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Cadence Design Systems, Inc.
Condensed Consolidated Balance Sheets
September 28, 2013 and December 29, 2012
(In thousands)
(Unaudited)

	September 28, 2013	December 29, 2012
Current assets:		
Cash and cash equivalents	\$ 620,403	\$ 726,357
Short-term investments	96,019	100,704
Receivables, net of allowances of \$144 and \$85, respectively	101,896	97,821
Inventories	45,877	36,163
2015 notes hedges	292,511	303,154
Prepaid expenses and other	117,457	127,036
Total current assets	1,274,163	1,391,235
Property, plant and equipment, net of accumulated depreciation of \$564,416 and \$635,450, respectively	241,965	244,439
Goodwill	456,267	233,266
Acquired intangibles, net of accumulated amortization of \$128,004 and \$104,351, respectively	323,807	184,938
Long-term receivables	3,994	7,559
Other assets	257,191	225,566
Total assets	\$ 2,557,387	\$ 2,287,003
Current liabilities:		
Revolving credit facility	\$ 50,000	\$ -
Convertible notes	463,837	447,011
2015 notes embedded conversion derivative	292,511	303,154
Accounts payable and accrued liabilities	193,445	171,318
Current portion of deferred revenue	297,897	295,787
Total current liabilities	1,297,690	1,217,270
Long-term liabilities:		
Long-term portion of deferred revenue	48,229	50,529
Other long-term liabilities	115,262	104,033
Total long-term liabilities	163,491	154,562
Stockholders' equity	1,096,206	915,171
Total liabilities and stockholders' equity	\$ 2,557,387	\$ 2,287,003

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

	September 29, 2012	December 29, 2012	March 30, 2013	June 29, 2013	September 28, 2013
Current assets:					
Cash and cash equivalents	\$ 649,099	\$ 726,357	\$ 810,152	\$ 577,233	\$ 620,403
Short-term investments	95,819	100,704	100,992	101,251	96,019
Receivables, net	123,206	97,821	75,253	92,581	101,896
Inventories	34,629	36,163	37,016	38,705	45,877
2015 notes hedges	287,079	303,154	315,895	335,131	292,511
Prepaid expenses and other	60,780	127,036	122,604	120,598	117,457
Total current assets	<u>1,250,612</u>	<u>1,391,235</u>	<u>1,461,912</u>	<u>1,265,499</u>	<u>1,274,163</u>
Property, plant and equipment, net	246,856	244,439	237,455	243,288	241,965
Goodwill	233,275	233,266	232,608	457,556	456,267
Acquired intangibles, net	192,768	184,938	177,891	337,705	323,807
Long-term receivables	5,668	7,559	3,734	5,929	3,994
Other assets	59,335	225,566	209,663	253,112	257,191
Total assets	<u>\$ 1,988,514</u>	<u>\$ 2,287,003</u>	<u>\$ 2,323,263</u>	<u>\$ 2,563,089</u>	<u>\$ 2,557,387</u>
Current liabilities:					
Revolving credit facility	\$ -	\$ -	\$ -	\$ 100,000	\$ 50,000
Convertible notes	305,029	447,011	452,571	458,179	463,837
2015 notes embedded conversion derivative	287,079	303,154	315,895	335,131	292,511
Accounts payable and accrued liabilities	160,250	171,318	156,606	185,809	193,445
Current portion of deferred revenue	322,260	295,787	285,553	282,784	297,897
Total current liabilities	<u>1,074,618</u>	<u>1,217,270</u>	<u>1,210,625</u>	<u>1,361,903</u>	<u>1,297,690</u>
Long-term liabilities:					
Long-term portion of deferred revenue	58,436	50,529	41,432	43,892	48,229
Convertible notes	136,594	-	-	-	-
Other long-term liabilities	130,478	104,033	51,533	117,034	115,262
Total long-term liabilities	<u>325,508</u>	<u>154,562</u>	<u>92,965</u>	<u>160,926</u>	<u>163,491</u>
Stockholders' equity:					
Common stock and capital in excess of par value	1,711,797	1,721,556	1,727,901	1,744,261	1,739,677
Treasury stock, at cost	(207,018)	(200,786)	(175,110)	(168,573)	(141,344)
Accumulated deficit	(962,515)	(649,549)	(570,940)	(561,511)	(523,011)
Accumulated other comprehensive income	46,124	43,950	37,822	26,083	20,884
Total stockholders' equity	<u>588,388</u>	<u>915,171</u>	<u>1,019,673</u>	<u>1,040,260</u>	<u>1,096,206</u>
Total liabilities and stockholders' equity	<u>\$ 1,988,514</u>	<u>\$ 2,287,003</u>	<u>\$ 2,323,263</u>	<u>\$ 2,563,089</u>	<u>\$ 2,557,387</u>

