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Cadence Design Systems, Inc.
Condensed Consolidated Balance Sheets
July 1, 2017 and December 31, 2016
(In thousands)
(Unaudited)

	July 1, 2017	December 31, 2016
Current assets:		
Cash and cash equivalents	\$ 655,998	\$ 465,232
Short-term investments	3,229	3,057
Receivables, net	153,154	157,171
Inventories	31,894	39,475
Prepaid expenses and other	39,175	37,099
Total current assets	883,450	702,034
Property, plant and equipment, net of accumulated depreciation of \$634,418 and \$612,961, respectively	249,140	238,607
Goodwill	575,025	572,764
Acquired intangibles, net of accumulated amortization of \$269,859 and \$267,723, respectively	229,783	258,814
Long-term receivables	13,340	12,949
Other assets	316,961	311,740
Total assets	\$ 2,267,699	\$ 2,096,908
Current liabilities:		
Revolving credit facility	\$ -	\$ 50,000
Accounts payable and accrued liabilities	222,216	239,496
Current portion of deferred revenue	322,509	296,066
Total current liabilities	544,725	585,562
Long-term liabilities:		
Long-term portion of deferred revenue	60,158	66,769
Long-term debt	643,927	643,493
Other long-term liabilities	67,096	59,314
Total long-term liabilities	771,181	769,576
Stockholders' equity	951,793	741,770
Total liabilities and stockholders' equity	\$ 2,267,699	\$ 2,096,908

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

	July 2, 2016	October 1, 2016	December 31, 2016	April 1, 2017	July 1, 2017
Current assets:					
Cash and cash equivalents	\$ 669,573	\$ 524,333	\$ 465,232	\$ 544,128	\$ 655,998
Short-term investments	34,745	8,503	3,057	3,479	3,229
Receivables, net	156,444	152,025	157,171	180,571	153,154
Inventories	61,932	64,476	39,475	30,734	31,894
Prepaid expenses and other	39,485	42,953	37,099	41,092	39,175
Total current assets	<u>962,179</u>	<u>792,290</u>	<u>702,034</u>	<u>800,004</u>	<u>883,450</u>
Property, plant and equipment, net	235,911	240,590	238,607	243,949	249,140
Goodwill	573,714	573,890	572,764	574,545	575,025
Acquired intangibles, net	287,888	273,381	258,814	244,445	229,783
Long-term receivables	17,368	14,961	12,949	13,127	13,340
Other assets	300,813	298,975	311,740	315,128	316,961
Total assets	<u>\$ 2,377,873</u>	<u>\$ 2,194,087</u>	<u>\$ 2,096,908</u>	<u>\$ 2,191,198</u>	<u>\$ 2,267,699</u>
Current liabilities:					
Revolving credit facility	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Accounts payable and accrued liabilities	224,685	192,948	239,496	193,978	222,216
Current portion of deferred revenue	289,786	288,373	296,066	331,848	322,509
Total current liabilities	<u>564,471</u>	<u>531,321</u>	<u>585,562</u>	<u>575,826</u>	<u>544,725</u>
Long-term liabilities:					
Long-term portion of deferred revenue	38,094	36,338	66,769	66,399	60,158
Long-term debt	643,073	643,277	643,493	643,709	643,927
Other long-term liabilities	56,842	56,355	59,314	64,672	67,096
Total long-term liabilities	<u>738,009</u>	<u>735,970</u>	<u>769,576</u>	<u>774,780</u>	<u>771,181</u>
Stockholders' equity:					
Common stock and capital in excess of par value	1,851,724	1,801,125	1,820,081	1,824,306	1,848,719
Treasury stock, at cost	(800,059)	(963,604)	(1,190,053)	(1,166,599)	(1,156,626)
Retained earnings	33,713	98,425	136,902	205,161	274,288
Accumulated other comprehensive loss	(9,985)	(9,150)	(25,160)	(22,276)	(14,588)
Total stockholders' equity	<u>1,075,393</u>	<u>926,796</u>	<u>741,770</u>	<u>840,592</u>	<u>951,793</u>
Total liabilities and stockholders' equity	<u>\$ 2,377,873</u>	<u>\$ 2,194,087</u>	<u>\$ 2,096,908</u>	<u>\$ 2,191,198</u>	<u>\$ 2,267,699</u>

