

TABLE OF CONTENTS

Condensed Consolidated Balance Sheets, October 3, 2015 and January 3, 2015.....	1
Trended Condensed Consolidated Balance Sheets.....	2
Condensed Consolidated Income Statements for the Three and Nine Months Ended October 3, 2015 and September 27, 2014.....	3
Trended Condensed Consolidated Income Statements.....	4
Condensed Consolidated Statements of Cash Flows for the Nine Months Ended October 3, 2015 and September 27, 2014.....	5
Trended Condensed Consolidated Statements of Cash Flows.....	6
Revenue Mix by Geography.....	7
Revenue Mix by Product Group.....	7
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share, as of October 26, 2015.....	8
Impact of Non-GAAP Adjustments on Forward Looking Net Income, as of October 26, 2015.....	8
Reconciliation of GAAP Net Income to Non-GAAP Net Income, for the Three and Nine Months Ended October 3, 2015 and September 27, 2014.....	9
Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share, for the Three Months Ended October 3, 2015, July 4, 2015 and September 27, 2014 and the Nine Months Ended October 3, 2015 and September 27, 2014.....	10
Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures.....	11
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Three Months Ended October 3, 2015.....	12
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Three Months Ended September 27, 2014.....	13
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Nine Months Ended October 3, 2015.....	14
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Nine Months Ended September 27, 2014.....	15

Cadence Design Systems, Inc.
Condensed Consolidated Balance Sheets
October 3, 2015 and January 3, 2015
(In thousands)
(Unaudited)

	October 3, 2015	January 3, 2015
Current assets:		
Cash and cash equivalents	\$ 616,091	\$ 932,161
Short-term investments	95,104	90,445
Receivables, net	133,665	122,492
Inventories	57,690	56,394
2015 notes hedges	-	523,930
Prepaid expenses and other	139,534	126,313
Total current assets	1,042,084	1,851,735
Property, plant and equipment, net of accumulated depreciation of \$577,254 and \$552,551, respectively	227,689	230,112
Goodwill	552,411	553,767
Acquired intangibles, net of accumulated amortization of \$200,954 and \$154,814, respectively	312,405	360,932
Long-term receivables	1,568	3,644
Other assets	194,983	209,366
Total assets	\$ 2,331,140	\$ 3,209,556
Current liabilities:		
Convertible notes	\$ -	\$ 342,499
2015 notes embedded conversion derivative	-	523,930
Accounts payable and accrued liabilities	194,427	225,375
Current portion of deferred revenue	315,220	301,287
Total current liabilities	509,647	1,393,091
Long-term liabilities:		
Long-term portion of deferred revenue	31,234	54,726
Long-term debt	348,760	348,676
Other long-term liabilities	56,937	79,489
Total long-term liabilities	436,931	482,891
Stockholders' equity	1,384,562	1,333,574
Total liabilities and stockholders' equity	\$ 2,331,140	\$ 3,209,556

