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Cadence Design Systems, Inc.
Condensed Consolidated Balance Sheets
September 27, 2014 and December 28, 2013
(In thousands)
(Unaudited)

	<u>September 27, 2014</u>	<u>December 28, 2013</u>
Current assets:		
Cash and cash equivalents	\$ 500,483	\$ 536,260
Short-term investments	94,970	96,788
Receivables, net	107,634	107,624
Inventories	61,096	50,220
2015 notes hedges	452,498	306,817
Prepaid expenses and other	134,929	123,382
Total current assets	<u>1,351,610</u>	<u>1,221,091</u>
Property, plant and equipment, net of accumulated depreciation of \$546,129 and \$568,494, respectively	231,337	238,715
Goodwill	557,252	456,905
Acquired intangibles, net of accumulated amortization of \$137,960 and \$139,820, respectively	378,827	311,693
Long-term receivables	4,957	3,672
Other assets	181,958	196,525
Total assets	<u>\$ 2,705,941</u>	<u>\$ 2,428,601</u>
Current liabilities:		
Convertible notes	\$ 337,711	\$ 324,826
2015 notes embedded conversion derivative	452,498	306,817
Accounts payable and accrued liabilities	205,647	216,594
Current portion of deferred revenue	300,188	299,973
Total current liabilities	<u>1,296,044</u>	<u>1,148,210</u>
Long-term liabilities:		
Long-term portion of deferred revenue	42,873	52,850
Other long-term liabilities	82,297	71,436
Total long-term liabilities	<u>125,170</u>	<u>124,286</u>
Stockholders' equity	1,284,727	1,156,105
Total liabilities and stockholders' equity	<u>\$ 2,705,941</u>	<u>\$ 2,428,601</u>

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

	September 28, 2013	December 28, 2013	March 29, 2014	June 28, 2014	September 27, 2014
Current assets:					
Cash and cash equivalents	\$ 620,403	\$ 536,260	\$ 532,761	\$ 557,416	\$ 500,483
Short-term investments	96,019	96,788	97,006	97,910	94,970
Receivables, net	101,896	107,624	106,322	101,924	107,634
Inventories	45,877	50,220	55,605	58,311	61,096
2015 notes hedges	292,511	306,817	369,731	455,844	452,498
Prepaid expenses and other	117,457	123,382	136,300	143,314	134,929
Total current assets	<u>1,274,163</u>	<u>1,221,091</u>	<u>1,297,725</u>	<u>1,414,719</u>	<u>1,351,610</u>
Property, plant and equipment, net	241,965	238,715	239,425	239,314	231,337
Goodwill	456,267	456,905	478,990	559,957	557,252
Acquired intangibles, net	323,807	311,693	316,498	395,430	378,827
Long-term receivables	3,994	3,672	6,193	5,611	4,957
Other assets	257,191	196,525	185,389	170,802	181,958
Total assets	<u>\$ 2,557,387</u>	<u>\$ 2,428,601</u>	<u>\$ 2,524,220</u>	<u>\$ 2,785,833</u>	<u>\$ 2,705,941</u>
Current liabilities:					
Revolving credit facility	\$ 50,000	\$ -	\$ -	\$ 100,000	\$ -
Convertible notes	463,837	324,826	329,058	333,333	337,711
2015 notes embedded conversion derivative	292,511	306,817	369,731	455,844	452,498
Accounts payable and accrued liabilities	193,445	216,594	189,200	216,959	205,647
Current portion of deferred revenue	297,897	299,973	304,705	301,911	300,188
Total current liabilities	<u>1,297,690</u>	<u>1,148,210</u>	<u>1,192,694</u>	<u>1,408,047</u>	<u>1,296,044</u>
Long-term liabilities:					
Long-term portion of deferred revenue	48,229	52,850	48,299	46,800	42,873
Other long-term liabilities	115,262	71,436	69,025	70,502	82,297
Total long-term liabilities	<u>163,491</u>	<u>124,286</u>	<u>117,324</u>	<u>117,302</u>	<u>125,170</u>
Stockholders' equity:					
Common stock and capital in excess of par value	1,739,677	1,757,242	1,785,069	1,812,175	1,820,332
Treasury stock, at cost	(141,344)	(140,142)	(147,621)	(154,839)	(169,511)
Accumulated deficit	(523,011)	(485,306)	(452,236)	(428,973)	(391,438)
Accumulated other comprehensive income	20,884	24,311	28,990	32,121	25,344
Total stockholders' equity	<u>1,096,206</u>	<u>1,156,105</u>	<u>1,214,202</u>	<u>1,260,484</u>	<u>1,284,727</u>
Total liabilities and stockholders' equity	<u>\$ 2,557,387</u>	<u>\$ 2,428,601</u>	<u>\$ 2,524,220</u>	<u>\$ 2,785,833</u>	<u>\$ 2,705,941</u>

