121,294</b>	<b>101,085</b>	<b>222,379</b>
Provision for income taxes	21,397	29,751 (C)	51,148
<b>Net income</b>	<b>\$ 99,897</b>	<b>\$ 71,334</b>	<b>\$ 171,231</b>

\* The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its second quarter of 2016 for a further discussion of its non-GAAP financial measures.

Notes:

(A) For the six months ended July 2, 2016 adjustments to GAAP are as follows for the line items specified:

	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Acquisition and integration-related costs	Total adjustments
Cost of product and maintenance	\$ 21,209	\$ 911	\$ -	\$ -	\$ 22,120
Cost of services	-	1,334	-	-	1,334
Marketing and sales	-	10,841	12	219	11,072
Research and development	-	28,374	267	1,728	30,369
General and administrative	-	8,528	(3)	6,047	14,572
Amortization of acquired intangibles	10,317	-	-	-	10,317
<b>Total</b>	<b>\$ 31,526</b>	<b>\$ 49,988</b>	<b>\$ 276</b>	<b>\$ 7,994</b>	<b>\$ 89,784</b>

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

(C) Income tax effect of non-GAAP adjustments

**Cadence Design Systems, Inc.**  
**Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures**  
**For the Six Months Ended July 4, 2015**  
(In thousands)  
(Unaudited)

	Six Months Ended July 4, 2015		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 768,588	\$ -	\$ 768,588
Services	58,661	-	58,661
Total revenue	<u>827,249</u>	<u>-</u>	<u>827,249</u>
Costs and expenses:			
Cost of product and maintenance	73,774	(21,406) (A)	52,368
Cost of services	38,566	(1,648) (A)	36,918
Marketing and sales	196,930	(11,094) (A)	185,836
Research and development	320,970	(28,127) (A)	292,843
General and administrative	55,109	(7,562) (A)	47,547
Amortization of acquired intangibles	12,350	(12,350) (A)	-
Restructuring and other charges	3,861	(3,861)	-
Total costs and expenses	<u>701,560</u>	<u>(86,048)</u>	<u>615,512</u>
Income from operations	125,689	86,048	211,737
Interest expense	(19,934)	7,496 (B)	(12,438)
Other income, net	6,128	(1,574) (C)	4,554
Income before provision for income taxes	111,883	91,970	203,853
Provision for income taxes	17,464	29,422 (D)	46,886
Net income	<u>\$ 94,419</u>	<u>\$ 62,548</u>	<u>\$ 156,967</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 second quarter of 2016 for a further discussion of its non-GAAP financial measures.

Notes:

(A) For the six months ended July 4, 2015 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	\$ 20,278	\$ 1,127	\$ 1	\$ -	\$ 21,406
Cost of services	-	1,647	1	-	1,648
Marketing and sales	-	10,683	22	389	11,094
Research and development	-	22,778	384	4,965	28,127
General and administrative	-	7,329	156	77	7,562
Amortization of acquired intangibles	12,350	-	-	-	12,350
Total	<u>\$ 32,628</u>	<u>\$ 43,564</u>	<u>\$ 564</u>	<u>\$ 5,431</u>	<u>\$ 82,187</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