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

	September 27, 2014	January 3, 2015	April 4, 2015	July 4, 2015	October 3, 2015
Current assets:					
Cash and cash equivalents	\$ 500,483	\$ 932,161	\$ 887,736	\$ 647,851	\$ 616,091
Short-term investments	94,970	90,445	92,640	96,560	95,104
Receivables, net	107,634	122,492	133,924	131,325	133,665
Inventories	61,096	56,394	54,450	62,172	57,690
2015 notes hedges	452,498	523,930	429,847	-	-
Prepaid expenses and other	134,929	126,313	135,047	129,320	139,534
Total current assets	<u>1,351,610</u>	<u>1,851,735</u>	<u>1,733,644</u>	<u>1,067,228</u>	<u>1,042,084</u>
Property, plant and equipment, net	231,337	230,112	225,556	229,838	227,689
Goodwill	557,252	553,767	553,942	553,831	552,411
Acquired intangibles, net	378,827	360,932	344,450	328,338	312,405
Long-term receivables	4,957	3,644	3,619	1,628	1,568
Other assets	181,958	209,366	201,354	199,790	194,983
Total assets	<u>\$ 2,705,941</u>	<u>\$ 3,209,556</u>	<u>\$ 3,062,565</u>	<u>\$ 2,380,653</u>	<u>\$ 2,331,140</u>
Current liabilities:					
Convertible notes	\$ 337,711	\$ 342,499	\$ 293,667	\$ -	\$ -
2015 notes embedded conversion derivative	452,498	523,930	429,847	-	-
Accounts payable and accrued liabilities	205,647	225,375	178,474	202,794	194,427
Current portion of deferred revenue	300,188	301,287	324,448	324,569	315,220
Total current liabilities	<u>1,296,044</u>	<u>1,393,091</u>	<u>1,226,436</u>	<u>527,363</u>	<u>509,647</u>
Long-term liabilities:					
Long-term portion of deferred revenue	42,873	54,726	48,418	36,402	31,234
Long-term debt	-	348,676	348,705	348,733	348,760
Other long-term liabilities	82,297	79,489	75,816	70,940	56,937
Total long-term liabilities	<u>125,170</u>	<u>482,891</u>	<u>472,939</u>	<u>456,075</u>	<u>436,931</u>
Stockholders' equity:					
Common stock and capital in excess of par value	1,820,332	1,851,427	1,869,104	1,886,421	1,853,284
Treasury stock, at cost	(169,511)	(203,792)	(219,578)	(256,476)	(307,408)
Accumulated deficit	(391,438)	(326,408)	(290,149)	(231,989)	(154,365)
Accumulated other comprehensive income (loss)	25,344	12,347	3,813	(741)	(6,949)
Total stockholders' equity	<u>1,284,727</u>	<u>1,333,574</u>	<u>1,363,190</u>	<u>1,397,215</u>	<u>1,384,562</u>
Total liabilities and stockholders' equity	<u>\$ 2,705,941</u>	<u>\$ 3,209,556</u>	<u>\$ 3,062,565</u>	<u>\$ 2,380,653</u>	<u>\$ 2,331,140</u>

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three and Nine Months Ended October 3, 2015 and September 27, 2014
(In thousands, except per share amounts)
(Unaudited)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>October 3, 2015</u>	<u>September 27, 2014</u>	<u>October 3, 2015</u>	<u>September 27, 2014</u>
Revenue:				
Product and maintenance	\$ 396,867	\$ 374,110	\$ 1,165,455	\$ 1,085,928
Services	36,896	26,386	95,557	71,906
Total revenue	<u>433,763</u>	<u>400,496</u>	<u>1,261,012</u>	<u>1,157,834</u>
Costs and expenses:				
Cost of product and maintenance	41,206	36,954	114,980	116,858
Cost of services	24,005	17,125	62,571	48,733
Marketing and sales	101,950	100,387	298,880	297,321
Research and development	154,627	148,744	475,597	447,882
General and administrative	28,084	25,894	83,193	86,680
Amortization of acquired intangibles	5,687	6,316	18,037	17,105
Restructuring and other charges	303	11,027	4,164	11,397
Total costs and expenses	<u>355,862</u>	<u>346,447</u>	<u>1,057,422</u>	<u>1,025,976</u>
Income from operations	77,901	54,049	203,590	131,858
Interest expense	(4,177)	(7,523)	(24,111)	(22,160)
Other income (expense), net	1,839	(417)	7,967	4,600
Income before provision (benefit) for income taxes	75,563	46,109	187,446	114,298
Provision (benefit) for income taxes	(2,061)	8,574	15,403	20,430
Net income	<u>\$ 77,624</u>	<u>\$ 37,535</u>	<u>\$ 172,043</u>	<u>\$ 93,868</u>
Net income per share - basic	<u>\$ 0.27</u>	<u>\$ 0.13</u>	<u>\$ 0.60</u>	<u>\$ 0.33</u>
Net income per share - diluted	<u>\$ 0.25</u>	<u>\$ 0.12</u>	<u>\$ 0.55</u>	<u>\$ 0.31</u>
Weighted average common shares outstanding - basic	<u>284,818</u>	<u>284,462</u>	<u>284,880</u>	<u>283,141</u>
Weighted average common shares outstanding - diluted	<u>313,186</u>	<u>309,995</u>	<u>312,899</u>	<u>305,595</u>

