

TABLE OF CONTENTS

Condensed Consolidated Balance Sheets, October 1, 2016 and January 2, 2016.....	1
Trended Condensed Consolidated Balance Sheets.....	2
Condensed Consolidated Income Statements for the Three and Nine Months Ended October 1, 2016 and October 3, 2015.....	3
Trended Condensed Consolidated Income Statements.....	4
Condensed Consolidated Statements of Cash Flows for the Nine Months Ended October 1, 2016 and October 3, 2015.....	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 24, 2016.....	8
Impact of Non-GAAP Adjustments on Forward Looking Net Income, as of October 24, 2016.....	8
Reconciliation of GAAP Net Income to Non-GAAP Net Income, for the Three and Nine Months Ended October 1, 2016 and October 3, 2015.....	9
Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share, for the Three and Nine Months Ended October 1, 2016 and October 3, 2015.....	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 1, 2016.....	12
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Three Months Ended October 3, 2015.....	13
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Nine Months Ended October 1, 2016.....	14
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Nine Months Ended October 3, 2015.....	15

Cadence Design Systems, Inc.
Condensed Consolidated Balance Sheets
October 1, 2016 and January 2, 2016
(In thousands)
(Unaudited)

	October 1, 2016	January 2, 2016
Current assets:		
Cash and cash equivalents	\$ 524,333	\$ 616,686
Short-term investments	8,503	94,498
Receivables, net	152,025	164,848
Inventories	64,476	56,762
Prepaid expenses and other	42,953	31,441
Total current assets	792,290	964,235
Property, plant and equipment, net of accumulated depreciation of \$613,314 and \$581,345, respectively	240,590	228,599
Goodwill	573,890	551,772
Acquired intangibles, net of accumulated amortization of \$253,562 and \$216,589, respectively	273,381	296,482
Long-term receivables	14,961	4,498
Other assets	298,975	299,929
Total assets	\$ 2,194,087	\$ 2,345,515
Current liabilities:		
Revolving credit facility	\$ 50,000	\$ -
Accounts payable and accrued liabilities	192,948	238,022
Current portion of deferred revenue	288,373	298,285
Total current liabilities	531,321	536,307
Long-term liabilities:		
Long-term portion of deferred revenue	36,338	30,209
Long-term debt	643,277	343,288
Other long-term liabilities	56,355	59,596
Total long-term liabilities	735,970	433,093
Stockholders' equity	926,796	1,376,115
Total liabilities and stockholders' equity	\$ 2,194,087	\$ 2,345,515