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three and Nine Months Ended September 27, 2014 and September 28, 2013
(In thousands, except per share amounts)
(Unaudited)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 27, 2014</u>	<u>September 28, 2013</u>	<u>September 27, 2014</u>	<u>September 28, 2013</u>
Revenue:				
Product and maintenance	\$ 374,110	\$ 341,601	\$ 1,085,928	\$ 1,007,855
Services	26,386	25,046	71,906	75,539
Total revenue	<u>400,496</u>	<u>366,647</u>	<u>1,157,834</u>	<u>1,083,394</u>
Costs and expenses:				
Cost of product and maintenance	36,954	32,546	116,858	90,488
Cost of services	17,125	17,190	48,733	50,682
Marketing and sales	100,387	98,094	297,321	283,773
Research and development	148,744	138,078	447,882	398,557
General and administrative	25,894	27,582	86,680	91,833
Amortization of acquired intangibles	6,316	5,141	17,105	14,259
Restructuring and other charges	11,027	86	11,397	2,594
Total costs and expenses	<u>346,447</u>	<u>318,717</u>	<u>1,025,976</u>	<u>932,186</u>
Income from operations	54,049	47,930	131,858	151,208
Interest expense	(7,523)	(9,583)	(22,160)	(28,373)
Other income (expense), net	(417)	2,535	4,600	6,728
Income before provision for income taxes	46,109	40,882	114,298	129,563
Provision for income taxes	8,574	2,382	20,430	3,025
Net income	<u>\$ 37,535</u>	<u>\$ 38,500</u>	<u>\$ 93,868</u>	<u>\$ 126,538</u>
Net income per share - basic	<u>\$ 0.13</u>	<u>\$ 0.14</u>	<u>\$ 0.33</u>	<u>\$ 0.46</u>
Net income per share - diluted	<u>\$ 0.12</u>	<u>\$ 0.13</u>	<u>\$ 0.31</u>	<u>\$ 0.43</u>
Weighted average common shares outstanding - basic	<u>284,462</u>	<u>278,977</u>	<u>283,141</u>	<u>277,034</u>
Weighted average common shares outstanding - diluted	<u>309,995</u>	<u>296,958</u>	<u>305,595</u>	<u>294,531</u>

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

	Three Months Ended				
	September 28, 2013	December 28, 2013	March 29, 2014	June 28, 2014	September 27, 2014
Revenue:					
Product and maintenance	\$ 341,601	\$ 350,079	\$ 357,350	\$ 354,468	\$ 374,110
Services	25,046	26,643	21,200	24,320	26,386
Total revenue	<u>366,647</u>	<u>376,722</u>	<u>378,550</u>	<u>378,788</u>	<u>400,496</u>
Costs and expenses:					
Cost of product and maintenance	32,546	41,757	42,197	37,707	36,954
Cost of services	17,190	17,274	14,902	16,706	17,125
Marketing and sales	98,094	94,384	98,323	98,611	100,387
Research and development	138,078	135,465	146,466	152,672	148,744
General and administrative	27,582	29,481	28,744	32,042	25,894
Amortization of acquired intangibles	5,141	5,157	5,210	5,579	6,316
Restructuring and other charges (credits)	86	15,405	396	(26)	11,027
Total costs and expenses	<u>318,717</u>	<u>338,923</u>	<u>336,238</u>	<u>343,291</u>	<u>346,447</u>
Income from operations	47,930	37,799	42,312	35,497	54,049
Interest expense	(9,583)	(9,208)	(7,268)	(7,369)	(7,523)
Other income (expense), net	<u>2,535</u>	<u>842</u>	<u>3,382</u>	<u>1,635</u>	<u>(417)</u>
Income before provision (benefit) for income taxes	40,882	29,433	38,426	29,763	46,109
Provision (benefit) for income taxes	<u>2,382</u>	<u>(8,272)</u>	<u>5,356</u>	<u>6,500</u>	<u>8,574</u>
Net income	<u>\$ 38,500</u>	<u>\$ 37,705</u>	<u>\$ 33,070</u>	<u>\$ 23,263</u>	<u>\$ 37,535</u>
Net income per share - basic	<u>\$ 0.14</u>	<u>\$ 0.13</u>	<u>\$ 0.12</u>	<u>\$ 0.08</u>	<u>\$ 0.13</u>
Net income per share - diluted	<u>\$ 0.13</u>	<u>\$ 0.13</u>	<u>\$ 0.11</u>	<u>\$ 0.08</u>	<u>\$ 0.12</u>
Weighted average common shares outstanding - basic	<u>278,977</u>	<u>280,083</u>	<u>281,615</u>	<u>283,344</u>	<u>284,462</u>
Weighted average common shares outstanding - diluted	<u>296,958</u>	<u>294,663</u>	<u>301,034</u>	<u>305,755</u>	<u>309,995</u>