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

	Three Months Ended				
	September 27, 2014	January 3, 2015	April 4, 2015	July 4, 2015	October 3, 2015
Revenue:					
Product and maintenance	\$ 374,110	\$ 393,223	\$ 383,637	\$ 384,951	\$ 396,867
Services	26,386	29,875	27,729	30,932	36,896
Total revenue	400,496	423,098	411,366	415,883	433,763
Costs and expenses:					
Cost of product and maintenance	36,954	39,475	42,059	31,715	41,206
Cost of services	17,125	18,640	18,526	20,040	24,005
Marketing and sales	100,387	102,367	100,268	96,662	101,950
Research and development	148,744	155,124	162,996	157,974	154,627
General and administrative	25,894	26,939	27,642	27,467	28,084
Amortization of acquired intangibles	6,316	6,912	6,231	6,119	5,687
Restructuring and other charges (credits)	11,027	(1,145)	4,359	(498)	303
Total costs and expenses	346,447	348,312	362,081	339,479	355,862
Income from operations	54,049	74,786	49,285	76,404	77,901
Interest expense	(7,523)	(11,961)	(11,754)	(8,180)	(4,177)
Other income (expense), net	(417)	3,879	4,781	1,347	1,839
Income before provision (benefit) for income taxes	46,109	66,704	42,312	69,571	75,563
Provision (benefit) for income taxes	8,574	1,674	6,053	11,411	(2,061)
Net income	\$ 37,535	\$ 65,030	\$ 36,259	\$ 58,160	\$ 77,624
Net income per share - basic	\$ 0.13	\$ 0.23	\$ 0.13	\$ 0.20	\$ 0.27
Net income per share - diluted	\$ 0.12	\$ 0.21	\$ 0.12	\$ 0.19	\$ 0.25
Weighted average common shares outstanding - basic	284,462	283,928	284,523	285,297	284,818
Weighted average common shares outstanding - diluted	309,995	310,273	311,847	313,665	313,186

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended October 3, 2015 and September 27, 2014
(In thousands)
(Unaudited)

	Nine Months Ended	
	October 3, 2015	September 27, 2014
Cash and cash equivalents at beginning of period	\$ 932,161	\$ 536,260
Cash flows from operating activities:		
Net income	172,043	93,868
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	88,006	84,296
Amortization of debt discount and fees	9,185	14,863
Stock-based compensation	67,681	60,818
Gain on investments, net	(1,434)	(3,202)
Deferred income taxes	1,713	18,963
Other non-cash items	(69)	6,221
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	(10,100)	(1,858)
Inventories	(1,861)	(15,796)
Prepaid expenses and other	(12,451)	(8)
Other assets	300	(38,241)
Accounts payable and accrued liabilities	(28,154)	(15,623)
Deferred revenue	(9,207)	(27,231)
Other long-term liabilities	(20,303)	7,585
Net cash provided by operating activities	<u>255,349</u>	<u>184,655</u>
Cash flows from investing activities:		
Purchases of available-for-sale securities	(81,300)	(98,392)
Proceeds from the sale of available-for-sale securities	50,806	69,912
Proceeds from the maturity of available-for-sale securities	25,550	32,402
Proceeds from the sale of long-term investments	4,510	-
Purchases of property, plant and equipment	(34,093)	(27,958)
Cash paid in business combinations and asset acquisitions, net of cash acquired	-	(167,248)
Net cash used for investing activities	<u>(34,527)</u>	<u>(191,284)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility	-	100,000
Payment on revolving credit facility	-	(100,000)
Payment of convertible notes	(349,999)	(1)
Payment of convertible notes embedded conversion derivative liability	(530,643)	(1)
Proceeds from convertible notes hedges	530,643	1
Payment of debt issuance costs	-	(322)
Payment of acquisition-related contingent consideration	-	(1,835)
Excess tax benefits from stock-based compensation	16,940	5,786
Proceeds from issuance of common stock	59,448	54,717
Stock received for payment of employee taxes on vesting of restricted stock	(31,795)	(23,648)
Payments for repurchases of common stock	(213,135)	(62,575)
Net cash used for financing activities	<u>(518,541)</u>	<u>(27,878)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(18,351)</u>	<u>(1,270)</u>
Decrease in cash and cash equivalents	<u>(316,070)</u>	<u>(35,777)</u>
Cash and cash equivalents at end of period	<u>\$ 616,091</u>	<u>\$ 500,483</u>

Cadence Design Systems, Inc.
Trended Condensed Consolidated Statements of Cash Flows
For the Five Quarters Ended October 3, 2015
(In thousands)
(Unaudited)