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

	October 3, 2015	January 2, 2016	April 2, 2016	July 2, 2016	October 1, 2016
Current assets:					
Cash and cash equivalents	\$ 616,091	\$ 616,686	\$ 810,400	\$ 669,573	\$ 524,333
Short-term investments	95,104	94,498	96,317	34,745	8,503
Receivables, net	133,665	164,848	147,533	156,444	152,025
Inventories	57,690	56,762	56,634	61,932	64,476
Prepaid expenses and other	139,015	31,441	41,360	39,485	42,953
Total current assets	<u>1,041,565</u>	<u>964,235</u>	<u>1,152,244</u>	<u>962,179</u>	<u>792,290</u>
Property, plant and equipment, net	227,689	228,599	231,180	235,911	240,590
Goodwill	552,411	551,772	551,897	573,714	573,890
Acquired intangibles, net	312,405	296,482	283,825	287,888	273,381
Long-term receivables	1,568	4,498	11,365	17,368	14,961
Other assets	189,876	299,929	308,513	300,813	298,975
Total assets	<u>\$ 2,325,514</u>	<u>\$ 2,345,515</u>	<u>\$ 2,539,024</u>	<u>\$ 2,377,873</u>	<u>\$ 2,194,087</u>
Current liabilities:					
Revolving credit facility	\$ -	\$ -	\$ 50,000	\$ 50,000	\$ 50,000
Accounts payable and accrued liabilities	194,427	238,022	195,216	224,685	192,948
Current portion of deferred revenue	315,220	298,285	322,684	289,786	288,373
Total current liabilities	<u>509,647</u>	<u>536,307</u>	<u>567,900</u>	<u>564,471</u>	<u>531,321</u>
Long-term liabilities:					
Long-term portion of deferred revenue	31,234	30,209	38,447	38,094	36,338
Long-term debt	343,134	343,288	642,862	643,073	643,277
Other long-term liabilities	56,937	59,596	55,763	56,842	56,355
Total long-term liabilities	<u>431,305</u>	<u>433,093</u>	<u>737,072</u>	<u>738,009</u>	<u>735,970</u>
Stockholders' equity:					
Common stock and capital in excess of par value	1,853,284	1,863,086	1,844,287	1,851,724	1,801,125
Treasury stock, at cost	(307,408)	(400,555)	(587,348)	(800,059)	(963,604)
Retained earnings (accumulated deficit)	(154,365)	(73,991)	(15,622)	33,713	98,425
Accumulated other comprehensive loss	(6,949)	(12,425)	(7,265)	(9,985)	(9,150)
Total stockholders' equity	<u>1,384,562</u>	<u>1,376,115</u>	<u>1,234,052</u>	<u>1,075,393</u>	<u>926,796</u>
Total liabilities and stockholders' equity	<u>\$ 2,325,514</u>	<u>\$ 2,345,515</u>	<u>\$ 2,539,024</u>	<u>\$ 2,377,873</u>	<u>\$ 2,194,087</u>

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three and Nine Months Ended October 1, 2016 and October 3, 2015
(In thousands, except per share amounts)
(Unaudited)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>October 1, 2016</u>	<u>October 3, 2015</u>	<u>October 1, 2016</u>	<u>October 3, 2015</u>
Revenue:				
Product and maintenance	\$ 415,370	\$ 396,867	\$ 1,247,077	\$ 1,165,455
Services	30,850	36,896	100,026	95,557
Total revenue	<u>446,220</u>	<u>433,763</u>	<u>1,347,103</u>	<u>1,261,012</u>
Costs and expenses:				
Cost of product and maintenance	38,740	41,206	125,881	114,980
Cost of services	17,867	24,005	54,563	62,571
Marketing and sales	96,793	101,950	297,103	298,880
Research and development	191,547	154,627	553,824	475,597
General and administrative	30,441	28,084	95,129	83,193
Amortization of acquired intangibles	3,889	5,687	14,206	18,037
Restructuring and other charges	101	303	14,613	4,164
Total costs and expenses	<u>379,378</u>	<u>355,862</u>	<u>1,155,319</u>	<u>1,057,422</u>
Income from operations	66,842	77,901	191,784	203,590
Interest expense	(6,053)	(4,177)	(17,306)	(24,111)
Other income, net	2,836	1,839	10,441	7,967
Income before provision (benefit) for income taxes	63,625	75,563	184,919	187,446
Provision (benefit) for income taxes	(1,087)	(2,061)	20,310	15,403
Net income	<u>\$ 64,712</u>	<u>\$ 77,624</u>	<u>\$ 164,609</u>	<u>\$ 172,043</u>
Net income per share - basic	<u>\$ 0.23</u>	<u>\$ 0.27</u>	<u>\$ 0.57</u>	<u>\$ 0.60</u>
Net income per share - diluted	<u>\$ 0.23</u>	<u>\$ 0.25</u>	<u>\$ 0.56</u>	<u>\$ 0.55</u>
Weighted average common shares outstanding - basic	<u>280,622</u>	<u>284,818</u>	<u>288,476</u>	<u>284,880</u>
Weighted average common shares outstanding - diluted	<u>287,473</u>	<u>313,186</u>	<u>295,369</u>	<u>312,899</u>