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three and Nine Months Ended September 28, 2013 and September 29, 2012
(In thousands, except per share amounts)
(Unaudited)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 28, 2013</u>	<u>September 29, 2012</u>	<u>September 28, 2013</u>	<u>September 29, 2012</u>
Revenue:				
Product and maintenance	\$ 341,601	\$ 310,118	\$ 1,007,855	\$ 893,916
Services	25,046	28,415	75,539	86,923
Total revenue	<u>366,647</u>	<u>338,533</u>	<u>1,083,394</u>	<u>980,839</u>
Costs and expenses:				
Cost of product and maintenance	32,546	34,461	90,488	94,079
Cost of services	17,190	16,809	50,682	53,254
Marketing and sales	98,094	82,461	283,773	246,674
Research and development	138,078	115,078	398,557	335,703
General and administrative	27,582	26,350	91,833	84,364
Amortization of acquired intangibles	5,141	3,876	14,259	11,305
Restructuring and other charges	86	57	2,594	49
Total costs and expenses	<u>318,717</u>	<u>279,092</u>	<u>932,186</u>	<u>825,428</u>
Income from operations	47,930	59,441	151,208	155,411
Interest expense	(9,583)	(8,737)	(28,373)	(25,840)
Other income (expense), net	2,535	(131)	6,728	5,972
Income before provision (benefit) for income taxes	40,882	50,573	129,563	135,543
Provision (benefit) for income taxes	2,382	(8,011)	3,025	9,469
Net income	<u>\$ 38,500</u>	<u>\$ 58,584</u>	<u>\$ 126,538</u>	<u>\$ 126,074</u>
Net income per share - basic	<u>\$ 0.14</u>	<u>\$ 0.22</u>	<u>\$ 0.46</u>	<u>\$ 0.47</u>
Net income per share - diluted	<u>\$ 0.13</u>	<u>\$ 0.21</u>	<u>\$ 0.43</u>	<u>\$ 0.45</u>
Weighted average common shares outstanding - basic	<u>278,977</u>	<u>271,350</u>	<u>277,034</u>	<u>269,643</u>
Weighted average common shares outstanding - diluted	<u>296,958</u>	<u>283,328</u>	<u>294,531</u>	<u>278,760</u>

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

	Three Months Ended				
	September 29, 2012	December 29, 2012	March 30, 2013	June 29, 2013	September 28, 2013
Revenue:					
Product and maintenance	\$ 310,118	\$ 318,513	\$ 328,271	\$ 337,983	\$ 341,601
Services	28,415	27,072	25,995	24,498	25,046
Total revenue	<u>338,533</u>	<u>345,585</u>	<u>354,266</u>	<u>362,481</u>	<u>366,647</u>
Costs and expenses:					
Cost of product and maintenance	34,461	24,437	29,847	28,095	32,546
Cost of services	16,809	19,353	18,344	15,148	17,190
Marketing and sales	82,461	95,604	90,402	95,277	98,094
Research and development	115,078	118,382	124,084	136,395	138,078
General and administrative	26,350	27,712	29,810	34,441	27,582
Amortization of acquired intangibles	3,876	3,772	3,791	5,327	5,141
Restructuring and other charges (credits)	57	64	(148)	2,656	86
Total costs and expenses	<u>279,092</u>	<u>289,324</u>	<u>296,130</u>	<u>317,339</u>	<u>318,717</u>
Income from operations	59,441	56,261	58,136	45,142	47,930
Interest expense	(8,737)	(8,902)	(9,262)	(9,528)	(9,583)
Other income (expense), net	(131)	5,369	2,175	2,018	2,535
Income before provision (benefit) for income taxes	50,573	52,728	51,049	37,632	40,882
Provision (benefit) for income taxes	(8,011)	(261,146)	(27,560)	28,203	2,382
Net income	<u>\$ 58,584</u>	<u>\$ 313,874</u>	<u>\$ 78,609</u>	<u>\$ 9,429</u>	<u>\$ 38,500</u>
Net income per share - basic	<u>\$ 0.22</u>	<u>\$ 1.15</u>	<u>\$ 0.29</u>	<u>\$ 0.03</u>	<u>\$ 0.14</u>
Net income per share - diluted	<u>\$ 0.21</u>	<u>\$ 1.10</u>	<u>\$ 0.27</u>	<u>\$ 0.03</u>	<u>\$ 0.13</u>
Weighted average common shares outstanding - basic	<u>271,350</u>	<u>272,884</u>	<u>274,936</u>	<u>277,146</u>	<u>278,977</u>
Weighted average common shares outstanding - diluted	<u>283,328</u>	<u>286,289</u>	<u>292,151</u>	<u>294,443</u>	<u>296,958</u>