	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015
Cash and cash equivalents at beginning of period	\$ 557,416	\$ 500,483	\$ 932,161	\$ 887,736	\$ 647,851
Cash flows from operating activities:					
Net income	37,535	65,030	36,259	58,160	77,624
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	30,687	31,338	29,433	29,530	29,043
Amortization of debt discount and fees	5,049	5,666	5,945	3,026	214
Stock-based compensation	22,877	22,974	21,861	21,703	24,117
(Gain) loss on investments, net	1,926	(1,505)	(1,270)	(320)	156
Deferred income taxes	14,185	(6,485)	1,864	5,233	(5,384)
Other non-cash items	2,527	633	929	213	(1,211)
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	(7,194)	(16,067)	(12,450)	4,372	(2,022)
Inventories	(3,530)	4,088	1,682	(7,925)	4,382
Prepaid expenses and other	13,594	(2,493)	(10,004)	1,968	(4,415)
Other assets	(36,968)	(3,940)	3,627	(2,510)	(817)
Accounts payable and accrued liabilities	(2,073)	19,479	(44,754)	24,101	(7,501)
Deferred revenue	(3,491)	15,371	16,812	(10,985)	(15,034)
Other long-term liabilities	12,568	(2,022)	(3,246)	(4,812)	(12,245)
Net cash provided by operating activities	<u>87,692</u>	<u>132,067</u>	<u>46,688</u>	<u>121,754</u>	<u>86,907</u>
Cash flows from investing activities:					
Purchases of available-for-sale securities	(20,902)	(25,773)	(33,161)	(26,355)	(21,784)
Proceeds from the sale of available-for-sale securities	15,311	15,472	20,551	17,035	13,220
Proceeds from the maturity of available-for-sale securities	8,603	14,210	10,350	5,250	9,950
Proceeds from the sale of long-term investments	-	1,085	1,364	929	2,217
Purchases of property, plant and equipment	(10,243)	(11,852)	(7,520)	(16,547)	(10,026)
Cash paid in business combinations and asset acquisitions, net of cash acquired	(3,563)	127	-	-	-
Net cash used for investing activities	<u>(10,794)</u>	<u>(6,731)</u>	<u>(8,416)</u>	<u>(19,688)</u>	<u>(6,423)</u>
Cash flows from financing activities:					
Proceeds from issuance of debt	-	348,649	-	-	-
Payment on revolving credit facility	(100,000)	-	-	-	-
Payment of convertible notes	(1)	-	(53,862)	(296,137)	-
Payment of convertible notes embedded conversion derivative liability	(1)	-	(77,139)	(453,504)	-
Proceeds from convertible notes hedges	1	-	77,139	453,504	-
Payment of debt issuance costs	(322)	(6,178)	-	-	-
Excess tax benefits from stock-based compensation	3,144	1,797	6,482	3,615	6,843
Proceeds from issuance of common stock	18,235	11,196	24,609	13,558	21,281
Stock received for payment of employee taxes on vesting of restricted stock	(11,356)	(1,079)	(14,114)	(1,700)	(15,981)
Payments for repurchases of common stock	(37,543)	(37,542)	(36,797)	(56,279)	(120,059)
Net cash provided by (used for) financing activities	<u>(127,843)</u>	<u>316,843</u>	<u>(73,682)</u>	<u>(336,943)</u>	<u>(107,916)</u>
Effect of exchange rate changes on cash and cash equivalents	(5,988)	(10,501)	(9,015)	(5,008)	(4,328)
Increase (decrease) in cash and cash equivalents	<u>(56,933)</u>	<u>431,678</u>	<u>(44,425)</u>	<u>(239,885)</u>	<u>(31,760)</u>
Cash and cash equivalents at end of period	<u>\$ 500,483</u>	<u>\$ 932,161</u>	<u>\$ 887,736</u>	<u>\$ 647,851</u>	<u>\$ 616,091</u>

Cadence Design Systems, Inc.
(Unaudited)

Revenue Mix by Geography (% of Total Revenue)

<u>GEOGRAPHY</u>	2014					2015		
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3
Americas	45%	44%	46%	47%	45%	47%	48%	48%
Asia	23%	23%	22%	22%	23%	24%	23%	25%
Europe, Middle East and Africa	20%	22%	21%	21%	21%	19%	20%	18%
Japan	12%	11%	11%	10%	11%	10%	9%	9%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Revenue Mix by Product Group (% of Total Revenue)