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

	Three Months Ended				
	October 3, 2015	January 2, 2016	April 2, 2016	July 2, 2016	October 1, 2016
Revenue:					
Product and maintenance	\$ 396,867	\$ 413,489	\$ 411,744	\$ 419,963	\$ 415,370
Services	36,896	27,590	36,118	33,058	30,850
Total revenue	<u>433,763</u>	<u>441,079</u>	<u>447,862</u>	<u>453,021</u>	<u>446,220</u>
Costs and expenses:					
Cost of product and maintenance	41,206	40,679	44,181	42,960	38,740
Cost of services	24,005	20,223	17,873	18,823	17,867
Marketing and sales	101,950	103,552	99,200	101,110	96,793
Research and development	154,627	161,970	179,906	182,371	191,547
General and administrative	28,084	26,789	28,300	36,388	30,441
Amortization of acquired intangibles	5,687	5,679	5,780	4,537	3,889
Restructuring and other charges (credits)	303	347	14,586	(74)	101
Total costs and expenses	<u>355,862</u>	<u>359,239</u>	<u>389,826</u>	<u>386,115</u>	<u>379,378</u>
Income from operations	77,901	81,840	58,036	66,906	66,842
Interest expense	(4,177)	(4,200)	(5,357)	(5,896)	(6,053)
Other income, net	1,839	2,510	4,763	2,842	2,836
Income before provision (benefit) for income taxes	75,563	80,150	57,442	63,852	63,625
Provision (benefit) for income taxes	(2,061)	(224)	6,880	14,517	(1,087)
Net income	<u>\$ 77,624</u>	<u>\$ 80,374</u>	<u>\$ 50,562</u>	<u>\$ 49,335</u>	<u>\$ 64,712</u>
Net income per share - basic	<u>\$ 0.27</u>	<u>\$ 0.27</u>	<u>\$ 0.17</u>	<u>\$ 0.17</u>	<u>\$ 0.23</u>
Net income per share - diluted	<u>\$ 0.25</u>	<u>\$ 0.26</u>	<u>\$ 0.17</u>	<u>\$ 0.17</u>	<u>\$ 0.23</u>
Weighted average common shares outstanding - basic	<u>284,818</u>	<u>297,433</u>	<u>296,615</u>	<u>288,191</u>	<u>280,622</u>
Weighted average common shares outstanding - diluted	<u>313,186</u>	<u>310,512</u>	<u>303,434</u>	<u>295,201</u>	<u>287,473</u>

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended October 1, 2016 and October 3, 2015
(In thousands)
(Unaudited)

	Nine Months Ended	
	October 1, 2016	October 3, 2015
Cash and cash equivalents at beginning of period	\$ 616,686	\$ 932,161
Cash flows from operating activities:		
Net income	164,609	172,043
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	89,726	88,006
Amortization of debt discount and fees	792	9,185
Stock-based compensation	79,986	67,681
Gain on investments, net	(4,070)	(1,434)
Gain on sale of property, plant and equipment	(482)	-
Deferred income taxes	8,657	1,713
Other non-cash items	1,869	(69)
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	2,873	(10,100)
Inventories	(16,339)	(1,861)
Prepaid expenses and other	(12,135)	(12,451)
Other assets	(3,822)	300
Accounts payable and accrued liabilities	(46,585)	(28,154)
Deferred revenue	(10,823)	(9,207)
Other long-term liabilities	(6,239)	(20,303)
Net cash provided by operating activities	<u>248,017</u>	<u>255,349</u>
Cash flows from investing activities:		
Purchases of available-for-sale securities	(20,525)	(81,300)
Proceeds from the sale of available-for-sale securities	55,418	50,806
Proceeds from the maturity of available-for-sale securities	52,362	25,550
Proceeds from the sale of long-term investments	2,913	4,510
Proceeds from the sale of property, plant and equipment	482	-
Purchases of property, plant and equipment	(42,452)	(34,093)
Cash paid in business combinations and asset acquisitions, net of cash acquired	(41,627)	-
Net cash provided by (used for) investing activities	<u>6,571</u>	<u>(34,527)</u>
Cash flows from financing activities:		
Proceeds from term loan	300,000	-
Proceeds from revolving credit facility	50,000	-
Payment of debt issuance costs	(622)	-
Payment of convertible notes	-	(349,999)
Payment of convertible notes embedded conversion derivative liability	-	(530,643)
Proceeds from convertible notes hedges	-	530,643
Excess tax benefits from stock-based compensation	-	16,940
Proceeds from issuance of common stock	50,293	59,448
Stock received for payment of employee taxes on vesting of restricted stock	(35,532)	(31,795)
Payments for repurchases of common stock	(720,196)	(213,135)
Net cash used for financing activities	<u>(356,057)</u>	<u>(518,541)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>9,116</u>	<u>(18,351)</u>
Decrease in cash and cash equivalents	<u>(92,353)</u>	<u>(316,070)</u>
Cash and cash equivalents at end of period	<u>\$ 524,333</u>	<u>\$ 616,091</u>

