

TABLE OF CONTENTS

Condensed Consolidated Balance Sheets, December 28, 2013 and December 29, 2012.....	1
Trended Condensed Consolidated Balance Sheets.....	2
Condensed Consolidated Income Statements for the Three Months and Years Ended December 28, 2013 and December 29, 2012.....	3
Trended Condensed Consolidated Income Statements.....	4
Condensed Consolidated Statements of Cash Flows for the Years Ended December 28, 2013 and December 29, 2012.....	5
Trended Condensed Consolidated Statements of Cash Flows.....	6
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share, as of January 29, 2014.....	7
Impact of Non-GAAP Adjustments on Forward Looking Net Income, as of January 29, 2014.....	7
Reconciliation of GAAP Net Income to Non-GAAP Net Income, for the Three Months and Years Ended December 28, 2013 and December 29, 2012.....	8
Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share, for the Three Months Ended December 28, 2013, September 28, 2013 and December 29, 2012 and the Years Ended December 28, 2013 and December 29, 2012.....	9
Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures.....	10
Revenue Mix by Geography.....	11
Revenue Mix by Product Group.....	11
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Three Months Ended December 28, 2013.....	12
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Three Months Ended December 29, 2012.....	13
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Year Ended December 28, 2013.....	14
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Year Ended December 29, 2012.....	15

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

	<u>December 28, 2013</u>	<u>December 29, 2012</u>
Current assets:		
Cash and cash equivalents	\$ 536,260	\$ 726,357
Short-term investments	96,788	100,704
Receivables, net of allowances of \$0 and \$85, respectively	107,624	97,821
Inventories	50,220	36,163
2015 notes hedges	306,817	303,154
Prepaid expenses and other	123,382	127,036
Total current assets	<u>1,221,091</u>	<u>1,391,235</u>
Property, plant and equipment, net of accumulated depreciation of \$568,494 and \$635,450, respectively	238,715	244,439
Goodwill	456,905	233,266
Acquired intangibles, net of accumulated amortization of \$139,820 and \$104,351, respectively	311,693	184,938
Long-term receivables	3,672	7,559
Other assets	196,525	225,566
Total assets	<u>\$ 2,428,601</u>	<u>\$ 2,287,003</u>
Current liabilities:		
Convertible notes	\$ 324,826	\$ 447,011
2015 notes embedded conversion derivative	306,817	303,154
Accounts payable and accrued liabilities	216,594	171,318
Current portion of deferred revenue	299,973	295,787
Total current liabilities	<u>1,148,210</u>	<u>1,217,270</u>
Long-term liabilities:		
Long-term portion of deferred revenue	52,850	50,529
Other long-term liabilities	71,436	104,033
Total long-term liabilities	<u>124,286</u>	<u>154,562</u>
Stockholders' equity	1,156,105	915,171
Total liabilities and stockholders' equity	<u>\$ 2,428,601</u>	<u>\$ 2,287,003</u>