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended September 28, 2013 and September 29, 2012
(In thousands)
(Unaudited)

	Nine Months Ended	
	September 28, 2013	September 29, 2012
Cash and cash equivalents at beginning of period	\$ 726,357	\$ 601,602
Cash flows from operating activities:		
Net income	126,538	126,074
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	72,681	67,171
Amortization of debt discount and fees	19,102	17,480
Stock-based compensation	47,487	34,285
Gain on investments, net	(4,035)	(2,222)
Deferred income taxes	(6,425)	(14,107)
Other non-cash items	2,183	3,578
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	2,192	24,276
Inventories	(10,005)	6,936
Prepaid expenses and other	26,927	1,547
Other assets	(46,651)	(3,101)
Accounts payable and accrued liabilities	18,277	(1,714)
Deferred revenue	(5,474)	(38,230)
Other long-term liabilities	5,644	(1,855)
Net cash provided by operating activities	<u>248,441</u>	<u>220,118</u>
Cash flows from investing activities:		
Purchases of available-for-sale securities	(84,000)	(101,248)
Proceeds from the sale of available-for-sale securities	59,014	5,936
Proceeds from the maturity of available-for-sale securities	30,506	1,500
Proceeds from the sale of long-term investments	6,200	44
Purchases of property, plant and equipment	(35,950)	(25,932)
Investment in venture capital partnerships and equity investments	-	(250)
Cash paid in business combinations and asset acquisitions, net of cash acquired	(392,825)	(66,432)
Net cash used for investing activities	<u>(417,055)</u>	<u>(186,382)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility	100,000	-
Payment on revolving credit facility	(50,000)	-
Payment of convertible notes	(78)	-
Principal payments on receivable financing	(2,526)	(2,907)
Payment of acquisition-related contingent consideration	(677)	(39)
Tax effect related to employee stock transactions allocated to equity	9,494	5,790
Proceeds from issuance of common stock	40,691	28,755
Stock received for payment of employee taxes on vesting of restricted stock	(19,461)	(13,457)
Net cash provided by financing activities	<u>77,443</u>	<u>18,142</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(14,783)</u>	<u>(4,381)</u>
Increase (decrease) in cash and cash equivalents	<u>(105,954)</u>	<u>47,497</u>
Cash and cash equivalents at end of period	<u>\$ 620,403</u>	<u>\$ 649,099</u>

Cadence Design Systems, Inc.
Trended Condensed Consolidated Statements of Cash Flows
For the Five Quarters Ended September 28, 2013
(In thousands)
(Unaudited)