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended September 27, 2014 and September 28, 2013
(In thousands)
(Unaudited)

	Nine Months Ended	
	September 27, 2014	September 28, 2013
Cash and cash equivalents at beginning of period	\$ 536,260	\$ 726,357
Cash flows from operating activities:		
Net income	93,868	126,538
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	84,296	72,681
Amortization of debt discount and fees	14,863	19,102
Stock-based compensation	60,818	47,487
Gain on investments, net	(3,202)	(4,035)
Deferred income taxes	18,963	(6,425)
Other non-cash items	6,221	2,183
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	(1,858)	2,192
Inventories	(15,796)	(10,005)
Prepaid expenses and other	(8)	26,927
Other assets	(38,241)	(46,651)
Accounts payable and accrued liabilities	(15,623)	18,277
Deferred revenue	(27,231)	(5,474)
Other long-term liabilities	7,585	5,644
Net cash provided by operating activities	<u>184,655</u>	<u>248,441</u>
Cash flows from investing activities:		
Purchases of available-for-sale securities	(98,392)	(84,000)
Proceeds from the sale of available-for-sale securities	69,912	59,014
Proceeds from the maturity of available-for-sale securities	32,402	30,506
Proceeds from the sale of long-term investments	-	6,200
Purchases of property, plant and equipment	(27,958)	(35,950)
Cash paid in business combinations and asset acquisitions, net of cash acquired	(167,248)	(392,825)
Net cash used for investing activities	<u>(191,284)</u>	<u>(417,055)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility	100,000	100,000
Payment on revolving credit facility	(100,000)	(50,000)
Payment of convertible notes	(1)	(78)
Payment of convertible notes embedded conversion derivative liability	(1)	-
Proceeds from convertible notes hedges	1	-
Principal payments on receivable financing	-	(2,526)
Payment of debt issuance costs	(322)	-
Payment of acquisition-related contingent consideration	(1,835)	(677)
Tax effect related to employee stock transactions allocated to equity	5,786	9,494
Proceeds from issuance of common stock	54,717	40,691
Stock received for payment of employee taxes on vesting of restricted stock	(23,648)	(19,461)
Payments for repurchases of common stock	(62,575)	-
Net cash provided by (used for) financing activities	<u>(27,878)</u>	<u>77,443</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(1,270)</u>	<u>(14,783)</u>
Decrease in cash and cash equivalents	<u>(35,777)</u>	<u>(105,954)</u>
Cash and cash equivalents at end of period	<u>\$ 500,483</u>	<u>\$ 620,403</u>

Cadence Design Systems, Inc.
Trended Condensed Consolidated Statements of Cash Flows
For the Five Quarters Ended September 27, 2014
(In thousands)
(Unaudited)