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

	December 29, 2012	March 30, 2013	June 29, 2013	September 28, 2013	December 28, 2013
Current assets:					
Cash and cash equivalents	\$ 726,357	\$ 810,152	\$ 577,233	\$ 620,403	\$ 536,260
Short-term investments	100,704	100,992	101,251	96,019	96,788
Receivables, net	97,821	75,253	92,581	101,896	107,624
Inventories	36,163	37,016	38,705	45,877	50,220
2015 notes hedges	303,154	315,895	335,131	292,511	306,817
Prepaid expenses and other	127,036	122,604	120,598	117,457	123,382
Total current assets	<u>1,391,235</u>	<u>1,461,912</u>	<u>1,265,499</u>	<u>1,274,163</u>	<u>1,221,091</u>
Property, plant and equipment, net	244,439	237,455	243,288	241,965	238,715
Goodwill	233,266	232,608	457,556	456,267	456,905
Acquired intangibles, net	184,938	177,891	337,705	323,807	311,693
Long-term receivables	7,559	3,734	5,929	3,994	3,672
Other assets	225,566	209,663	253,112	257,191	196,525
Total assets	<u>\$ 2,287,003</u>	<u>\$ 2,323,263</u>	<u>\$ 2,563,089</u>	<u>\$ 2,557,387</u>	<u>\$ 2,428,601</u>
Current liabilities:					
Revolving credit facility	\$ -	\$ -	\$ 100,000	\$ 50,000	\$ -
Convertible notes	447,011	452,571	458,179	463,837	324,826
2015 notes embedded conversion derivative	303,154	315,895	335,131	292,511	306,817
Accounts payable and accrued liabilities	171,318	156,606	185,809	193,445	216,594
Current portion of deferred revenue	295,787	285,553	282,784	297,897	299,973
Total current liabilities	<u>1,217,270</u>	<u>1,210,625</u>	<u>1,361,903</u>	<u>1,297,690</u>	<u>1,148,210</u>
Long-term liabilities:					
Long-term portion of deferred revenue	50,529	41,432	43,892	48,229	52,850
Other long-term liabilities	104,033	51,533	117,034	115,262	71,436
Total long-term liabilities	<u>154,562</u>	<u>92,965</u>	<u>160,926</u>	<u>163,491</u>	<u>124,286</u>
Stockholders' equity:					
Common stock and capital in excess of par value	1,721,556	1,727,901	1,744,261	1,739,677	1,757,242
Treasury stock, at cost	(200,786)	(175,110)	(168,573)	(141,344)	(140,142)
Accumulated deficit	(649,549)	(570,940)	(561,511)	(523,011)	(485,306)
Accumulated other comprehensive income	43,950	37,822	26,083	20,884	24,311
Total stockholders' equity	<u>915,171</u>	<u>1,019,673</u>	<u>1,040,260</u>	<u>1,096,206</u>	<u>1,156,105</u>
Total liabilities and stockholders' equity	<u>\$ 2,287,003</u>	<u>\$ 2,323,263</u>	<u>\$ 2,563,089</u>	<u>\$ 2,557,387</u>	<u>\$ 2,428,601</u>

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

	<u>Three Months Ended</u>		<u>Years Ended</u>	
	<u>December 28, 2013</u>	<u>December 29, 2012</u>	<u>December 28, 2013</u>	<u>December 29, 2012</u>
Revenue:				
Product and maintenance	\$ 350,079	\$ 318,513	\$ 1,357,934	\$ 1,212,429
Services	26,643	27,072	102,182	113,995
Total revenue	<u>376,722</u>	<u>345,585</u>	<u>1,460,116</u>	<u>1,326,424</u>
Costs and expenses:				
Cost of product and maintenance	41,757	24,437	132,245	118,516
Cost of services	17,274	19,353	67,956	72,607
Marketing and sales	94,384	95,604	378,157	342,278
Research and development	135,465	118,382	534,022	454,085
General and administrative	29,481	27,712	121,314	112,076
Amortization of acquired intangibles	5,157	3,772	19,416	15,077
Restructuring and other charges	15,405	64	17,999	113
Total costs and expenses	<u>338,923</u>	<u>289,324</u>	<u>1,271,109</u>	<u>1,114,752</u>
Income from operations	37,799	56,261	189,007	211,672
Interest expense	(9,208)	(8,902)	(37,581)	(34,742)
Other income, net	842	5,369	7,570	11,341
Income before benefit for income taxes	29,433	52,728	158,996	188,271
Benefit for income taxes	<u>(8,272)</u>	<u>(261,146)</u>	<u>(5,247)</u>	<u>(251,677)</u>
Net income	<u>\$ 37,705</u>	<u>\$ 313,874</u>	<u>\$ 164,243</u>	<u>\$ 439,948</u>
Net income per share - basic	<u>\$ 0.13</u>	<u>\$ 1.15</u>	<u>\$ 0.59</u>	<u>\$ 1.63</u>
Net income per share - diluted	<u>\$ 0.13</u>	<u>\$ 1.10</u>	<u>\$ 0.56</u>	<u>\$ 1.57</u>
Weighted average common shares outstanding - basic	<u>280,083</u>	<u>272,884</u>	<u>277,796</u>	<u>270,479</u>
Weighted average common shares outstanding - diluted	<u>294,663</u>	<u>286,289</u>	<u>294,564</u>	<u>280,667</u>