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three and Six Months Ended July 1, 2017 and July 2, 2016
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Revenue:				
Product and maintenance	\$ 443,847	\$ 419,963	\$ 895,254	\$ 831,707
Services	35,154	33,058	60,658	69,176
Total revenue	479,001	453,021	955,912	900,883
Costs and expenses:				
Cost of product and maintenance	38,829	42,960	82,546	87,141
Cost of services	22,003	18,823	40,078	36,696
Marketing and sales	103,897	101,110	207,244	200,310
Research and development	195,901	182,371	394,187	362,277
General and administrative	32,774	36,388	64,590	64,688
Amortization of acquired intangibles	3,836	4,537	7,692	10,317
Restructuring and other charges (credits)	(929)	(74)	(2,717)	14,512
Total costs and expenses	396,311	386,115	793,620	775,941
Income from operations	82,690	66,906	162,292	124,942
Interest expense	(6,248)	(5,896)	(12,727)	(11,253)
Other income, net	924	2,842	1,983	7,605
Income before provision for income taxes	77,366	63,852	151,548	121,294
Provision for income taxes	8,239	14,517	14,162	21,397
Net income	\$ 69,127	\$ 49,335	\$ 137,386	\$ 99,897
Net income per share - basic	\$ 0.25	\$ 0.17	\$ 0.51	\$ 0.34
Net income per share - diluted	\$ 0.25	\$ 0.17	\$ 0.49	\$ 0.33
Weighted average common shares outstanding - basic	271,887	288,191	271,030	292,403
Weighted average common shares outstanding - diluted	279,526	295,201	278,631	299,318

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

	Three Months Ended				
	July 2, 2016	October 1, 2016	December 31, 2016	April 1, 2017	July 1, 2017
Revenue:					
Product and maintenance	\$ 419,963	\$ 415,370	\$ 436,694	\$ 451,407	\$ 443,847
Services	33,058	30,850	32,286	25,504	35,154
Total revenue	<u>453,021</u>	<u>446,220</u>	<u>468,980</u>	<u>476,911</u>	<u>479,001</u>
Costs and expenses:					
Cost of product and maintenance	42,960	38,740	57,410	43,717	38,829
Cost of services	18,823	17,867	18,638	18,075	22,003
Marketing and sales	101,110	96,793	98,091	103,347	103,897
Research and development	182,371	191,547	181,516	198,286	195,901
General and administrative	36,388	30,441	29,977	31,816	32,774
Amortization of acquired intangibles	4,537	3,889	3,889	3,856	3,836
Restructuring and other charges (credits)	(74)	101	26,342	(1,788)	(929)
Total costs and expenses	<u>386,115</u>	<u>379,378</u>	<u>415,863</u>	<u>397,309</u>	<u>396,311</u>
Income from operations	66,906	66,842	53,117	79,602	82,690
Interest expense	(5,896)	(6,053)	(6,364)	(6,479)	(6,248)
Other income, net	2,842	2,836	5,481	1,059	924
Income before provision (benefit) for income taxes	63,852	63,625	52,234	74,182	77,366
Provision (benefit) for income taxes	14,517	(1,087)	13,757	5,923	8,239
Net income	<u>\$ 49,335</u>	<u>\$ 64,712</u>	<u>\$ 38,477</u>	<u>\$ 68,259</u>	<u>\$ 69,127</u>
Net income per share - basic	<u>\$ 0.17</u>	<u>\$ 0.23</u>	<u>\$ 0.14</u>	<u>\$ 0.25</u>	<u>\$ 0.25</u>
Net income per share - diluted	<u>\$ 0.17</u>	<u>\$ 0.23</u>	<u>\$ 0.14</u>	<u>\$ 0.25</u>	<u>\$ 0.25</u>
Weighted average common shares outstanding - basic	<u>288,191</u>	<u>280,622</u>	<u>272,578</u>	<u>270,173</u>	<u>271,887</u>
Weighted average common shares outstanding - diluted	<u>295,201</u>	<u>287,473</u>	<u>278,917</u>	<u>277,736</u>	<u>279,526</u>

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Six Months Ended July 1, 2017 and July 2, 2016
(In thousands)
(Unaudited)