Cadence Design Systems, Inc.
Trended Condensed Consolidated Statements of Cash Flows
For the Five Quarters Ended October 1, 2016
(In thousands)
(Unaudited)

	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016
Cash and cash equivalents at beginning of period	\$ 647,851	\$ 616,091	\$ 616,686	\$ 810,400	\$ 669,573
Cash flows from operating activities:					
Net income	77,624	80,374	50,562	49,335	64,712
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	29,043	30,159	31,231	31,528	26,967
Amortization of debt discount and fees	214	217	255	272	265
Stock-based compensation	24,117	24,660	24,632	25,356	29,998
(Gain) loss on investments, net	156	(690)	(2,617)	(648)	(805)
Gain on sale of property, plant and equipment	-	-	-	-	(482)
Deferred income taxes	(5,384)	(14,861)	1,623	8,629	(1,595)
Other non-cash items	(1,211)	715	209	541	1,119
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	(2,022)	(34,632)	11,618	(15,150)	6,405
Inventories	4,382	741	(3,714)	(6,582)	(6,043)
Prepaid expenses and other	(4,415)	11,071	(10,132)	1,442	(3,445)
Other assets	(817)	(1,858)	(3,595)	(5,114)	4,887
Accounts payable and accrued liabilities	(7,501)	43,475	(42,557)	28,545	(32,573)
Deferred revenue	(15,034)	(17,812)	30,710	(38,122)	(3,411)
Other long-term liabilities	(12,245)	1,292	(5,034)	334	(1,539)
Net cash provided by operating activities	<u>86,907</u>	<u>122,851</u>	<u>83,191</u>	<u>80,366</u>	<u>84,460</u>
Cash flows from investing activities:					
Purchases of available-for-sale securities	(21,784)	(15,231)	(20,525)	-	-
Proceeds from the sale of available-for-sale securities	13,220	10,143	1,000	54,168	250
Proceeds from the maturity of available-for-sale securities	9,950	5,766	19,000	7,115	26,247
Proceeds from the sale of long-term investments	2,217	60	2,583	-	330
Proceeds from the sale of property, plant and equipment	-	-	-	-	482
Purchases of property, plant and equipment	(10,026)	(10,715)	(12,116)	(16,171)	(14,165)
Cash paid in business combinations and asset acquisitions, net of cash acquired	-	-	(3,853)	(37,774)	-
Net cash provided by (used for) investing activities	<u>(6,423)</u>	<u>(9,977)</u>	<u>(13,911)</u>	<u>7,338</u>	<u>13,144</u>
Cash flows from financing activities:					
Proceeds from term loan	-	-	300,000	-	-
Proceeds from revolving credit facility	-	-	50,000	-	-
Payment of debt issuance costs	-	-	(542)	(80)	-
Excess tax benefits from stock-based compensation	6,843	(1,349)	-	-	-
Proceeds from issuance of common stock	21,281	15,490	24,200	12,096	13,997
Stock received for payment of employee taxes on vesting of restricted stock	(15,981)	(1,856)	(15,225)	(2,265)	(18,042)
Payments for repurchases of common stock	(120,059)	(120,054)	(240,000)	(240,100)	(240,096)
Net cash provided by (used for) financing activities	<u>(107,916)</u>	<u>(107,769)</u>	<u>118,433</u>	<u>(230,349)</u>	<u>(244,141)</u>
Effect of exchange rate changes on cash and cash equivalents	(4,328)	(4,510)	6,001	1,818	1,297
Increase (decrease) in cash and cash equivalents	<u>(31,760)</u>	<u>595</u>	<u>193,714</u>	<u>(140,827)</u>	<u>(145,240)</u>
Cash and cash equivalents at end of period	<u>\$ 616,091</u>	<u>\$ 616,686</u>	<u>\$ 810,400</u>	<u>\$ 669,573</u>	<u>\$ 524,333</u>