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

	Three Months Ended				
	December 29, 2012	March 30, 2013	June 29, 2013	September 28, 2013	December 28, 2013
Revenue:					
Product and maintenance	\$ 318,513	\$ 328,271	\$ 337,983	\$ 341,601	\$ 350,079
Services	27,072	25,995	24,498	25,046	26,643
Total revenue	<u>345,585</u>	<u>354,266</u>	<u>362,481</u>	<u>366,647</u>	<u>376,722</u>
Costs and expenses:					
Cost of product and maintenance	24,437	29,847	28,095	32,546	41,757
Cost of services	19,353	18,344	15,148	17,190	17,274
Marketing and sales	95,604	90,402	95,277	98,094	94,384
Research and development	118,382	124,084	136,395	138,078	135,465
General and administrative	27,712	29,810	34,441	27,582	29,481
Amortization of acquired intangibles	3,772	3,791	5,327	5,141	5,157
Restructuring and other charges (credits)	64	(148)	2,656	86	15,405
Total costs and expenses	<u>289,324</u>	<u>296,130</u>	<u>317,339</u>	<u>318,717</u>	<u>338,923</u>
Income from operations	56,261	58,136	45,142	47,930	37,799
Interest expense	(8,902)	(9,262)	(9,528)	(9,583)	(9,208)
Other income, net	5,369	2,175	2,018	2,535	842
Income before provision (benefit) for income taxes	52,728	51,049	37,632	40,882	29,433
Provision (benefit) for income taxes	(261,146)	(27,560)	28,203	2,382	(8,272)
Net income	<u>\$ 313,874</u>	<u>\$ 78,609</u>	<u>\$ 9,429</u>	<u>\$ 38,500</u>	<u>\$ 37,705</u>
Net income per share - basic	<u>\$ 1.15</u>	<u>\$ 0.29</u>	<u>\$ 0.03</u>	<u>\$ 0.14</u>	<u>\$ 0.13</u>
Net income per share - diluted	<u>\$ 1.10</u>	<u>\$ 0.27</u>	<u>\$ 0.03</u>	<u>\$ 0.13</u>	<u>\$ 0.13</u>
Weighted average common shares outstanding - basic	<u>272,884</u>	<u>274,936</u>	<u>277,146</u>	<u>278,977</u>	<u>280,083</u>
Weighted average common shares outstanding - diluted	<u>286,289</u>	<u>292,151</u>	<u>294,443</u>	<u>296,958</u>	<u>294,663</u>

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

	Years Ended	
	December 28, 2013	December 29, 2012
Cash and cash equivalents at beginning of period	\$ 726,357	\$ 601,602
Cash flows from operating activities:		
Net income	164,243	439,948
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	98,308	89,217
Amortization of debt discount and fees	25,384	23,513
Stock-based compensation	66,285	47,561
Gain on investments, net	(5,311)	(6,320)
Deferred income taxes	(2,366)	(240,424)
Provisions (recoveries) for losses (gains) on receivables, net	(85)	215
Other non-cash items	4,017	3,315
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	(3,609)	45,630
Inventories	(14,594)	5,245
Prepaid expenses and other	30,368	(12,426)
Other assets	(2,530)	(4,902)
Accounts payable and accrued liabilities	41,727	17,523
Deferred revenue	2,506	(69,662)
Other long-term liabilities	(36,738)	(22,439)
Net cash provided by operating activities	<u>367,605</u>	<u>315,994</u>
Cash flows from investing activities:		
Purchases of available-for-sale securities	(111,702)	(121,154)
Proceeds from the sale of available-for-sale securities	77,621	18,338
Proceeds from the maturity of available-for-sale securities	38,706	4,150
Proceeds from the sale of long-term investments	6,234	74
Purchases of property, plant and equipment	(44,929)	(35,966)
Investment in venture capital partnerships and equity investments	-	(250)
Cash paid in business combinations and asset acquisitions, net of cash acquired	(392,825)	(66,432)
Net cash used for investing activities	<u>(426,895)</u>	<u>(201,240)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility	100,000	-
Payment on revolving credit facility	(100,000)	-
Payment of convertible notes	(144,639)	-
Principal payments on receivable financing	(2,526)	(5,776)
Payment of debt issuance costs	-	(1,372)
Payment of acquisition-related contingent consideration	(677)	(39)
Tax effect related to employee stock transactions allocated to equity	9,034	6,061
Proceeds from issuance of common stock	42,657	32,687
Stock received for payment of employee taxes on vesting of restricted stock	(20,140)	(15,728)
Net cash provided by (used for) financing activities	<u>(116,291)</u>	<u>15,833</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(14,516)</u>	<u>(5,832)</u>
Increase (decrease) in cash and cash equivalents	<u>(190,097)</u>	<u>124,755</u>
Cash and cash equivalents at end of period	<u>\$ 536,260</u>	<u>\$ 726,357</u>