	Six Months Ended	
	July 1, 2017	July 2 2016
Cash and cash equivalents at beginning of period	\$ 465,232	\$ 616,686
Cash flows from operating activities:		
Net income	137,386	99,897
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	58,304	62,759
Amortization of debt discount and fees	633	527
Stock-based compensation	57,918	49,988
Gain on investments, net	(2,083)	(3,265)
Deferred income taxes	4,813	10,252
Other non-cash items	2,157	750
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	6,342	(3,532)
Inventories	2,535	(10,296)
Prepaid expenses and other	(1,557)	(8,690)
Other assets	(8,790)	(8,709)
Accounts payable and accrued liabilities	(21,995)	(14,012)
Deferred revenue	18,733	(7,412)
Other long-term liabilities	174	(4,700)
Net cash provided by operating activities	<u>254,570</u>	<u>163,557</u>
Cash flows from investing activities:		
Purchases of available-for-sale securities	-	(20,525)
Proceeds from the sale of available-for-sale securities	189	55,168
Proceeds from the maturity of available-for-sale securities	-	26,115
Proceeds from the sale of long-term investments	-	2,583
Purchases of property, plant and equipment	(27,488)	(28,287)
Cash paid in business combinations and asset acquisitions, net of cash acquired	-	(41,627)
Net cash used for investing activities	<u>(27,299)</u>	<u>(6,573)</u>
Cash flows from financing activities:		
Proceeds from term loan	-	300,000
Proceeds from revolving credit facility	50,000	50,000
Payment on revolving credit facility	(100,000)	-
Payment of debt issuance costs	(793)	(622)
Proceeds from issuance of common stock	29,967	36,296
Stock received for payment of employee taxes on vesting of restricted stock	(25,819)	(17,490)
Payments for repurchases of common stock	-	(480,100)
Net cash used for financing activities	<u>(46,645)</u>	<u>(111,916)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>10,140</u>	<u>7,819</u>
Increase in cash and cash equivalents	<u>190,766</u>	<u>52,887</u>
Cash and cash equivalents at end of period	<u>\$ 655,998</u>	<u>\$ 669,573</u>

Cadence Design Systems, Inc.
Trended Condensed Consolidated Statements of Cash Flows
For the Five Quarters Ended July 1, 2017
(In thousands)
(Unaudited)

	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Cash and cash equivalents at beginning of period	\$ 810,400	\$ 669,573	\$ 524,333	\$ 465,232	\$ 544,128
Cash flows from operating activities:					
Net income	49,335	64,712	38,477	68,259	69,127
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	31,528	26,967	29,862	28,894	29,410
Amortization of debt discount and fees	272	265	277	350	283
Stock-based compensation	25,356	29,998	29,231	27,436	30,482
Gain on investments, net	(648)	(805)	(655)	(1,228)	(855)
Gain on sale of property, plant and equipment	-	(482)	(441)	-	-
Deferred income taxes	8,629	(1,595)	(13,526)	1,990	2,823
Other non-cash items	541	1,119	2,158	1,359	798
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	(15,150)	6,405	(6,172)	(22,475)	28,817
Inventories	(6,582)	(6,043)	21,273	6,000	(3,465)
Prepaid expenses and other	1,442	(3,445)	5,232	(3,777)	2,220
Other assets	(5,114)	4,887	(2,744)	(3,657)	(5,133)
Accounts payable and accrued liabilities	28,545	(32,573)	49,240	(46,159)	24,164
Deferred revenue	(38,122)	(3,411)	41,565	34,325	(15,592)
Other long-term liabilities	334	(1,539)	3,085	1,113	(939)
Net cash provided by operating activities	<u>80,366</u>	<u>84,460</u>	<u>196,862</u>	<u>92,430</u>	<u>162,140</u>
Cash flows from investing activities:					
Proceeds from the sale of available-for-sale securities	54,168	250	201	107	82
Proceeds from the maturity of available-for-sale securities	7,115	26,247	5,400	-	-
Proceeds from the sale of long-term investments	-	330	4	-	-
Proceeds from the sale of property, plant and equipment	-	482	441	-	-
Purchases of property, plant and equipment	(16,171)	(14,165)	(11,260)	(14,843)	(12,645)
Cash paid in business combinations and asset acquisitions, net of cash acquired	(37,774)	-	-	-	-
Net cash provided by (used for) investing activities	<u>7,338</u>	<u>13,144</u>	<u>(5,214)</u>	<u>(14,736)</u>	<u>(12,563)</u>
Cash flows from financing activities:					
Proceeds from revolving credit facility	-	-	65,000	50,000	-
Payment on revolving credit facility	-	-	(65,000)	(50,000)	(50,000)
Payment of debt issuance costs	(80)	-	-	(793)	-
Proceeds from issuance of common stock	12,096	13,997	5,147	22,715	7,252
Stock received for payment of employee taxes on vesting of restricted stock	(2,265)	(18,042)	(1,694)	(22,470)	(3,349)
Payments for repurchases of common stock	(240,100)	(240,096)	(240,093)	-	-
Net cash used for financing activities	<u>(230,349)</u>	<u>(244,141)</u>	<u>(236,640)</u>	<u>(548)</u>	<u>(46,097)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>1,818</u>	<u>1,297</u>	<u>(14,109)</u>	<u>1,750</u>	<u>8,390</u>
Increase (decrease) in cash and cash equivalents	<u>(140,827)</u>	<u>(145,240)</u>	<u>(59,101)</u>	<u>78,896</u>	<u>111,870</u>
Cash and cash equivalents at end of period	<u>\$ 669,573</u>	<u>\$ 524,333</u>	<u>\$ 465,232</u>	<u>\$ 544,128</u>	<u>\$ 655,998</u>