<u>PRODUCT GROUP</u>	2014					2015		
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3
Functional Verification, including Emulation Hardware	23%	21%	23%	21%	22%	23%	21%	23%
Digital IC Design and Signoff	30%	30%	29%	28%	29%	28%	29%	28%
Custom IC Design	27%	28%	27%	28%	27%	27%	27%	26%
System Interconnect and Analysis	10%	11%	10%	11%	11%	11%	11%	10%
IP	10%	10%	11%	12%	11%	11%	12%	13%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Cadence Design Systems, Inc.
As of October 26, 2015
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share
(Unaudited)

	<u>Three Months Ending</u> <u>January 2, 2016</u> <u>Forecast</u>	<u>Year Ending</u> <u>January 2, 2016</u> <u>Forecast</u>
Diluted net income per share on a GAAP basis	\$0.20 to \$0.22	\$0.75 to \$0.77
Amortization of acquired intangibles	0.05	0.21
Stock-based compensation expense	0.08	0.29
Non-qualified deferred compensation expenses (credits)	-	-
Restructuring and other charges	-	0.01
Acquisition and integration-related costs	-	0.02
Amortization of debt discount on convertible notes	-	0.02
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	-
Income tax effect of non-GAAP adjustments	(0.05)	(0.24)
Diluted net income per share on a non-GAAP basis†	<u>\$0.28 to \$0.30</u>	<u>\$1.06 to \$1.08</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 third quarter of 2015 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.
As of October 26, 2015
Impact of Non-GAAP Adjustments on Forward Looking Net Income
(Unaudited)

(\$ in millions)	<u>Three Months Ending</u> <u>January 2, 2016</u> <u>Forecast</u>	<u>Year Ending</u> <u>January 2, 2016</u> <u>Forecast</u>
Net income on a GAAP basis	\$62 to \$68	\$234 to \$240
Amortization of acquired intangibles	16	64
Stock-based compensation expense	24	92
Non-qualified deferred compensation expenses (credits)	-	(1)
Restructuring and other charges	-	4
Acquisition and integration-related costs	1	7
Amortization of debt discount on convertible notes	-	7
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	(1)
Income tax effect of non-GAAP adjustments	(16)	(74)
Net income on a non-GAAP basis†	<u>\$87 to \$93</u>	<u>\$332 to \$338</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 third quarter of 2015 for a further discussion of its non-GAAP financial measures.

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

Cadence Design Systems, Inc.
Reconciliation of GAAP Net Income to Non-GAAP Net Income
For the Three and Nine Months Ended October 3, 2015 and September 27, 2014
(Unaudited)

(In thousands)	Three Months Ended		Nine Months Ended	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Net income on a GAAP basis	\$ 77,624	\$ 37,535	\$ 172,043	\$ 93,868
Amortization of acquired intangibles*	15,794	16,387	48,422	43,365
Stock-based compensation expense**	24,117	22,877	67,681	60,818
Non-qualified deferred compensation expenses (credits)***	(1,508)	(104)	(944)	3,006
Restructuring and other charges	303	11,027	4,164	11,397
Acquisition and integration-related costs****	948	4,435	6,379	20,340
Special charges † *****	-	459	-	10,816
Amortization of debt discount on convertible notes	-	4,370	7,496	12,820
Other income or expense related to investments and non-qualified deferred compensation plan assets ††	174	1,944	(1,400)	(3,145)
Income tax effect of non-GAAP adjustments	(28,601)	(19,377)	(58,023)	(50,736)
Net income on a non-GAAP basis +	\$ 88,851	\$ 79,553	\$ 245,818	\$ 202,549

+ 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 third quarter of 2015 for a further discussion of its non-GAAP financial measures.

† Comprised of costs related to a voluntary retirement program.