	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013
Cash and cash equivalents at beginning of period	\$ 661,658	\$ 649,099	\$ 726,357	\$ 810,152	\$ 577,233
Cash flows from operating activities:					
Net income	58,584	313,874	78,609	9,429	38,500
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	23,435	22,046	21,682	25,295	25,704
Amortization of debt discount and fees	5,951	6,033	6,281	6,344	6,477
Stock-based compensation	12,399	13,276	13,810	15,111	18,566
(Gain) loss on investments, net	1,947	(4,098)	(1,006)	(1,471)	(1,558)
Deferred income taxes	(14,566)	(226,317)	8,695	(13,108)	(2,012)
Other non-cash items	14	(48)	(1,007)	1,440	1,750
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	7,763	21,354	23,652	(14,933)	(6,527)
Inventories	6,437	(1,691)	(979)	(1,693)	(7,333)
Prepaid expenses and other	1,133	(13,973)	(1,099)	27,615	411
Other assets	(2,932)	(1,801)	4,148	(49,422)	(1,377)
Accounts payable and accrued liabilities	2,980	19,237	(11,003)	21,026	8,254
Deferred revenue	(10,784)	(31,432)	(16,648)	(7,711)	18,885
Other long-term liabilities	(431)	(20,584)	(49,799)	56,973	(1,530)
Net cash provided by operating activities	<u>91,930</u>	<u>95,876</u>	<u>75,336</u>	<u>74,895</u>	<u>98,210</u>
Cash flows from investing activities:					
Purchases of available-for-sale securities	(52,165)	(19,906)	(24,282)	(39,423)	(20,295)
Proceeds from the sale of available-for-sale securities	5,800	12,402	14,985	31,872	12,157
Proceeds from the maturity of available-for-sale securities	1,500	2,650	8,700	7,016	14,790
Proceeds from the sale of long-term investments	-	30	6,102	-	98
Purchases of property, plant and equipment	(7,663)	(10,034)	(6,569)	(17,170)	(12,211)
Cash paid in business combinations and asset acquisitions, net of cash acquired	(65,391)	-	(757)	(391,382)	(686)
Net cash used for investing activities	<u>(117,919)</u>	<u>(14,858)</u>	<u>(1,821)</u>	<u>(409,087)</u>	<u>(6,147)</u>
Cash flows from financing activities:					
Proceeds from revolving credit facility	-	-	-	100,000	-
Payment on revolving credit facility	-	-	-	-	(50,000)
Payment of convertible notes	-	-	-	-	(78)
Principal payments on receivable financing	-	(2,869)	(2,526)	-	-
Payment of debt issuance costs	-	(1,372)	-	-	-
Payment of acquisition-related contingent consideration	-	-	(582)	-	(95)
Tax effect related to employee stock transactions allocated to equity	1,715	271	5,276	2,024	2,194
Proceeds from issuance of common stock	15,692	3,932	21,801	8,426	10,464
Stock received for payment of employee taxes on vesting of restricted stock	(3,560)	(2,271)	(8,775)	(2,983)	(7,703)
Net cash provided by (used for) financing activities	<u>13,847</u>	<u>(2,309)</u>	<u>15,194</u>	<u>107,467</u>	<u>(45,218)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(417)</u>	<u>(1,451)</u>	<u>(4,914)</u>	<u>(6,194)</u>	<u>(3,675)</u>
Increase (decrease) in cash and cash equivalents	<u>(12,559)</u>	<u>77,258</u>	<u>83,795</u>	<u>(232,919)</u>	<u>43,170</u>
Cash and cash equivalents at end of period	<u>\$ 649,099</u>	<u>\$ 726,357</u>	<u>\$ 810,152</u>	<u>\$ 577,233</u>	<u>\$ 620,403</u>

Cadence Design Systems, Inc.
As of October 23, 2013
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share
(Unaudited)

	Three Months Ending December 28, 2013 Forecast	Year Ending December 28, 2013 Forecast
Diluted net income per share on a GAAP basis	\$0.11 to \$0.13	\$0.55 to \$0.56
Amortization and sale of acquired intangibles	0.04	0.15
Stock-based compensation expense	0.07	0.22
Non-qualified deferred compensation expenses	-	0.01
Restructuring and other charges	-	0.01
Integration and acquisition-related costs	0.02	0.10
Executive severance costs	-	-
Amortization of debt discount	0.02	0.08
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	(0.01)
Income tax benefit due to a release of an uncertain tax position	-	(0.12)
Income tax effect of non-GAAP adjustments	(0.04)	(0.14)
Diluted net income per share on a non-GAAP basis	<u>\$0.22 to \$0.24</u>	<u>\$0.85 to \$0.86</u>

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

Cadence Design Systems, Inc.
As of October 23, 2013
Impact of Non-GAAP Adjustments on Forward Looking Net Income
(Unaudited)

(\$ in millions)	Three Months Ending December 28, 2013 Forecast	Year Ending December 28, 2013 Forecast
Net income on a GAAP basis	\$33 to \$39	\$160 to \$165
Amortization and sale of acquired intangibles	12	44
Stock-based compensation expense	19	66
Non-qualified deferred compensation expenses	-	2
Restructuring and other charges	-	3
Integration and acquisition-related costs	6	30
Executive severance costs	-	1
Amortization of debt discount	6	22
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	(4)
Income tax benefit due to a release of an uncertain tax position	-	(34)
Income tax effect of non-GAAP adjustments	(13)	(41)
Net income on a non-GAAP basis	<u>\$63 to \$69</u>	<u>\$249 to \$254</u>