Cadence Design Systems, Inc.
(Unaudited)

Revenue Mix by Geography (% of Total Revenue)

<u>GEOGRAPHY</u>	<u>2016</u>					<u>2017</u>	
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Year</u>	<u>Q1</u>	<u>Q2</u>
Americas	49%	47%	46%	48%	48%	45%	45%
Asia	22%	24%	27%	25%	24%	26%	28%
Europe, Middle East and Africa	19%	20%	19%	19%	19%	20%	19%
Japan	10%	9%	8%	8%	9%	9%	8%
Total	100%	100%	100%	100%	100%	100%	100%

Revenue Mix by Product Group (% of Total Revenue)

<u>PRODUCT GROUP</u>	<u>2016</u>					<u>2017</u>	
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Year</u>	<u>Q1</u>	<u>Q2</u>
Functional Verification, including Emulation and Prototyping Hardware	26%	27%	24%	25%	25%	23%	23%
Digital IC Design and Signoff	30%	27%	28%	30%	29%	29%	30%
Custom IC Design	25%	26%	27%	25%	25%	26%	26%
System Interconnect and Analysis	9%	10%	10%	9%	10%	10%	10%
IP	10%	10%	11%	11%	11%	12%	11%
Total	100%	100%	100%	100%	100%	100%	100%

Cadence Design Systems, Inc.
As of July 24, 2017
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share
(Unaudited)

	<u>Three Months Ending</u> <u>September 30, 2017</u> <u>Forecast</u>	<u>Year Ending</u> <u>December 30, 2017</u> <u>Forecast</u>
Diluted net income per share on a GAAP basis	\$0.24 to \$0.26	\$0.98 to \$1.04
Amortization of acquired intangibles	0.05	0.20
Stock-based compensation expense	0.12	0.46
Non-qualified deferred compensation expenses	-	0.01
Restructuring and other charges (credits)	-	(0.01)
Acquisition and integration-related costs	-	0.01
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	(0.01)
Income tax effect of non-GAAP adjustments	(0.08)	(0.28)
Diluted net income per share on a non-GAAP basis†	<u><u>\$0.33 to \$0.35</u></u>	<u><u>\$1.36 to \$1.42</u></u>

Cadence Design Systems, Inc.
As of July 24, 2017
Impact of Non-GAAP Adjustments on Forward Looking Net Income
(Unaudited)

(\$ in millions)	<u>Three Months Ending</u> <u>September 30, 2017</u> <u>Forecast</u>	<u>Year Ending</u> <u>December 30, 2017</u> <u>Forecast</u>
Net income on a GAAP basis	\$66 to \$72	\$274 to \$291
Amortization of acquired intangibles	14	56
Stock-based compensation expense	34	129
Non-qualified deferred compensation expenses	-	2
Restructuring and other charges (credits)	-	(3)
Acquisition and integration-related costs	1	3
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	(2)
Income tax effect of non-GAAP adjustments	(23)	(79)
Net income on a non-GAAP basis†	<u><u>\$92 to \$98</u></u>	<u><u>\$380 to \$397</u></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 release of Cadence Design Systems, Inc. for its second quarter of 2017 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.