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

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

(In thousands)	Three Months Ended		Nine Months Ended	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Cost of product and maintenance	\$ 10,107	\$ 10,071	\$ 30,385	\$ 26,260
Amortization of acquired intangibles	5,687	6,316	18,037	17,105
Total amortization of acquired intangibles	\$ 15,794	\$ 16,387	\$ 48,422	\$ 43,365

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

(In thousands)	Three Months Ended		Nine Months Ended	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Cost of product and maintenance	\$ 662	\$ 633	\$ 1,789	\$ 1,600
Cost of services	968	926	2,615	2,338
Marketing and sales	5,764	5,930	16,447	15,086
Research and development	12,847	11,580	35,625	30,948
General and administrative	3,876	3,808	11,205	10,846
Total stock-based compensation expense	\$ 24,117	\$ 22,877	\$ 67,681	\$ 60,818

***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	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Cost of product and maintenance	\$ (8)	\$ (1)	\$ (7)	\$ 28
Cost of services	(12)	(2)	(11)	42
Marketing and sales	(72)	(1)	(50)	130
Research and development	(900)	(95)	(516)	1,670
General and administrative	(516)	(5)	(360)	1,136
Total non-qualified deferred compensation expenses (credits)	\$ (1,508)	\$ (104)	\$ (944)	\$ 3,006

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

(In thousands)	Three Months Ended		Nine Months Ended	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Marketing and sales	\$ 152	\$ 870	\$ 541	\$ 2,357
Research and development	758	3,933	5,723	13,874
General and administrative	38	(368)	115	4,109
Total acquisition and integration-related costs	\$ 948	\$ 4,435	\$ 6,379	\$ 20,340

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

(In thousands)	Three Months Ended		Nine Months Ended	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Cost of product and maintenance	\$ -	\$ -	\$ -	\$ 401
Cost of services	-	-	-	667
Marketing and sales	-	-	-	1,913
Research and development	-	-	-	5,854
General and administrative	-	459	-	1,981
Total special charges	\$ -	\$ 459	\$ -	\$ 10,816

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 October 3, 2015, July 4, 2015 and September 27, 2014
and the Nine Months Ended October 3, 2015 and September 27, 2014
(Unaudited)

(In thousands, except per share data)	Three Months Ended			Nine Months Ended	
	October 3, 2015	July 4, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Diluted net income per share on a GAAP basis	\$ 0.25	\$ 0.19	\$ 0.12	\$ 0.55	\$ 0.31
Amortization of acquired intangibles	0.05	0.05	0.05	0.16	0.14
Stock-based compensation expense	0.08	0.07	0.07	0.22	0.20
Non-qualified deferred compensation expenses (credits)	(0.01)	-	-	-	0.01
Restructuring and other charges (credits)	-	-	0.04	0.01	0.04
Acquisition and integration-related costs	-	-	0.02	0.02	0.07
Special charges*	-	-	-	-	0.03
Amortization of debt discount on convertible notes	-	0.01	0.01	0.02	0.04
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	(0.09)	(0.05)	(0.06)	(0.19)	(0.17)
Diluted net income per share on a non-GAAP basis +	\$ 0.28	\$ 0.27	\$ 0.26	\$ 0.79	\$ 0.66
Shares used in calculation of diluted net income per share - GAAP ***	313,186	313,665	309,995	312,899	305,595
Shares used in calculation of diluted net income per share - non-GAAP ***	313,186	313,665	309,995	312,899	305,595

+ **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 third quarter of 2015 for a further discussion of its non-GAAP financial measures.**

* Comprised of costs related to a voluntary retirement program.

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

*** Shares used in the calculation of GAAP net income per share are expected to be the same as shares used in the calculation of non-GAAP net income per share, except when the company reports a GAAP net loss and non-GAAP net income, or GAAP net income and a non-GAAP net loss.

Cadence Design Systems, Inc.
Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures
(Unaudited)

	Three Months Ended October 3, 2015	Three Months Ended July 4, 2015	Three Months Ended September 27, 2014
	Actual	Actual	Actual
	(In thousands)	(In thousands)	(In thousands)
GAAP total costs and expenses	\$ 355,862	\$ 339,479	\$ 346,447
Reconciling items to non-GAAP total costs and expenses			
Amortization of acquired intangibles	(15,794)	(16,224)	(16,387)
Stock-based compensation expense	(24,117)	(21,703)	(22,877)
Non-qualified deferred compensation (expenses) credits	1,508	(37)	104
Restructuring and other (charges) credits	(303)	498	(11,027)
Acquisition and integration-related costs	(948)	(1,681)	(4,435)
Special charges*	-	-	(459)
Non-GAAP total costs and expenses†	\$ 316,208	\$ 300,332	\$ 291,366

†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 third quarter of 2015 for a further discussion of its non-GAAP financial measures.