Cadence Design Systems, Inc.
(Unaudited)

Revenue Mix by Geography (% of Total Revenue)

<u>GEOGRAPHY</u>	2015					2016		
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3
Americas	47%	48%	48%	48%	47%	49%	47%	46%
Asia	24%	23%	25%	25%	24%	22%	24%	27%
Europe, Middle East and Africa	19%	20%	18%	17%	19%	19%	20%	19%
Japan	10%	9%	9%	10%	10%	10%	9%	8%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Revenue Mix by Product Group (% of Total Revenue)

<u>PRODUCT GROUP</u>	2015					2016		
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3
Functional Verification, including Emulation and Prototyping Hardware	23%	21%	23%	25%	23%	26%	27%	24%
Digital IC Design and Signoff	28%	29%	28%	28%	28%	30%	27%	28%
Custom IC Design	27%	27%	26%	25%	26%	25%	26%	27%
System Interconnect and Analysis	11%	11%	10%	10%	11%	9%	10%	10%
IP	11%	12%	13%	12%	12%	10%	10%	11%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Cadence Design Systems, Inc.
As of October 24, 2016
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share
(Unaudited)

	<u>Three Months Ending</u> <u>December 31, 2016</u> <u>Forecast</u>	<u>Year Ending</u> <u>December 31, 2016</u> <u>Forecast</u>
Diluted net income per share on a GAAP basis	\$0.18 to \$0.20	\$0.74 to \$0.76
Amortization of acquired intangibles	0.05	0.21
Stock-based compensation expense	0.11	0.37
Non-qualified deferred compensation expenses	-	-
Restructuring and other charges*	0.04	0.09
Acquisition and integration-related costs	-	0.04
Other income or expense related to investments and non-qualified deferred compensation plan assets**	-	(0.01)
Income tax effect of non-GAAP adjustments	(0.06)	(0.25)
Diluted net income per share on a non-GAAP basis†	<u>\$0.32 to \$0.34</u>	<u>\$1.19 to \$1.21</u>

Cadence Design Systems, Inc.
As of October 24, 2016
Impact of Non-GAAP Adjustments on Forward Looking Net Income
(Unaudited)

(\$ in millions)	<u>Three Months Ending</u> <u>December 31, 2016</u> <u>Forecast</u>	<u>Year Ending</u> <u>December 31, 2016</u> <u>Forecast</u>
Net income on a GAAP basis	\$50 to \$56	\$214 to \$220
Amortization of acquired intangibles	14	60
Stock-based compensation expense	29	109
Non-qualified deferred compensation expenses	-	1
Restructuring and other charges*	12	27
Acquisition and integration-related costs	1	11
Other income or expense related to investments and non-qualified deferred compensation plan assets**	-	(4)
Income tax effect of non-GAAP adjustments	(17)	(73)
Net income on a non-GAAP basis†	<u>\$89 to \$95</u>	<u>\$345 to \$351</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 2016 for a further discussion of its non-GAAP measures.

* Includes expected costs related to a voluntary retirement program being offered in the fourth quarter of 2016.