Cadence Design Systems, Inc.
Reconciliation of GAAP Net Income to Non-GAAP Net Income
For the Three and Six Months Ended July 1, 2017 and July 2, 2016
(Unaudited)

(In thousands)	Three Months Ended		Six Months Ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Net income on a GAAP basis	\$ 69,127	\$ 49,335	\$ 137,386	\$ 99,897
Amortization of acquired intangibles*	14,704	15,083	29,138	31,526
Stock-based compensation expense**	30,482	25,356	57,918	49,988
Non-qualified deferred compensation expenses ***	756	359	2,025	276
Restructuring and other charges (credits)	(929)	(74)	(2,717)	14,512
Acquisition and integration-related costs****	651	7,190	2,008	7,994
Other income or expense related to investments and non-qualified deferred compensation plan assets †	(855)	(594)	(2,083)	(3,211)
Income tax effect of non-GAAP adjustments	(19,861)	(11,053)	(40,540)	(29,751)
Net income on a non-GAAP basis +	<u>\$ 94,075</u>	<u>\$ 85,602</u>	<u>\$ 183,135</u>	<u>\$ 171,231</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 2017 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 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Cost of product and maintenance	\$ 10,868	\$ 10,546	\$ 21,446	\$ 21,209
Amortization of acquired intangibles	3,836	4,537	7,692	10,317
Total amortization of acquired intangibles	<u>\$ 14,704</u>	<u>\$ 15,083</u>	<u>\$ 29,138</u>	<u>\$ 31,526</u>

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

(In thousands)	Three Months Ended		Six Months Ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Cost of product and maintenance	\$ 491	\$ 447	\$ 1,020	\$ 911
Cost of services	717	653	1,478	1,334
Marketing and sales	6,237	5,305	12,245	10,841
Research and development	18,014	14,477	33,496	28,374
General and administrative	5,023	4,474	9,679	8,528
Total stock-based compensation expense	<u>\$ 30,482</u>	<u>\$ 25,356</u>	<u>\$ 57,918</u>	<u>\$ 49,988</u>

*** 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 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Cost of product and maintenance	\$ 6	\$ -	\$ 13	\$ -
Cost of services	8	-	19	-
Marketing and sales	44	12	127	12
Research and development	524	294	1,364	267
General and administrative	174	53	502	(3)
Total non-qualified deferred compensation expenses	<u>\$ 756</u>	<u>\$ 359</u>	<u>\$ 2,025</u>	<u>\$ 276</u>

**** 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 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Marketing and sales	\$ 127	\$ 93	\$ 168	\$ 219
Research and development	524	1,148	1,840	1,728
General and administrative	-	5,949	-	6,047
Total acquisition and integration-related costs	<u>\$ 651</u>	<u>\$ 7,190</u>	<u>\$ 2,008</u>	<u>\$ 7,994</u>

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 1, 2017 and July 2, 2016
(Unaudited)

(In thousands, except per share data)	Three Months Ended		Six Months Ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Diluted net income per share on a GAAP basis	\$ 0.25	\$ 0.17	\$ 0.49	\$ 0.33
Amortization of acquired intangibles	0.05	0.05	0.10	0.10
Stock-based compensation expense	0.11	0.09	0.21	0.17
Non-qualified deferred compensation expenses	-	-	0.01	-
Restructuring and other charges (credits)	-	-	(0.01)	0.05
Acquisition and integration-related costs	-	0.02	0.01	0.03
Other income or expense related to investments and non-qualified deferred compensation plan assets *	-	-	(0.01)	(0.01)
Income tax effect of non-GAAP adjustments	(0.07)	(0.04)	(0.14)	(0.10)
Diluted net income per share on a non-GAAP basis +	\$ 0.34	\$ 0.29	\$ 0.66	\$ 0.57
Shares used in calculation of diluted net income per share - GAAP **	279,526	295,201	278,631	299,318
Shares used in calculation of diluted net income per share - non-GAAP **	279,526	295,201	278,631	299,318

+ **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 2017 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 1, 2017	July 2, 2016
	Actual	Actual
	(In thousands)	(In thousands)
GAAP total costs and expenses	\$ 396,311	\$ 386,115
Reconciling items to non-GAAP total costs and expenses		
Amortization of acquired intangibles	(14,704)	(15,083)
Stock-based compensation expense	(30,482)	(25,356)
Non-qualified deferred compensation expenses	(756)	(359)
Restructuring and other (charges) credits	929	74
Acquisition and integration-related costs	(651)	(7,190)
Non-GAAP total costs and expenses†	<u>\$ 350,647</u>	<u>\$ 338,201</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 release of Cadence Design Systems, Inc. for its second quarter of 2017 for a further discussion of its non-GAAP financial measures.