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

	<u>Q4 2012</u>	<u>Q1 2013</u>	<u>Q2 2013</u>	<u>Q3 2013</u>	<u>Q4 2013</u>
Cash and cash equivalents at beginning of period	\$ 649,099	\$ 726,357	\$ 810,152	\$ 577,233	\$ 620,403
Cash flows from operating activities:					
Net income	313,874	78,609	9,429	38,500	37,705
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	22,046	21,682	25,295	25,704	25,627
Amortization of debt discount and fees	6,033	6,281	6,344	6,477	6,282
Stock-based compensation	13,276	13,810	15,111	18,566	18,798
Gain on investments, net	(4,098)	(1,006)	(1,471)	(1,558)	(1,276)
Deferred income taxes	(226,317)	8,695	(13,108)	(2,012)	4,059
Provisions (recoveries) for losses (gains) on receivables, net	95	(85)	-	144	(144)
Other non-cash items	(143)	(922)	1,440	1,606	1,893
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	21,354	23,652	(14,933)	(6,527)	(5,801)
Inventories	(1,691)	(979)	(1,693)	(7,333)	(4,589)
Prepaid expenses and other	(13,973)	(1,099)	27,615	411	3,441
Other assets	(1,801)	4,148	(49,422)	(1,377)	44,121
Accounts payable and accrued liabilities	19,237	(11,003)	21,026	8,254	23,450
Deferred revenue	(31,432)	(16,648)	(7,711)	18,885	7,980
Other long-term liabilities	(20,584)	(49,799)	56,973	(1,530)	(42,382)
Net cash provided by operating activities	<u>95,876</u>	<u>75,336</u>	<u>74,895</u>	<u>98,210</u>	<u>119,164</u>
Cash flows from investing activities:					
Purchases of available-for-sale securities	(19,906)	(24,282)	(39,423)	(20,295)	(27,702)
Proceeds from the sale of available-for-sale securities	12,402	14,985	31,872	12,157	18,607
Proceeds from the maturity of available-for-sale securities	2,650	8,700	7,016	14,790	8,200
Proceeds from the sale of long-term investments	30	6,102	-	98	34
Purchases of property, plant and equipment	(10,034)	(6,569)	(17,170)	(12,211)	(8,979)
Cash paid in business combinations and asset acquisitions, net of cash acquired	-	(757)	(391,382)	(686)	-
Net cash used for investing activities	<u>(14,858)</u>	<u>(1,821)</u>	<u>(409,087)</u>	<u>(6,147)</u>	<u>(9,840)</u>
Cash flows from financing activities:					
Proceeds from revolving credit facility	-	-	100,000	-	-
Payment on revolving credit facility	-	-	-	(50,000)	(50,000)
Payment of convertible notes	-	-	-	(78)	(144,561)
Principal payments on receivable financing	(2,869)	(2,526)	-	-	-
Payment of debt issuance costs	(1,372)	-	-	-	-
Payment of acquisition-related contingent consideration	-	(582)	-	(95)	-
Tax effect related to employee stock transactions allocated to equity	271	5,276	2,024	2,194	(460)
Proceeds from issuance of common stock	3,932	21,801	8,426	10,464	1,966
Stock received for payment of employee taxes on vesting of restricted stock	(2,271)	(8,775)	(2,983)	(7,703)	(679)
Net cash provided by (used for) financing activities	<u>(2,309)</u>	<u>15,194</u>	<u>107,467</u>	<u>(45,218)</u>	<u>(193,734)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(1,451)</u>	<u>(4,914)</u>	<u>(6,194)</u>	<u>(3,675)</u>	<u>267</u>
Increase (decrease) in cash and cash equivalents	<u>77,258</u>	<u>83,795</u>	<u>(232,919)</u>	<u>43,170</u>	<u>(84,143)</u>
Cash and cash equivalents at end of period	<u>\$ 726,357</u>	<u>\$ 810,152</u>	<u>\$ 577,233</u>	<u>\$ 620,403</u>	<u>\$ 536,260</u>