** 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 1, 2016 and October 3, 2015
(Unaudited)

(In thousands)	Three Months Ended		Nine Months Ended	
	October 1, 2016	October 3, 2015	October 1, 2016	October 3, 2015
Net income on a GAAP basis	\$ 64,712	\$ 77,624	\$ 164,609	\$ 172,043
Amortization of acquired intangibles*	14,482	15,794	46,008	48,422
Stock-based compensation expense**	29,998	24,117	79,986	67,681
Non-qualified deferred compensation expenses (credits)***	921	(1,508)	1,197	(944)
Restructuring and other charges	101	303	14,613	4,164
Acquisition and integration-related costs****	1,841	948	9,835	6,379
Amortization of debt discount on convertible notes	-	-	-	7,496
Other income or expense related to investments and non-qualified deferred compensation plan assets †	(806)	174	(4,017)	(1,400)
Income tax effect of non-GAAP adjustments	(26,424)	(28,601)	(56,175)	(58,023)
Net income on a non-GAAP basis +	<u>\$ 84,825</u>	<u>\$ 88,851</u>	<u>\$ 256,056</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 2016 for a further discussion of its non-GAAP measures.

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

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

(In thousands)	Three Months Ended		Nine Months Ended	
	October 1, 2016	October 3, 2015	October 1, 2016	October 3, 2015
Cost of product and maintenance	\$ 10,593	\$ 10,107	\$ 31,802	\$ 30,385
Amortization of acquired intangibles	3,889	5,687	14,206	18,037
Total amortization of acquired intangibles	<u>\$ 14,482</u>	<u>\$ 15,794</u>	<u>\$ 46,008</u>	<u>\$ 48,422</u>

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

(In thousands)	Three Months Ended		Nine Months Ended	
	October 1, 2016	October 3, 2015	October 1, 2016	October 3, 2015
Cost of product and maintenance	\$ 550	\$ 662	\$ 1,461	\$ 1,789
Cost of services	807	968	2,141	2,615
Marketing and sales	6,040	5,764	16,881	16,447
Research and development	18,002	12,847	46,376	35,625
General and administrative	4,599	3,876	13,127	11,205
Total stock-based compensation expense	<u>\$ 29,998</u>	<u>\$ 24,117</u>	<u>\$ 79,986</u>	<u>\$ 67,681</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	
	October 1, 2016	October 3, 2015	October 1, 2016	October 3, 2015
Cost of product and maintenance	\$ 5	\$ (8)	\$ 5	\$ (7)
Cost of services	7	(12)	7	(11)
Marketing and sales	64	(72)	76	(50)
Research and development	623	(900)	890	(516)
General and administrative	222	(516)	219	(360)
Total non-qualified deferred compensation expenses (credits)	<u>\$ 921</u>	<u>\$ (1,508)</u>	<u>\$ 1,197</u>	<u>\$ (944)</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	
	October 1, 2016	October 3, 2015	October 1, 2016	October 3, 2015
Marketing and sales	\$ 43	\$ 152	\$ 262	\$ 541
Research and development	1,510	758	3,238	5,723
General and administrative	288	38	6,335	115
Total acquisition and integration-related costs	<u>\$ 1,841</u>	<u>\$ 948</u>	<u>\$ 9,835</u>	<u>\$ 6,379</u>

Cadence Design Systems, Inc.
Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share
For the Three and Nine Months Ended October 1, 2016 and October 3, 2015
(Unaudited)

(In thousands, except per share data)	Three Months Ended		Nine Months Ended	
	October 1, 2016	October 3, 2015	October 1, 2016	October 3, 2015
Diluted net income per share on a GAAP basis	\$ 0.23	\$ 0.25	\$ 0.56	\$ 0.55
Amortization of acquired intangibles	0.05	0.05	0.16	0.16
Stock-based compensation expense	0.10	0.08	0.27	0.22
Non-qualified deferred compensation expenses (credits)	-	(0.01)	-	-
Restructuring and other charges	-	-	0.05	0.01
Acquisition and integration-related costs	0.01	-	0.03	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 *	-	-	(0.01)	-
Income tax effect of non-GAAP adjustments	(0.09)	(0.09)	(0.19)	(0.19)
Diluted net income per share on a non-GAAP basis +	\$ 0.30	\$ 0.28	\$ 0.87	\$ 0.79
Shares used in calculation of diluted net income per share - GAAP **	287,473	313,186	295,369	312,899
Shares used in calculation of diluted net income per share - non-GAAP **	287,473	313,186	295,369	312,899