	Three Months Ended	Three Months Ended	Three Months Ending	Year Ending
	July 1, 2017	July 2, 2016	September 30, 2017	December 30, 2017
	Actual	Actual	Forecast	Forecast
GAAP operating margin as a percent of total revenue	17%	15%	16% to 17%	17%
Reconciling items to non-GAAP operating margin as a percent of total revenue				
Amortization of acquired intangibles	3%	3%	3%	3%
Stock-based compensation expense	7%	6%	7%	7%
Non-qualified deferred compensation expenses	0%	0%	0%	0%
Restructuring and other charges (credits)	0%	0%	0%	0%
Acquisition and integration-related costs	0%	1%	0%	0%
Non-GAAP operating margin as a percent of total revenue†	<u>27%</u>	<u>25%</u>	<u>26% to 27%</u>	<u>27%</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 release of Cadence Design Systems, Inc. for its second quarter of 2017 for a further discussion of its non-GAAP financial measures.

(In millions)	Year Ending
	December 30, 2017
	Forecast
GAAP total other income (expense), net	\$(26) to \$(18)
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)
Non-GAAP total other income (expense), net†	<u>\$(28) to \$(20)</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 release of Cadence Design Systems, Inc. for its second quarter of 2017 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 1, 2017					
	Operating expenses on a GAAP basis†	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Acquisition and integration-related costs	Operating expenses on a non-GAAP basis
Cost of product and maintenance	38,829	(10,868)	(491)	(6)	-	27,464
Cost of services	22,003	-	(717)	(8)	-	21,278
Marketing and sales	103,897	-	(6,237)	(44)	(127)	97,489
Research and development	195,901	-	(18,014)	(524)	(524)	176,839
General and administrative	32,774	-	(5,023)	(174)	-	27,577
Amortization of acquired intangibles	3,836	(3,836)	-	-	-	-
		<u>(14,704)</u>	<u>(30,482)</u>	<u>(756)</u>	<u>(651)</u>	
	For the six months ended July 1, 2017					
	Operating expenses on a GAAP basis†	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Acquisition and integration-related costs	Operating expenses on a non-GAAP basis
Cost of product and maintenance	82,546	(21,446)	(1,020)	(13)	-	60,067
Cost of services	40,078	-	(1,478)	(19)	-	38,581
Marketing and sales	207,244	-	(12,245)	(127)	(168)	194,704
Research and development	394,187	-	(33,496)	(1,364)	(1,840)	357,487
General and administrative	64,590	-	(9,679)	(502)	-	54,409
Amortization of acquired intangibles	7,692	(7,692)	-	-	-	-
		<u>(29,138)</u>	<u>(57,918)</u>	<u>(2,025)</u>	<u>(2,008)</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 release of Cadence Design Systems, Inc. for its second quarter of 2017 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 1, 2017
(In thousands)
(Unaudited)

	Three Months Ended July 1, 2017		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 443,847	\$ -	\$ 443,847
Services	35,154	-	35,154
Total revenue	479,001	-	479,001
Costs and expenses:			
Cost of product and maintenance	38,829	(11,365) (A)	27,464
Cost of services	22,003	(725) (A)	21,278
Marketing and sales	103,897	(6,408) (A)	97,489
Research and development	195,901	(19,062) (A)	176,839
General and administrative	32,774	(5,197) (A)	27,577
Amortization of acquired intangibles	3,836	(3,836) (A)	-
Restructuring and other charges (credits)	(929)	929	-
Total costs and expenses	396,311	(45,664)	350,647
Income from operations	82,690	45,664	128,354
Interest expense	(6,248)	-	(6,248)
Other income, net	924	(855) (B)	69
Income before provision for income taxes	77,366	44,809	122,175
Provision for income taxes	8,239	19,861 (C)	28,100
Net income	\$ 69,127	\$ 24,948	\$ 94,075

* 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 2017 for a further discussion of its non-GAAP financial measures.