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

Cadence Design Systems, Inc.
Reconciliation of GAAP Net Income to Non-GAAP Net Income
For the Three and Nine Months Ended September 28, 2013 and September 29, 2012
(Unaudited)

(In thousands)	Three Months Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Net income on a GAAP basis	\$ 38,500	\$ 58,584	\$ 126,538	\$ 126,074
Amortization and sale of acquired intangibles*	13,027	7,750	31,712	20,969
Stock-based compensation expense**	18,566	12,399	47,487	34,285
Non-qualified deferred compensation expenses (credits)***	186	(839)	2,037	3,237
Restructuring and other charges	86	57	2,594	49
Shareholder litigation costs	-	-	-	46
Integration and acquisition-related costs****	8,041	3,016	23,069	7,091
Executive severance costs*****	745	-	745	-
Amortization of debt discount	5,693	5,279	16,800	15,492
Other income or expense related to investments and non-qualified deferred compensation plan assets †	(1,544)	1,954	(3,727)	(2,215)
Income tax benefit due to a release of an uncertain tax position	-	-	(33,719)	-
Acquisition-related income tax benefit	-	(14,806)	-	(14,806)
Income tax effect of non-GAAP adjustments	(19,895)	(14,054)	(28,329)	(31,494)
Net income on a non-GAAP basis	\$ 63,405	\$ 59,340	\$ 185,207	\$ 158,728

† 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 and sale of acquired intangibles is reported in the Condensed Consolidated Income Statements as follows:

(In thousands)	Three Months Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Cost of product and maintenance	\$ 7,886	\$ 3,874	\$ 17,453	\$ 9,664
Amortization of acquired intangibles	5,141	3,876	14,259	11,305
Total amortization and sale of acquired intangibles	\$ 13,027	\$ 7,750	\$ 31,712	\$ 20,969

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

(In thousands)	Three Months Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Cost of product and maintenance	\$ 438	\$ 343	\$ 1,125	\$ 942
Cost of services	641	493	1,632	1,351
Marketing and sales	4,594	2,647	10,939	7,286
Research and development	9,356	5,774	23,394	15,223
General and administrative	3,537	3,142	10,397	9,483
Total stock-based compensation expense	\$ 18,566	\$ 12,399	\$ 47,487	\$ 34,285

*** 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		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Cost of product and maintenance	\$ 15	\$ (13)	\$ 31	\$ 36
Cost of services	21	(19)	43	52
Marketing and sales	3	(87)	171	382
Research and development	60	(369)	1,017	1,521
General and administrative	87	(351)	775	1,246
Total non-qualified deferred compensation expenses (credits)	\$ 186	\$ (839)	\$ 2,037	\$ 3,237

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

(In thousands)	Three Months Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Marketing and sales	\$ 578	\$ 308	\$ 1,037	\$ 497
Research and development	7,297	1,820	13,326	4,391
General and administrative	166	888	8,706	2,203
Total integration and acquisition-related costs	\$ 8,041	\$ 3,016	\$ 23,069	\$ 7,091

***** Total executive severance costs are reported in the Condensed Consolidated Income Statements as follows:

(In thousands)	Three Months Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Marketing and sales	\$ 480	\$ -	\$ 480	\$ -
General and administrative	265	-	265	-
Total executive severance costs	\$ 745	\$ -	\$ 745	\$ -

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 September 28, 2013, June 29, 2013, and September 29, 2012
and the Nine Months Ended September 28, 2013 and September 29, 2012
(Unaudited)

(In thousands, except per share data)	Three Months Ended			Nine Months Ended	
	September 28, 2013	June 29, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Diluted net income per share on a GAAP basis	\$ 0.13	\$ 0.03	\$ 0.21	\$ 0.43	\$ 0.45
Amortization and sale of acquired intangibles	0.04	0.04	0.03	0.11	0.08
Stock-based compensation expense	0.06	0.05	0.04	0.16	0.12
Non-qualified deferred compensation expenses (credits)	-	0.01	-	0.01	0.01
Restructuring and other charges	-	0.01	-	0.01	-
Shareholder litigation costs	-	-	-	-	-
Integration and acquisition-related costs	0.03	0.03	0.01	0.08	0.03
Executive severance costs	-	-	-	-	-
Amortization of debt discount	0.02	0.02	0.02	0.06	0.06
Other income or expense related to investments and non-qualified deferred compensation plan assets *	-	-	-	(0.01)	(0.01)
Income tax benefit due to a release of an uncertain tax position	-	-	-	(0.12)	-
Acquisition-related income tax benefit	-	-	(0.05)	-	(0.05)
Income tax effect of non-GAAP adjustments	(0.07)	0.02	(0.05)	(0.10)	(0.12)
Diluted net income per share on a non-GAAP basis	\$ 0.21	\$ 0.21	\$ 0.21	\$ 0.63	\$ 0.57
Shares used in calculation of diluted net income per share - GAAP **	296,958	294,443	283,328	294,531	278,760
Shares used in calculation of diluted net income per share - non-GAAP **	296,958	294,443	283,328	294,531	278,760