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

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

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

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

	Three Months Ended	Three Months Ended
	October 1, 2016	October 3, 2015
	Actual	Actual
	(In thousands)	(In thousands)
GAAP total costs and expenses	\$ 379,378	\$ 355,862
Reconciling items to non-GAAP total costs and expenses		
Amortization of acquired intangibles	(14,482)	(15,794)
Stock-based compensation expense	(29,998)	(24,117)
Non-qualified deferred compensation (expenses) credits	(921)	1,508
Restructuring and other charges	(101)	(303)
Acquisition and integration-related costs	(1,841)	(948)
Non-GAAP total costs and expenses†	\$ 332,035	\$ 316,208

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

	Three Months Ended	Three Months Ended	Three Months Ending	Year Ending
	October 1, 2016	October 3, 2015	December 31, 2016	December 31, 2016
	Actual	Actual	Forecast	Forecast
GAAP operating margin as a percent of total revenue	15%	18%	15%	14%
Reconciling items to non-GAAP operating margin as a percent of total revenue				
Amortization of acquired intangibles	3%	4%	3%	3%
Stock-based compensation expense	7%	5%	6%	6%
Non-qualified deferred compensation expenses (credits)	0%	0%	0%	0%
Restructuring and other charges	0%	0%	3%	2%
Acquisition and integration-related costs	1%	0%	0%	1%
Non-GAAP operating margin as a percent of total revenue†	26%	27%	27%	26%

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

(In millions)	Year Ending
	December 31, 2016
	Forecast
GAAP total other income (expense), net	\$(14) to \$(11)
Reconciling items to non-GAAP total other income (expense), net	
Other income or expense related to investments and non-qualified deferred compensation plan assets*	(4)
Non-GAAP total other income (expense), net†	\$(18) to \$(15)

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

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

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

(In thousands)	For the three months ended October 1, 2016					
	Operating expenses on a GAAP basis†	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Acquisition and integration-related costs	Operating expenses on a non-GAAP basis
Cost of product and maintenance	38,740	(10,593)	(550)	(5)	-	27,592
Cost of services	17,867	-	(807)	(7)	-	17,053
Marketing and sales	96,793	-	(6,040)	(64)	(43)	90,646
Research and development	191,547	-	(18,002)	(623)	(1,510)	171,412
General and administrative	30,441	-	(4,599)	(222)	(288)	25,332
Amortization of acquired intangibles	3,889	(3,889)	-	-	-	-
		(14,482)	(29,998)	(921)	(1,841)	
	For the nine months ended October 1, 2016					
	Operating expenses on a GAAP basis†	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Acquisition and integration-related costs	Operating expenses on a non-GAAP basis
Cost of product and maintenance	125,881	(31,802)	(1,461)	(5)	-	92,613
Cost of services	54,563	-	(2,141)	(7)	-	52,415
Marketing and sales	297,103	-	(16,881)	(76)	(262)	279,884
Research and development	553,824	-	(46,376)	(890)	(3,238)	503,320
General and administrative	95,129	-	(13,127)	(219)	(6,335)	75,448
Amortization of acquired intangibles	14,206	(14,206)	-	-	-	-
		(46,008)	(79,986)	(1,197)	(9,835)	

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

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Three Months Ended October 1, 2016
(In thousands)
(Unaudited)