Notes:

(A) For the three months ended July 1, 2017, 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	\$ 10,868	\$ 491	\$ 6	\$ -	\$ 11,365
Cost of services	-	717	8	-	725
Marketing and sales	-	6,237	44	127	6,408
Research and development	-	18,014	524	524	19,062
General and administrative	-	5,023	174	-	5,197
Amortization of acquired intangibles	3,836	-	-	-	3,836
Total	\$ 14,704	\$ 30,482	\$ 756	\$ 651	\$ 46,593

(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 2, 2016
(In thousands)
(Unaudited)

	Three Months Ended July 2, 2016		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 419,963	\$ -	\$ 419,963
Services	<u>33,058</u>	<u>-</u>	<u>33,058</u>
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)	<u>(74)</u>	<u>74</u>	<u>-</u>
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	<u>2,842</u>	<u>(594) (B)</u>	<u>2,248</u>
Income before provision for income taxes	63,852	47,320	111,172
Provision for income taxes	<u>14,517</u>	<u>11,053 (C)</u>	<u>25,570</u>
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 2017 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 Six Months Ended July 1, 2017
(In thousands)
(Unaudited)

	Six Months Ended July 1, 2017		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance Services	\$ 895,254	\$ -	\$ 895,254
	<u>60,658</u>	<u>-</u>	<u>60,658</u>
Total revenue	<u>955,912</u>	<u>-</u>	<u>955,912</u>
Costs and expenses:			
Cost of product and maintenance	82,546	(22,479) (A)	60,067
Cost of services	40,078	(1,497) (A)	38,581
Marketing and sales	207,244	(12,540) (A)	194,704
Research and development	394,187	(36,700) (A)	357,487
General and administrative	64,590	(10,181) (A)	54,409
Amortization of acquired intangibles	7,692	(7,692) (A)	-
Restructuring and other charges (credits)	<u>(2,717)</u>	<u>2,717</u>	<u>-</u>
Total costs and expenses	<u>793,620</u>	<u>(88,372)</u>	<u>705,248</u>
Income from operations	162,292	88,372	250,664
Interest expense	(12,727)	-	(12,727)
Other income (expense), net	<u>1,983</u>	<u>(2,083) (B)</u>	<u>(100)</u>
Income before provision for income taxes	151,548	86,289	237,837
Provision for income taxes	<u>14,162</u>	<u>40,540 (C)</u>	<u>54,702</u>
Net income	<u>\$ 137,386</u>	<u>\$ 45,749</u>	<u>\$ 183,135</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 2017 for a further discussion of its non-GAAP financial measures.

Notes:

(A) For the six months ended July 1, 2017 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	\$ 21,446	\$ 1,020	\$ 13	\$ -	\$ 22,479
Cost of services	-	1,478	19	-	1,497
Marketing and sales	-	12,245	127	168	12,540
Research and development	-	33,496	1,364	1,840	36,700
General and administrative	-	9,679	502	-	10,181
Amortization of acquired intangibles	7,692	-	-	-	7,692
Total	<u>\$ 29,138</u>	<u>\$ 57,918</u>	<u>\$ 2,025</u>	<u>\$ 2,008</u>	<u>\$ 91,089</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 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
Total revenue	<u>900,883</u>	<u>-</u>	<u>900,883</u>
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)	-
Total costs and expenses	<u>775,941</u>	<u>(104,296)</u>	<u>671,645</u>
Income from operations	124,942	104,296	229,238
Interest expense	(11,253)	-	(11,253)
Other income, net	7,605	(3,211) (B)	4,394
Income before provision for income taxes	121,294	101,085	222,379
Provision for income taxes	21,397	29,751 (C)	51,148
Net income	<u>\$ 99,897</u>	<u>\$ 71,334</u>	<u>\$ 171,231</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 2017 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
Total	<u>\$ 31,526</u>	<u>\$ 49,988</u>	<u>\$ 276</u>	<u>\$ 7,994</u>	<u>\$ 89,784</u>

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

(C) Income tax effect of non-GAAP adjustments