*Comprised of costs related to a voluntary retirement program.

	Three Months Ended October 3, 2015	Three Months Ended July 4, 2015	Three Months Ended September 27, 2014	Three Months Ending January 2, 2016	Year Ending January 2, 2016
	Actual	Actual	Actual	Forecast	Forecast
GAAP operating margin as a percent of total revenue	18%	18%	13%	18% to 19%	16% to 17%
Reconciling items to non-GAAP operating margin as a percent of total revenue					
Amortization of acquired intangibles	4%	4%	4%	4%	4%
Stock-based compensation expense	5%	5%	6%	5%	6%
Non-qualified deferred compensation expenses (credits)	0%	0%	0%	0%	0%
Restructuring and other charges (credits)	0%	0%	3%	0%	0%
Acquisition and integration-related costs	0%	1%	1%	0%	0%
Special charges*	0%	0%	0%	0%	0%
Non-GAAP operating margin as a percent of total revenue†	27%	28%	27%	27% to 28%	26% to 27%

†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 third quarter of 2015 for a further discussion of its non-GAAP financial measures.

*Comprised of costs related to a voluntary retirement program.

	Year Ending January 2, 2016 Forecast
(In millions)	
GAAP total other income (expense), net	\$(22) 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*	(1)
Amortization of debt discount on convertible notes	7
Non-GAAP total other income (expense), net†	\$(16) to \$(12)

†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 third quarter of 2015 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 October 3, 2015					
	Operating expenses on a GAAP basis†	Stock-based compensation	Amortization of acquired intangibles	Non-qualified deferred compensation credits	Acquisition and integration- related costs	Operating expenses on a non-GAAP basis
Cost of product and maintenance	\$ 41,206	\$ (662)	\$ (10,107)	\$ 8	\$ -	\$ 30,445
Cost of services	24,005	(968)	-	12	-	23,049
Marketing and sales	101,950	(5,764)	-	72	(152)	96,106
Research and development	154,627	(12,847)	-	900	(758)	141,922
General and administrative	28,084	(3,876)	-	516	(38)	24,686
Amortization of acquired intangibles	5,687	-	(5,687)	-	-	-
	\$ (24,117)	\$ (15,794)	\$ 1,508	\$ (948)	-	-
	For the nine months ended October 3, 2015					
	Operating expenses on a GAAP basis†	Stock-based compensation	Amortization of acquired intangibles	Non-qualified deferred compensation credits	Acquisition and integration- related costs	Operating expenses on a non-GAAP basis
Cost of product and maintenance	\$ 114,980	\$ (1,789)	\$ (30,385)	\$ 7	\$ -	\$ 82,813
Cost of services	62,571	(2,615)	-	11	-	59,967
Marketing and sales	298,880	(16,447)	-	50	(541)	281,942
Research and development	475,597	(35,625)	-	516	(5,723)	434,765
General and administrative	83,193	(11,205)	-	360	(115)	72,233
Amortization of acquired intangibles	18,037	-	(18,037)	-	-	-
	\$ (67,681)	\$ (48,422)	\$ 944	\$ (6,379)	-	-

†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 third quarter of 2015 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 October 3, 2015
(In thousands)
(Unaudited)

	Three Months Ended October 3, 2015		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 396,867	\$ -	\$ 396,867
Services	<u>36,896</u>	<u>-</u>	<u>36,896</u>
Total revenue	<u>433,763</u>	<u>-</u>	<u>433,763</u>
Costs and expenses:			
Cost of product and maintenance	41,206	(10,761) (A)	30,445
Cost of services	24,005	(956) (A)	23,049
Marketing and sales	101,950	(5,844) (A)	96,106
Research and development	154,627	(12,705) (A)	141,922
General and administrative	28,084	(3,398) (A)	24,686
Amortization of acquired intangibles	5,687	(5,687) (A)	-
Restructuring and other charges	<u>303</u>	<u>(303)</u>	<u>-</u>
Total costs and expenses	<u>355,862</u>	<u>(39,654)</u>	<u>316,208</u>
Income from operations	77,901	39,654	117,555
Interest expense	(4,177)	-	(4,177)
Other income, net	<u>1,839</u>	<u>174</u> (B)	<u>2,013</u>
Income before provision (benefit) for income taxes	75,563	39,828	115,391
Provision (benefit) for income taxes	<u>(2,061)</u>	<u>28,601</u> (C)	<u>26,540</u>
Net income	<u>\$ 77,624</u>	<u>\$ 11,227</u>	<u>\$ 88,851</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 third quarter of 2015 for a further discussion of its non-GAAP financial measures.