	Three Months Ended October 1, 2016		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 415,370	\$ -	\$ 415,370
Services	30,850	-	30,850
Total revenue	<u>446,220</u>	<u>-</u>	<u>446,220</u>
Costs and expenses:			
Cost of product and maintenance	38,740	(11,148) (A)	27,592
Cost of services	17,867	(814) (A)	17,053
Marketing and sales	96,793	(6,147) (A)	90,646
Research and development	191,547	(20,135) (A)	171,412
General and administrative	30,441	(5,109) (A)	25,332
Amortization of acquired intangibles	3,889	(3,889) (A)	-
Restructuring and other charges	101	(101)	-
Total costs and expenses	<u>379,378</u>	<u>(47,343)</u>	<u>332,035</u>
Income from operations	66,842	47,343	114,185
Interest expense	(6,053)	-	(6,053)
Other income, net	2,836	(806) (B)	2,030
Income before provision (benefit) for income taxes	63,625	46,537	110,162
Provision (benefit) for income taxes	(1,087)	26,424	25,337
Net income	<u>\$ 64,712</u>	<u>\$ 20,113</u>	<u>\$ 84,825</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 2016 for a further discussion of its non-GAAP financial measures.

Notes:

(A) For the three months ended October 1, 2016, adjustments to GAAP are as follows for the line items specified:

	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Acquisition and integration- related costs	Total adjustments
Cost of product and maintenance	\$ 10,593	\$ 550	\$ 5	\$ -	\$ 11,148
Cost of services	-	807	7	-	814
Marketing and sales	-	6,040	64	43	6,147
Research and development	-	18,002	623	1,510	20,135
General and administrative	-	4,599	222	288	5,109
Amortization of acquired intangibles	3,889	-	-	-	3,889
Total	<u>\$ 14,482</u>	<u>\$ 29,998</u>	<u>\$ 921</u>	<u>\$ 1,841</u>	<u>\$ 47,242</u>

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

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	36,896	-	36,896
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	303	(303)	-
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	1,839	174 (B)	2,013
Income before provision (benefit) for income taxes	75,563	39,828	115,391
Provision (benefit) for income taxes	(2,061)	28,601	26,540
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 2016 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

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Nine Months Ended October 1, 2016
(In thousands)
(Unaudited)

	Nine Months Ended October 1, 2016		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 1,247,077	\$ -	\$ 1,247,077
Services	100,026	-	100,026
Total revenue	1,347,103	-	1,347,103
Costs and expenses:			
Cost of product and maintenance	125,881	(33,268) (A)	92,613
Cost of services	54,563	(2,148) (A)	52,415
Marketing and sales	297,103	(17,219) (A)	279,884
Research and development	553,824	(50,504) (A)	503,320
General and administrative	95,129	(19,681) (A)	75,448
Amortization of acquired intangibles	14,206	(14,206) (A)	-
Restructuring and other charges	14,613	(14,613)	-
Total costs and expenses	1,155,319	(151,639)	1,003,680
Income from operations	191,784	151,639	343,423
Interest expense	(17,306)	-	(17,306)
Other income, net	10,441	(4,017) (B)	6,424
Income before provision for income taxes	184,919	147,622	332,541
Provision for income taxes	20,310	56,175	76,485
Net income	\$ 164,609	\$ 91,447	\$ 256,056

* 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 2016 for a further discussion of its non-GAAP financial measures.

Notes:

(A) For the nine months ended October 1, 2016, adjustments to GAAP are as follows for the line items specified:

	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Acquisition and integration-related costs	Total adjustments
Cost of product and maintenance	\$ 31,802	\$ 1,461	\$ 5	\$ -	\$ 33,268
Cost of services	-	2,141	7	-	2,148
Marketing and sales	-	16,881	76	262	17,219
Research and development	-	46,376	890	3,238	50,504
General and administrative	-	13,127	219	6,335	19,681
Amortization of acquired intangibles	14,206	-	-	-	14,206
Total	\$ 46,008	\$ 79,986	\$ 1,197	\$ 9,835	\$ 137,026

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

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	\$ 1,165,455	\$ -	\$ 1,165,455
Services	95,557	-	95,557
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	7,967	(1,400) (C)	6,567
Income before provision for income taxes	187,446	131,798	319,244
Provision for income taxes	15,403	58,023	73,426
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 2016 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