Cadence Design Systems, Inc.
As of January 29, 2014
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share
(Unaudited)

	Three Months Ending March 29, 2014 Forecast	Year Ending January 3, 2015 Forecast
Diluted net income per share on a GAAP basis	\$0.08 to \$0.10	\$0.55 to \$0.65
Amortization of acquired intangibles	0.04	0.16
Stock-based compensation expense	0.07	0.28
Integration and acquisition-related costs	0.02	0.05
Amortization of debt discount	0.01	0.06
Income tax effect of non-GAAP adjustments	(0.04)	(0.18)
Diluted net income per share on a non-GAAP basis	<u>\$0.18 to \$0.20</u>	<u>\$0.92 to \$1.02</u>

Cadence Design Systems, Inc.
As of January 29, 2014
Impact of Non-GAAP Adjustments on Forward Looking Net Income
(Unaudited)

(\$ in millions)	Three Months Ending March 29, 2014 Forecast	Year Ending January 3, 2015 Forecast
Net income on a GAAP basis	\$25 to \$31	\$167 to \$197
Amortization of acquired intangibles	12	50
Stock-based compensation expense	19	83
Integration and acquisition-related costs	6	15
Amortization of debt discount	4	18
Income tax effect of non-GAAP adjustments	(13)	(56)
Net income on a non-GAAP basis	<u>\$53 to \$59</u>	<u>\$277 to \$307</u>

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

(In thousands)	Three Months Ended		Years Ended	
	December 28, 2013	December 29, 2012	December 28, 2013	December 29, 2012
Net income on a GAAP basis	\$ 37,705	\$ 313,874	\$ 164,243	\$ 439,948
Amortization and sale of acquired intangibles*	12,422	7,649	44,134	28,618
Stock-based compensation expense**	18,798	13,276	66,285	47,561
Non-qualified deferred compensation expenses ***	1,256	1,216	3,293	4,453
Restructuring and other charges	15,405	64	17,999	113
Shareholder litigation costs	-	-	-	46
Integration and acquisition-related costs****	8,903	2,187	31,972	9,278
Executive severance costs*****	216	-	961	-
Amortization of debt discount	5,515	5,354	22,315	20,846
Other income or expense related to investments and non-qualified deferred compensation plan assets †	(1,553)	(4,081)	(5,280)	(6,296)
Income tax benefit of valuation allowance release	-	(219,601)	-	(219,601)
Income tax benefit of State of California settlement	-	(36,564)	-	(36,564)
Income tax benefit due to a release of an uncertain tax position	-	-	(33,719)	-
Acquisition-related income tax benefit	-	-	-	(14,806)
Income tax effect of non-GAAP adjustments	(31,775)	(25,363)	(60,104)	(56,857)
Net income on a non-GAAP basis	<u>\$ 66,892</u>	<u>\$ 58,011</u>	<u>\$ 252,099</u>	<u>\$ 216,739</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.

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

(In thousands)	Three Months Ended		Years Ended	
	December 28, 2013	December 29, 2012	December 28, 2013	December 29, 2012
Cost of product and maintenance	\$ 7,265	\$ 3,877	\$ 24,718	\$ 13,541
Amortization of acquired intangibles	5,157	3,772	19,416	15,077
Total amortization and sale of acquired intangibles	<u>\$ 12,422</u>	<u>\$ 7,649</u>	<u>\$ 44,134</u>	<u>\$ 28,618</u>

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

(In thousands)	Three Months Ended		Years Ended	
	December 28, 2013	December 29, 2012	December 28, 2013	December 29, 2012
Cost of product and maintenance	\$ 471	\$ 375	\$ 1,596	\$ 1,317
Cost of services	689	538	2,321	1,889
Marketing and sales	4,703	2,907	15,642	10,193
Research and development	9,605	6,293	32,999	21,516
General and administrative	3,330	3,163	13,727	12,646
Total stock-based compensation expense	<u>\$ 18,798</u>	<u>\$ 13,276</u>	<u>\$ 66,285</u>	<u>\$ 47,561</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		Years Ended	
	December 28, 2013	December 29, 2012	December 28, 2013	December 29, 2012
Cost of product and maintenance	\$ 7	\$ 11	\$ 38	\$ 47
Cost of services	9	16	52	68
Marketing and sales	68	110	239	492
Research and development	683	623	1,700	2,144
General and administrative	489	456	1,264	1,702
Total non-qualified deferred compensation expenses	<u>\$ 1,256</u>	<u>\$ 1,216</u>	<u>\$ 3,293</u>	<u>\$ 4,453</u>