Notes:

(A) For the three months ended October 3, 2015, 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	Total adjustments
Cost of product and maintenance	\$ 10,107	\$ 662	\$ (8)	\$ -	\$ 10,761
Cost of services	-	968	(12)	-	956
Marketing and sales	-	5,764	(72)	152	5,844
Research and development	-	12,847	(900)	758	12,705
General and administrative	-	3,876	(516)	38	3,398
Amortization of acquired intangibles	5,687	-	-	-	5,687
Total	<u>\$ 15,794</u>	<u>\$ 24,117</u>	<u>\$ (1,508)</u>	<u>\$ 948</u>	<u>\$ 39,351</u>

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

(C) Income tax effect of non-GAAP adjustments

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Three Months Ended 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

* 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 third quarter of 2015 for a further discussion of its non-GAAP financial measures.

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 Nine Months Ended October 3, 2015
(In thousands)
(Unaudited)

	Nine Months Ended October 3, 2015		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance Services	\$ 1,165,455	\$ -	\$ 1,165,455
	<u>95,557</u>	<u>-</u>	<u>95,557</u>
Total revenue	<u>1,261,012</u>	<u>-</u>	<u>1,261,012</u>
Costs and expenses:			
Cost of product and maintenance	114,980	(32,167) (A)	82,813
Cost of services	62,571	(2,604) (A)	59,967
Marketing and sales	298,880	(16,938) (A)	281,942
Research and development	475,597	(40,832) (A)	434,765
General and administrative	83,193	(10,960) (A)	72,233
Amortization of acquired intangibles	18,037	(18,037) (A)	-
Restructuring and other charges	4,164	(4,164)	-
Total costs and expenses	<u>1,057,422</u>	<u>(125,702)</u>	<u>931,720</u>
Income from operations	203,590	125,702	329,292
Interest expense	(24,111)	7,496 (B)	(16,615)
Other income, net	<u>7,967</u>	<u>(1,400) (C)</u>	<u>6,567</u>
Income before provision for income taxes	187,446	131,798	319,244
Provision for income taxes	<u>15,403</u>	<u>58,023 (D)</u>	<u>73,426</u>
Net income	<u>\$ 172,043</u>	<u>\$ 73,775</u>	<u>\$ 245,818</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 third quarter of 2015 for a further discussion of its non-GAAP financial measures.

Notes:

(A) For the nine months ended October 3, 2015 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	Total adjustments
Cost of product and maintenance	\$ 30,385	\$ 1,789	\$ (7)	\$ -	\$ 32,167
Cost of services	-	2,615	(11)	-	2,604
Marketing and sales	-	16,447	(50)	541	16,938
Research and development	-	35,625	(516)	5,723	40,832
General and administrative	-	11,205	(360)	115	10,960
Amortization of acquired intangibles	18,037	-	-	-	18,037
Total	<u>\$ 48,422</u>	<u>\$ 67,681</u>	<u>\$ (944)</u>	<u>\$ 6,379</u>	<u>\$ 121,538</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 27, 2014
(In thousands)
(Unaudited)

	Nine Months Ended September 27, 2014		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance Services	\$ 1,085,928	\$ -	\$ 1,085,928
	<u>71,906</u>	<u>-</u>	<u>71,906</u>
Total revenue	<u>1,157,834</u>	<u>-</u>	<u>1,157,834</u>
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	<u>1,025,976</u>	<u>(149,742)</u>	<u>876,234</u>
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	<u>\$ 93,868</u>	<u>\$ 108,681</u>	<u>\$ 202,549</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 third quarter of 2015 for a further discussion of its non-GAAP financial measures.

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	<u>\$ 43,365</u>	<u>\$ 60,818</u>	<u>\$ 3,006</u>	<u>\$ 20,340</u>	<u>\$ 10,816</u>	<u>\$ 138,345</u>

(B) Amortization of debt discount related to convertible notes

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

(D) Income tax effect of non-GAAP adjustments

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