* 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</u> <u>September 28, 2013</u>	<u>Three Months Ended</u> <u>June 29, 2013</u>	<u>Three Months Ended</u> <u>September 29, 2012</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
	(In thousands)	(In thousands)	(In thousands)
GAAP total costs and expenses	\$ 318,717	\$ 317,339	\$ 279,092
Reconciling items to non-GAAP total costs and expenses			
Amortization and sale of acquired intangibles	(13,027)	(11,087)	(7,750)
Stock-based compensation expense	(18,566)	(15,111)	(12,399)
Non-qualified deferred compensation (expenses) credits	(186)	(1,699)	839
Restructuring and other charges	(86)	(2,656)	(57)
Integration and acquisition-related costs	(8,041)	(10,093)	(3,016)
Executive severance costs	(745)	-	-
Non-GAAP total costs and expenses	<u>\$ 278,066</u>	<u>\$ 276,693</u>	<u>\$ 256,709</u>

	<u>Three Months Ended</u> <u>September 28, 2013</u>	<u>Three Months Ended</u> <u>June 29, 2013</u>	<u>Three Months Ended</u> <u>September 29, 2012</u>	<u>Three Months Ending</u> <u>December 28, 2013</u>	<u>Year Ending</u> <u>December 28, 2013</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	13%	12%	18%	15%	14%
Reconciling items to non-GAAP operating margin as a percent of total revenue					
Amortization and sale of acquired intangibles	4%	3%	2%	3%	3%
Stock-based compensation expense	5%	4%	3%	5%	5%
Non-qualified deferred compensation expenses (credits)	0%	1%	0%	0%	0%
Restructuring and other charges	0%	1%	0%	0%	0%
Integration and acquisition-related costs	2%	3%	1%	2%	2%
Executive severance costs	0%	0%	0%	0%	0%
Non-GAAP operating margin as a percent of total revenue	<u>24%</u>	<u>24%</u>	<u>24%</u>	<u>25%</u>	<u>24%</u>

	<u>Year Ending</u> <u>December 28, 2013</u>
	<u>Forecast</u>
(In millions)	
GAAP total other income (expense), net	\$(32) to \$(28)
Reconciling items to non-GAAP total other income (expense), net	
Other income or expense related to investments and non-qualified deferred compensation plan assets*	(4)
Amortization of debt discount	22
Non-GAAP total other income (expense), net	<u>\$(14) to \$(10)</u>

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

Cadence Design Systems, Inc.
(Unaudited)

Revenue Mix by Geography (% of Total Revenue)

<u>GEOGRAPHY</u>	2012					2013		
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3
Americas	44%	46%	43%	45%	45%	44%	45%	48%
EMEA	19%	20%	20%	21%	20%	22%	21%	20%
Japan	18%	16%	17%	14%	16%	15%	13%	12%
Asia	19%	18%	20%	20%	19%	19%	21%	20%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Revenue Mix by Product Group (% of Total Revenue)

<u>PRODUCT GROUP</u>	2012					2013		
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3
Functional Verification, Hardware and IP	30%	33%	30%	30%	30%	26%	28%	31%
Digital IC Design	23%	22%	23%	23%	23%	25%	23%	21%
Custom IC Design	23%	22%	24%	24%	23%	25%	25%	25%
Design for Manufacturing	7%	6%	6%	6%	6%	7%	6%	6%
System Interconnect Design	8%	8%	9%	9%	9%	10%	11%	10%
Services and other	9%	9%	8%	8%	9%	7%	7%	7%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Note: Product Group total revenue includes Product + Maintenance