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

(In thousands)	Three Months Ended		Years Ended	
	December 28, 2013	December 29, 2012	December 28, 2013	December 29, 2012
Marketing and sales	\$ 430	\$ 65	\$ 1,467	\$ 562
Research and development	5,378	1,809	18,704	6,200
General and administrative	3,095	313	11,801	2,516
Total integration and acquisition-related costs	<u>\$ 8,903</u>	<u>\$ 2,187</u>	<u>\$ 31,972</u>	<u>\$ 9,278</u>

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

(In thousands)	Three Months Ended		Years Ended	
	December 28, 2013	December 29, 2012	December 28, 2013	December 29, 2012
Marketing and sales	\$ -	\$ -	\$ 480	\$ -
General and administrative	216	-	481	-
Total executive severance costs	<u>\$ 216</u>	<u>\$ -</u>	<u>\$ 961</u>	<u>\$ -</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 December 28, 2013, September 28, 2013, and December 29, 2012
and the Years Ended December 28, 2013 and December 29, 2012
(Unaudited)

(In thousands, except per share data)	Three Months Ended			Years Ended	
	December 28, 2013	September 28, 2013	December 29, 2012	December 28, 2013	December 29, 2012
Diluted net income per share on a GAAP basis	\$ 0.13	\$ 0.13	\$ 1.10	\$ 0.56	\$ 1.57
Amortization and sale of acquired intangibles	0.04	0.04	0.03	0.15	0.10
Stock-based compensation expense	0.06	0.06	0.05	0.23	0.17
Non-qualified deferred compensation expenses	0.01	-	-	0.01	0.02
Restructuring and other charges	0.05	-	-	0.06	-
Shareholder litigation costs	-	-	-	-	-
Integration and acquisition-related costs	0.03	0.03	0.01	0.11	0.03
Executive severance costs	-	-	-	-	-
Amortization of debt discount	0.02	0.02	0.02	0.08	0.07
Other income or expense related to investments and non-qualified deferred compensation plan assets *	-	-	(0.02)	(0.02)	(0.02)
Income tax benefit of valuation allowance release	-	-	(0.77)	-	(0.78)
Income tax benefit of State of California settlement	-	-	(0.13)	-	(0.13)
Income tax benefit due to a release of an uncertain tax position	-	-	-	(0.11)	-
Acquisition-related income tax benefit	-	-	-	-	(0.05)
Income tax effect of non-GAAP adjustments	(0.11)	(0.07)	(0.09)	(0.21)	(0.21)
Diluted net income per share on a non-GAAP basis	\$ 0.23	\$ 0.21	\$ 0.20	\$ 0.86	\$ 0.77

Shares used in calculation of diluted net income per share - GAAP **	294,663	296,958	286,289	294,564	280,667
Shares used in calculation of diluted net income per share - non-GAAP **	294,663	296,958	286,289	294,564	280,667

* 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 December 28, 2013</u>	<u>Three Months Ended September 28, 2013</u>	<u>Three Months Ended December 29, 2012</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
	<u>(In thousands)</u>	<u>(In thousands)</u>	<u>(In thousands)</u>
GAAP total costs and expenses	\$ 338,923	\$ 318,717	\$ 289,324
Reconciling items to non-GAAP total costs and expenses			
Amortization and sale of acquired intangibles	(12,422)	(13,027)	(7,649)
Stock-based compensation expense	(18,798)	(18,566)	(13,276)
Non-qualified deferred compensation expenses	(1,256)	(186)	(1,216)
Restructuring and other charges	(15,405)	(86)	(64)
Integration and acquisition-related costs	(8,903)	(8,041)	(2,187)
Executive severance costs	(216)	(745)	-
Non-GAAP total costs and expenses	<u>\$ 281,923</u>	<u>\$ 278,066</u>	<u>\$ 264,932</u>