	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014
Cash and cash equivalents at beginning of period	\$ 577,233	\$ 620,403	\$ 536,260	\$ 532,761	\$ 557,416
Cash flows from operating activities:					
Net income	38,500	37,705	33,070	23,263	37,535
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	25,704	25,627	26,017	27,592	30,687
Amortization of debt discount and fees	6,477	6,282	4,882	4,932	5,049
Stock-based compensation	18,566	18,798	18,864	19,077	22,877
(Gain) loss on investments, net	(1,558)	(1,276)	(3,651)	(1,477)	1,926
Deferred income taxes	(2,012)	4,059	2,245	2,533	14,185
Other non-cash items	1,750	1,749	2,344	1,350	2,527
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	(6,527)	(5,801)	(108)	5,444	(7,194)
Inventories	(7,333)	(4,589)	(9,373)	(2,893)	(3,530)
Prepaid expenses and other	411	3,441	(9,753)	(3,849)	13,594
Other assets	(1,377)	44,121	3,157	(4,430)	(36,968)
Accounts payable and accrued liabilities	8,254	23,450	(29,680)	16,130	(2,073)
Deferred revenue	18,885	7,980	(5,508)	(18,232)	(3,491)
Other long-term liabilities	(1,530)	(42,382)	(4,408)	(575)	12,568
Net cash provided by operating activities	<u>98,210</u>	<u>119,164</u>	<u>28,098</u>	<u>68,865</u>	<u>87,692</u>
Cash flows from investing activities:					
Purchases of available-for-sale securities	(20,295)	(27,702)	(47,005)	(30,485)	(20,902)
Proceeds from the sale of available-for-sale securities	12,157	18,607	32,586	22,015	15,311
Proceeds from the maturity of available-for-sale securities	14,790	8,200	13,905	9,894	8,603
Proceeds from the sale of long-term investments	98	34	-	-	-
Purchases of property, plant and equipment	(12,211)	(8,979)	(6,252)	(11,463)	(10,243)
Cash paid in business combinations and asset acquisitions, net of cash acquired	(686)	-	(27,422)	(136,263)	(3,563)
Net cash used for investing activities	<u>(6,147)</u>	<u>(9,840)</u>	<u>(34,188)</u>	<u>(146,302)</u>	<u>(10,794)</u>
Cash flows from financing activities:					
Proceeds from revolving credit facility	-	-	-	100,000	-
Payment on revolving credit facility	(50,000)	(50,000)	-	-	(100,000)
Payment of convertible notes	(78)	(144,561)	-	-	(1)
Payment of convertible notes embedded conversion derivative liability	-	-	-	-	(1)
Proceeds from convertible notes hedges	-	-	-	-	1
Payment of debt issuance costs	-	-	-	-	(322)
Payment of acquisition-related contingent consideration	(95)	-	(1,835)	-	-
Tax effect related to employee stock transactions allocated to equity	2,194	(460)	1,827	815	3,144
Proceeds from issuance of common stock	10,464	1,966	23,377	13,105	18,235
Stock received for payment of employee taxes on vesting of restricted stock	(7,703)	(679)	(10,981)	(1,311)	(11,356)
Payments for repurchases of common stock	-	-	(12,517)	(12,515)	(37,543)
Net cash provided by (used for) financing activities	<u>(45,218)</u>	<u>(193,734)</u>	<u>(129)</u>	<u>100,094</u>	<u>(127,843)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(3,675)</u>	<u>267</u>	<u>2,720</u>	<u>1,998</u>	<u>(5,988)</u>
Increase (decrease) in cash and cash equivalents	<u>43,170</u>	<u>(84,143)</u>	<u>(3,499)</u>	<u>24,655</u>	<u>(56,933)</u>
Cash and cash equivalents at end of period	<u>\$ 620,403</u>	<u>\$ 536,260</u>	<u>\$ 532,761</u>	<u>\$ 557,416</u>	<u>\$ 500,483</u>

Cadence Design Systems, Inc.
As of October 20, 2014
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share
(Unaudited)