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Three Months Ended September 28, 2013
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 28, 2013		
	GAAP	Adjustments	Non-GAAP
Revenue:			
Product and maintenance	\$ 341,601	\$ -	\$ 341,601
Services	25,046	-	25,046
Total revenue	<u>366,647</u>	<u>-</u>	<u>366,647</u>
Costs and expenses:			
Cost of product and maintenance	32,546	(8,339) (A)	24,207
Cost of services	17,190	(662) (A)	16,528
Marketing and sales	98,094	(5,655) (A)	92,439
Research and development	138,078	(16,713) (A)	121,365
General and administrative	27,582	(4,055) (A)	23,527
Amortization of acquired intangibles	5,141	(5,141) (A)	-
Restructuring and other charges	86	(86)	-
Total costs and expenses	<u>318,717</u>	<u>(40,651)</u>	<u>278,066</u>
Income from operations	47,930	40,651	88,581
Interest expense	(9,583)	5,693 (B)	(3,890)
Other income, net	2,535	(1,544) (C)	991
Income before provision for income taxes	40,882	44,800	85,682
Provision for income taxes	2,382	19,895 (D)	22,277
Net income	<u>\$ 38,500</u>	<u>\$ 24,905</u>	<u>\$ 63,405</u>

Notes:

(A) For the three months ended September 28, 2013 adjustments to GAAP are as follows for the line items specified:

	Amortization and sale of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Integration and acquisition-related costs	Executive severance costs	Total adjustments
Cost of product and maintenance	\$ 7,886	\$ 438	\$ 15	\$ -	\$ -	\$ 8,339
Cost of services	-	641	21	-	-	662
Marketing and sales	-	4,594	3	578	480	5,655
Research and development	-	9,356	60	7,297	-	16,713
General and administrative	-	3,537	87	166	265	4,055
Amortization of acquired intangibles	5,141	-	-	-	-	5,141
Total	<u>\$ 13,027</u>	<u>\$ 18,566</u>	<u>\$ 186</u>	<u>\$ 8,041</u>	<u>\$ 745</u>	<u>\$ 40,565</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 Three Months Ended September 29, 2012
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 29, 2012		
	GAAP	Adjustments	Non-GAAP
Revenue:			
Product and maintenance	\$ 310,118	\$ -	\$ 310,118
Services	28,415	-	28,415
Total revenue	<u>338,533</u>	<u>-</u>	<u>338,533</u>
Costs and expenses:			
Cost of product and maintenance	34,461	(4,204) (E)	30,257
Cost of services	16,809	(474) (E)	16,335
Marketing and sales	82,461	(2,868) (E)	79,593
Research and development	115,078	(7,225) (E)	107,853
General and administrative	26,350	(3,679) (E)	22,671
Amortization of acquired intangibles	3,876	(3,876) (E)	-
Restructuring and other charges	57	(57)	-
Total costs and expenses	<u>279,092</u>	<u>(22,383)</u>	<u>256,709</u>
Income from operations	59,441	22,383	81,824
Interest expense	(8,737)	5,279 (F)	(3,458)
Other income (expense), net	(131)	1,954 (G)	1,823
Income before provision (benefit) for income taxes	50,573	29,616	80,189
Provision (benefit) for income taxes	(8,011)	28,860 (H)	20,849
Net income	<u>\$ 58,584</u>	<u>\$ 756</u>	<u>\$ 59,340</u>

Notes:

(E) For the three months ended September 29, 2012 adjustments to GAAP are as follows for the line items specified:

	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation credits	Integration and acquisition-related costs	Total adjustments
Cost of product and maintenance	\$ 3,874	\$ 343	\$ (13)	\$ -	\$ 4,204
Cost of services	-	493	(19)	-	474
Marketing and sales	-	2,647	(87)	308	2,868
Research and development	-	5,774	(369)	1,820	7,225
General and administrative	-	3,142	(351)	888	3,679
Amortization of acquired intangibles	3,876	-	-	-	3,876
Total	<u>\$ 7,750</u>	<u>\$ 12,399</u>	<u>\$ (839)</u>	<u>\$ 3,016</u>	<u>\$ 22,326</u>

(F) Amortization of debt discount related to convertible notes

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

(H) Income tax effect of non-GAAP adjustments

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Nine Months Ended September 28, 2013
(In thousands, except per share amounts)
(Unaudited)