	Three Months Ending January 3, 2015 Forecast	Year Ending January 3, 2015 Forecast
Diluted net income per share on a GAAP basis	\$0.16 to \$0.18	\$0.46 to \$0.48
Amortization of acquired intangibles	0.05	0.19
Stock-based compensation expense	0.08	0.28
Non-qualified deferred compensation expenses	-	0.01
Restructuring and other charges	-	0.04
Acquisition and integration-related costs	0.01	0.08
Special charges*	-	0.04
Amortization of debt discount	0.02	0.06
Other income or expense related to investments and non-qualified deferred compensation plan assets**	-	(0.01)
Income tax effect of non-GAAP adjustments	(0.06)	(0.23)
Diluted net income per share on a non-GAAP basis	<u>\$0.26 to \$0.28</u>	<u>\$0.92 to \$0.94</u>

* Comprised of costs related to a voluntary retirement program

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

Cadence Design Systems, Inc.
As of October 20, 2014
Impact of Non-GAAP Adjustments on Forward Looking Net Income
(Unaudited)

(\$ in millions)	Three Months Ending January 3, 2015 Forecast	Year Ending January 3, 2015 Forecast
Net income on a GAAP basis	\$48 to \$55	\$142 to \$149
Amortization of acquired intangibles	16	60
Stock-based compensation expense	24	85
Non-qualified deferred compensation expenses	-	3
Restructuring and other charges	-	11
Acquisition and integration-related costs	4	24
Special charges*	-	11
Amortization of debt discount	5	18
Other income or expense related to investments and non-qualified deferred compensation plan assets**	-	(3)
Income tax effect of non-GAAP adjustments	(18)	(69)
Net income on a non-GAAP basis	<u>\$79 to \$86</u>	<u>\$282 to \$289</u>

* Comprised of costs related to a voluntary retirement program

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

Cadence Design Systems, Inc.
Reconciliation of GAAP Net Income to Non-GAAP Net Income
For the Three and Nine Months Ended September 27, 2014 and September 28, 2013
(Unaudited)

(In thousands)	Three Months Ended		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Net income on a GAAP basis	\$ 37,535	\$ 38,500	\$ 93,868	\$ 126,538
Amortization and sale of acquired intangibles*	16,387	13,027	43,365	31,712
Stock-based compensation expense**	22,877	18,566	60,818	47,487
Non-qualified deferred compensation expenses (credits) ***	(104)	186	3,006	2,037
Restructuring and other charges	11,027	86	11,397	2,594
Acquisition and integration-related costs****	4,435	8,041	20,340	23,069
Special charges † *****	459	745	10,816	745
Amortization of debt discount	4,370	5,693	12,820	16,800
Other income or expense related to investments and non-qualified deferred compensation plan assets ††	1,944	(1,544)	(3,145)	(3,727)
Income tax benefit due to a release of an uncertain tax position	-	-	-	(33,719)
Income tax effect of non-GAAP adjustments	(19,377)	(19,895)	(50,736)	(28,329)
Net income on a non-GAAP basis	<u>\$ 79,553</u>	<u>\$ 63,405</u>	<u>\$ 202,549</u>	<u>\$ 185,207</u>

† Comprised of costs related to a voluntary retirement program and executive severance costs

†† 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 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Cost of product and maintenance	\$ 10,071	\$ 7,886	\$ 26,260	\$ 17,453
Amortization of acquired intangibles	6,316	5,141	17,105	14,259
Total amortization and sale of acquired intangibles	<u>\$ 16,387</u>	<u>\$ 13,027</u>	<u>\$ 43,365</u>	<u>\$ 31,712</u>

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

(In thousands)	Three Months Ended		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Cost of product and maintenance	\$ 633	\$ 438	\$ 1,600	\$ 1,125
Cost of services	926	641	2,338	1,632
Marketing and sales	5,930	4,594	15,086	10,939
Research and development	11,580	9,356	30,948	23,394
General and administrative	3,808	3,537	10,846	10,397
Total stock-based compensation expense	<u>\$ 22,877</u>	<u>\$ 18,566</u>	<u>\$ 60,818</u>	<u>\$ 47,487</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		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Cost of product and maintenance	\$ (1)	\$ 15	\$ 28	\$ 31
Cost of services	(2)	21	42	43
Marketing and sales	(1)	3	130	171
Research and development	(95)	60	1,670	1,017
General and administrative	(5)	87	1,136	775
Total non-qualified deferred compensation expenses (credits)	<u>\$ (104)</u>	<u>\$ 186</u>	<u>\$ 3,006</u>	<u>\$ 2,037</u>

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

(In thousands)	Three Months Ended		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Marketing and sales	\$ 870	\$ 578	\$ 2,357	\$ 1,037
Research and development	3,933	7,297	13,874	13,326
General and administrative	(368)	166	4,109	8,706
Total acquisition and integration-related costs	<u>\$ 4,435</u>	<u>\$ 8,041</u>	<u>\$ 20,340</u>	<u>\$ 23,069</u>

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

(In thousands)	Three Months Ended		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Cost of product and maintenance	\$ -	\$ -	\$ 401	\$ -
Cost of services	-	-	667	-
Marketing and sales	-	480	1,913	480
Research and development	-	-	5,854	-
General and administrative	459	265	1,981	265
Total special charges	<u>\$ 459</u>	<u>\$ 745</u>	<u>\$ 10,816</u>	<u>\$ 745</u>

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 27, 2014, June 28, 2014, and September 28, 2013
and the Nine Months Ended September 27, 2014 and September 28, 2013
(Unaudited)

(In thousands, except per share data)	Three Months Ended			Nine Months Ended	
	September 27, 2014	June 28, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Diluted net income per share on a GAAP basis	\$ 0.12	\$ 0.08	\$ 0.13	\$ 0.31	\$ 0.43
Amortization and sale of acquired intangibles	0.05	0.05	0.04	0.14	0.11
Stock-based compensation expense	0.07	0.06	0.06	0.20	0.16
Non-qualified deferred compensation expenses (credits)	-	-	-	0.01	0.01
Restructuring and other charges	0.04	-	-	0.04	0.01
Acquisition and integration-related costs	0.02	0.03	0.03	0.07	0.08
Special charges*	-	0.03	-	0.03	-
Amortization of debt discount	0.01	0.01	0.02	0.04	0.06
Other income or expense related to investments and non-qualified deferred compensation plan assets **	0.01	-	-	(0.01)	(0.01)
Income tax benefit due to a release of an uncertain tax position	-	-	-	-	(0.12)
Income tax effect of non-GAAP adjustments	(0.06)	(0.05)	(0.07)	(0.17)	(0.10)
Diluted net income per share on a non-GAAP basis	\$ 0.26	\$ 0.21	\$ 0.21	\$ 0.66	\$ 0.63
Shares used in calculation of diluted net income per share - GAAP ***	309,995	305,755	296,958	305,595	294,531
Shares used in calculation of diluted net income per share - non-GAAP ***	309,995	305,755	296,958	305,595	294,531

* Comprised of costs related to a voluntary retirement program and executive severance costs

** 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 27, 2014</u> <u>Actual</u> <u>(In thousands)</u>	<u>Three Months Ended</u> <u>June 28, 2014</u> <u>Actual</u> <u>(In thousands)</u>	<u>Three Months Ended</u> <u>September 28, 2013</u> <u>Actual</u> <u>(In thousands)</u>
GAAP total costs and expenses	\$ 346,447	\$ 343,291	\$ 318,717
Reconciling items to non-GAAP total costs and expenses			
Amortization and sale of acquired intangibles	(16,387)	(14,192)	(13,027)
Stock-based compensation expense	(22,877)	(19,077)	(18,566)
Non-qualified deferred compensation (expenses) credits	104	(1,047)	(186)
Restructuring and other (charges) credits	(11,027)	26	(86)
Acquisition and integration-related costs	(4,435)	(8,787)	(8,041)
Special charges*	(459)	(10,357)	(745)
Non-GAAP total costs and expenses	<u>\$ 291,366</u>	<u>\$ 289,857</u>	<u>\$ 278,066</u>

*Comprised of costs related to a voluntary retirement program and executive severance costs