	Nine Months Ended September 28, 2013		
	GAAP	Adjustments	Non-GAAP
Revenue:			
Product and maintenance	\$ 1,007,855	\$ -	\$ 1,007,855
Services	75,539	-	75,539
Total revenue	<u>1,083,394</u>	<u>-</u>	<u>1,083,394</u>
Costs and expenses:			
Cost of product and maintenance	90,488	(18,609) (A)	71,879
Cost of services	50,682	(1,675) (A)	49,007
Marketing and sales	283,773	(12,627) (A)	271,146
Research and development	398,557	(37,737) (A)	360,820
General and administrative	91,833	(20,143) (A)	71,690
Amortization of acquired intangibles	14,259	(14,259) (A)	-
Restructuring and other charges	2,594	(2,594)	-
Total costs and expenses	<u>932,186</u>	<u>(107,644)</u>	<u>824,542</u>
Income from operations	151,208	107,644	258,852
Interest expense	(28,373)	16,800 (B)	(11,573)
Other income, net	6,728	(3,727) (C)	3,001
Income before provision for income taxes	129,563	120,717	250,280
Provision for income taxes	3,025	62,048 (D)	65,073
Net income	<u>\$ 126,538</u>	<u>\$ 58,669</u>	<u>\$ 185,207</u>

Notes:

(A) For the nine months ended September 28, 2013 adjustments to GAAP are as follows for the line items specified:

	Amortization and sale of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Integration and acquisition-related costs	Executive severance costs	Total adjustments
Cost of product and maintenance	\$ 17,453	\$ 1,125	\$ 31	\$ -	\$ -	\$ 18,609
Cost of services	-	1,632	43	-	-	1,675
Marketing and sales	-	10,939	171	1,037	480	12,627
Research and development	-	23,394	1,017	13,326	-	37,737
General and administrative	-	10,397	775	8,706	265	20,143
Amortization of acquired intangibles	14,259	-	-	-	-	14,259
Total	<u>\$ 31,712</u>	<u>\$ 47,487</u>	<u>\$ 2,037</u>	<u>\$ 23,069</u>	<u>\$ 745</u>	<u>\$ 105,050</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 Nine Months Ended September 29, 2012
(In thousands, except per share amounts)
(Unaudited)

	Nine Months Ended September 29, 2012		
	GAAP	Adjustments	Non-GAAP
Revenue:			
Product and maintenance	\$ 893,916	\$ -	\$ 893,916
Services	86,923	-	86,923
Total revenue	<u>980,839</u>	<u>-</u>	<u>980,839</u>
Costs and expenses:			
Cost of product and maintenance	94,079	(10,642) (E)	83,437
Cost of services	53,254	(1,403) (E)	51,851
Marketing and sales	246,674	(8,165) (E)	238,509
Research and development	335,703	(21,135) (E)	314,568
General and administrative	84,364	(12,978) (E)	71,386
Amortization of acquired intangibles	11,305	(11,305) (E)	-
Restructuring and other charges	49	(49)	-
Total costs and expenses	<u>825,428</u>	<u>(65,677)</u>	<u>759,751</u>
Income from operations	155,411	65,677	221,088
Interest expense	(25,840)	15,492 (F)	(10,348)
Other income, net	5,972	(2,215) (G)	3,757
Income before provision for income taxes	135,543	78,954	214,497
Provision for income taxes	9,469	46,300 (H)	55,769
Net income	<u>\$ 126,074</u>	<u>\$ 32,654</u>	<u>\$ 158,728</u>

Notes:

(E) For the nine months ended September 29, 2012 adjustments to GAAP are as follows for the line items specified:

	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Integration and acquisition-related costs	Shareholder litigation costs	Total adjustments
Cost of product and maintenance	\$ 9,664	\$ 942	\$ 36	\$ -	\$ -	\$ 10,642
Cost of services	-	1,351	52	-	-	1,403
Marketing and sales	-	7,286	382	497	-	8,165
Research and development	-	15,223	1,521	4,391	-	21,135
General and administrative	-	9,483	1,246	2,203	46	12,978
Amortization of acquired intangibles	11,305	-	-	-	-	11,305
Total	<u>\$ 20,969</u>	<u>\$ 34,285</u>	<u>\$ 3,237</u>	<u>\$ 7,091</u>	<u>\$ 46</u>	<u>\$ 65,628</u>

(F) Amortization of debt discount related to convertible notes

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

(H) Income tax effect of non-GAAP adjustments