	<u>Three Months Ended</u> <u>September 27, 2014</u> <u>Actual</u>	<u>Three Months Ended</u> <u>June 28, 2014</u> <u>Actual</u>	<u>Three Months Ended</u> <u>September 28, 2013</u> <u>Actual</u>	<u>Three Months Ending</u> <u>January 3, 2015</u> <u>Forecast</u>	<u>Year Ending</u> <u>January 3, 2015</u> <u>Forecast</u>
GAAP operating margin as a percent of total revenue	13%	9%	13%	17% to 18%	12% to 13%
Reconciling items to non-GAAP operating margin as a percent of total revenue					
Amortization and sale of acquired intangibles	4%	4%	4%	4%	4%
Stock-based compensation expense	6%	5%	5%	5%	5%
Non-qualified deferred compensation expenses (credits)	0%	0%	0%	0%	0%
Restructuring and other charges (credits)	3%	0%	0%	0%	1%
Acquisition and integration-related costs	1%	2%	2%	1%	2%
Special charges*	0%	3%	0%	0%	1%
Non-GAAP operating margin as a percent of total revenue	<u>27%</u>	<u>23%</u>	<u>24%</u>	<u>27% to 28%</u>	<u>25% to 26%</u>

*Comprised of costs related to a voluntary retirement program and executive severance costs

	<u>Year Ending</u> <u>January 3, 2015</u> <u>Forecast</u>
(In millions)	
GAAP total other income (expense), net	\$(31) to \$(27)
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)
Amortization of debt discount	18
Non-GAAP total other income (expense), net	<u>\$(16) to \$(12)</u>

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

Cadence Design Systems, Inc.
(Unaudited)

Revenue Mix by Geography (% of Total Revenue)

<u>GEOGRAPHY</u>	2013					2014		
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3
Americas	44%	45%	48%	47%	46%	45%	44%	46%
Asia	19%	21%	20%	19%	20%	23%	23%	22%
Europe, Middle East and Africa	22%	21%	20%	20%	21%	20%	22%	21%
Japan	15%	13%	12%	14%	13%	12%	11%	11%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Revenue Mix by Product Group (% of Total Revenue)

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

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Three Months Ended September 27, 2014
(In thousands)
(Unaudited)

	Three Months Ended September 27, 2014		
	GAAP	Adjustments	Non-GAAP
Revenue:			
Product and maintenance	\$ 374,110	\$ -	\$ 374,110
Services	26,386	-	26,386
Total revenue	400,496	-	400,496
Costs and expenses:			
Cost of product and maintenance	36,954	(10,703) (A)	26,251
Cost of services	17,125	(924) (A)	16,201
Marketing and sales	100,387	(6,799) (A)	93,588
Research and development	148,744	(15,418) (A)	133,326
General and administrative	25,894	(3,894) (A)	22,000
Amortization of acquired intangibles	6,316	(6,316) (A)	-
Restructuring and other charges	11,027	(11,027)	-
Total costs and expenses	346,447	(55,081)	291,366
Income from operations	54,049	55,081	109,130
Interest expense	(7,523)	4,370 (B)	(3,153)
Other income (expense), net	(417)	1,944 (C)	1,527
Income before provision for income taxes	46,109	61,395	107,504
Provision for income taxes	8,574	19,377 (D)	27,951
Net income	\$ 37,535	\$ 42,018	\$ 79,553

Notes:

(A) For the three months ended September 27, 2014, adjustments to GAAP are as follows for the line items specified:

	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation credits	Acquisition and integration-related costs	Special charges (E)	Total adjustments
Cost of product and maintenance	\$ 10,071	\$ 633	\$ (1)	\$ -	\$ -	\$ 10,703
Cost of services	-	926	(2)	-	-	924
Marketing and sales	-	5,930	(1)	870	-	6,799
Research and development	-	11,580	(95)	3,933	-	15,418
General and administrative	-	3,808	(5)	(368)	459	3,894
Amortization of acquired intangibles	6,316	-	-	-	-	6,316
Total	\$ 16,387	\$ 22,877	\$ (104)	\$ 4,435	\$ 459	\$ 44,054

(B) Amortization of debt discount related to convertible notes

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

(D) Income tax effect of non-GAAP adjustments

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

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Three Months Ended September 28, 2013
(In thousands)
(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	366,647	-	366,647
Costs and expenses:			
Cost of product and maintenance	32,546	(8,339) (F)	24,207
Cost of services	17,190	(662) (F)	16,528
Marketing and sales	98,094	(5,655) (F)	92,439
Research and development	138,078	(16,713) (F)	121,365
General and administrative	27,582	(4,055) (F)	23,527
Amortization of acquired intangibles	5,141	(5,141) (F)	-
Restructuring and other charges	86	(86)	-
Total costs and expenses	318,717	(40,651)	278,066
Income from operations	47,930	40,651	88,581
Interest expense	(9,583)	5,693 (G)	(3,890)
Other income, net	2,535	(1,544) (H)	991
Income before provision for income taxes	40,882	44,800	85,682
Provision for income taxes	2,382	19,895 (I)	22,277
Net income	\$ 38,500	\$ 24,905	\$ 63,405

Notes:

(F) 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	Acquisition and integration-related costs	Special charges (J)	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	\$ 13,027	\$ 18,566	\$ 186	\$ 8,041	\$ 745	\$ 40,565

(G) Amortization of debt discount related to convertible notes

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

(I) Income tax effect of non-GAAP adjustments

(J) Comprised of executive severance costs

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Nine Months Ended September 27, 2014
(In thousands)
(Unaudited)

	Nine Months Ended September 27, 2014		
	GAAP	Adjustments	Non-GAAP
Revenue:			
Product and maintenance	\$ 1,085,928	\$ -	\$ 1,085,928
Services	71,906	-	71,906
Total revenue	1,157,834	-	1,157,834
Costs and expenses:			
Cost of product and maintenance	116,858	(28,289) (A)	88,569
Cost of services	48,733	(3,047) (A)	45,686
Marketing and sales	297,321	(19,486) (A)	277,835
Research and development	447,882	(52,346) (A)	395,536
General and administrative	86,680	(18,072) (A)	68,608
Amortization of acquired intangibles	17,105	(17,105) (A)	-
Restructuring and other charges	11,397	(11,397)	-
Total costs and expenses	1,025,976	(149,742)	876,234
Income from operations	131,858	149,742	281,600
Interest expense	(22,160)	12,820 (B)	(9,340)
Other income, net	4,600	(3,145) (C)	1,455
Income before provision for income taxes	114,298	159,417	273,715
Provision for income taxes	20,430	50,736 (D)	71,166
Net income	\$ 93,868	\$ 108,681	\$ 202,549

Notes:

(A) For the nine months ended September 27, 2014 adjustments to GAAP are as follows for the line items specified:

	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Acquisition and integration-related costs	Special charges (E)	Total adjustments
Cost of product and maintenance	\$ 26,260	\$ 1,600	\$ 28	\$ -	\$ 401	\$ 28,289
Cost of services	-	2,338	42	-	667	3,047
Marketing and sales	-	15,086	130	2,357	1,913	19,486
Research and development	-	30,948	1,670	13,874	5,854	52,346
General and administrative	-	10,846	1,136	4,109	1,981	18,072
Amortization of acquired intangibles	17,105	-	-	-	-	17,105
Total	\$ 43,365	\$ 60,818	\$ 3,006	\$ 20,340	\$ 10,816	\$ 138,345

(B) Amortization of debt discount related to convertible notes

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

(D) Income tax effect of non-GAAP adjustments

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

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Nine Months Ended September 28, 2013
(In thousands)
(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
	1,083,394	-	1,083,394
Costs and expenses:			
Cost of product and maintenance	90,488	(18,609) (F)	71,879
Cost of services	50,682	(1,675) (F)	49,007
Marketing and sales	283,773	(12,627) (F)	271,146
Research and development	398,557	(37,737) (F)	360,820
General and administrative	91,833	(20,143) (F)	71,690
Amortization of acquired intangibles	14,259	(14,259) (F)	-
Restructuring and other charges	2,594	(2,594)	-
	932,186	(107,644)	824,542
Income from operations	151,208	107,644	258,852
Interest expense	(28,373)	16,800 (G)	(11,573)
Other income, net	6,728	(3,727) (H)	3,001
	129,563	120,717	250,280
Provision for income taxes	3,025	62,048 (I)	65,073
Net income	\$ 126,538	\$ 58,669	\$ 185,207

Notes:

(F) 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	Acquisition and integration-related costs	Special charges (J)	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	\$ 31,712	\$ 47,487	\$ 2,037	\$ 23,069	\$ 745	\$ 105,050

(G) Amortization of debt discount related to convertible notes

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

(I) Income tax effect of non-GAAP adjustments

(J) Comprised of executive severance costs