	<u>Three Months Ended December 28, 2013</u>	<u>Three Months Ended September 28, 2013</u>	<u>Three Months Ended December 29, 2012</u>	<u>Year Ended December 28, 2013</u>	<u>Year Ended December 29, 2012</u>	<u>Three Months Ending March 29, 2014</u>	<u>Year Ending January 3, 2015</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Forecast</u>	<u>Forecast</u>
GAAP operating margin as a percent of total revenue	10%	13%	16%	13%	16%	11%	17%
Reconciling items to non-GAAP operating margin as a percent of total revenue							
Amortization and sale of acquired intangibles	3%	4%	2%	3%	2%	3%	3%
Stock-based compensation expense	5%	5%	4%	5%	4%	5%	5%
Non-qualified deferred compensation expenses	0%	0%	0%	0%	0%	0%	0%
Restructuring and other charges	4%	0%	0%	1%	0%	0%	0%
Integration and acquisition-related costs	3%	2%	1%	2%	1%	2%	1%
Executive severance costs	0%	0%	0%	0%	0%	0%	0%
Non-GAAP operating margin as a percent of total revenue	<u>25%</u>	<u>24%</u>	<u>23%</u>	<u>24%</u>	<u>23%</u>	<u>21%</u>	<u>26%</u>

	<u>Year Ending January 3, 2015</u>
(In millions)	<u>Forecast</u>
GAAP total other income (expense), net	\$(33) to \$(27)
Reconciling items to non-GAAP total other income (expense), net	
Amortization of debt discount	18
Non-GAAP total other income (expense), net	<u>\$(15) to \$(9)</u>

Cadence Design Systems, Inc.
(Unaudited)

Revenue Mix by Geography (% of Total Revenue)

<u>GEOGRAPHY</u>	2012					2013				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Americas	44%	46%	43%	45%	45%	44%	45%	48%	47%	46%
Europe, Middle East and Africa	19%	20%	20%	21%	20%	22%	21%	20%	20%	21%
Japan	18%	16%	17%	14%	16%	15%	13%	12%	14%	13%
Asia	19%	18%	20%	20%	19%	19%	21%	20%	19%	20%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Revenue Mix by Product Group (% of Total Revenue)

<u>PRODUCT GROUP</u>	2012					2013				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Functional Verification, including Emulation Hardware and IP	30%	33%	30%	30%	30%	26%	28%	31%	32%	29%
Custom IC Design	23%	22%	24%	24%	23%	25%	25%	25%	24%	25%
Digital IC Design and Signoff	23%	22%	23%	23%	23%	25%	23%	21%	21%	23%
System Interconnect Design	8%	8%	9%	9%	9%	10%	11%	10%	10%	10%
Design for Manufacturing	7%	6%	6%	6%	6%	7%	6%	6%	6%	6%
Services	9%	9%	8%	8%	9%	7%	7%	7%	7%	7%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Note: Product Group total revenue includes product and maintenance revenue

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

	Three Months Ended December 28, 2013		
	GAAP	Adjustments	Non-GAAP
Revenue:			
Product and maintenance Services	\$ 350,079	\$ -	\$ 350,079
	26,643	-	26,643
Total revenue	<u>376,722</u>	<u>-</u>	<u>376,722</u>
Costs and expenses:			
Cost of product and maintenance	41,757	(7,743) (A)	34,014
Cost of services	17,274	(698) (A)	16,576
Marketing and sales	94,384	(5,201) (A)	89,183
Research and development	135,465	(15,666) (A)	119,799
General and administrative	29,481	(7,130) (A)	22,351
Amortization of acquired intangibles	5,157	(5,157) (A)	-
Restructuring and other charges	15,405	(15,405)	-
Total costs and expenses	<u>338,923</u>	<u>(57,000)</u>	<u>281,923</u>
Income from operations	37,799	57,000	94,799
Interest expense	(9,208)	5,515 (B)	(3,693)
Other income (expense), net	842	(1,553) (C)	(711)
Income before provision (benefit) for income taxes	29,433	60,962	90,395
Provision (benefit) for income taxes	(8,272)	31,775 (D)	23,503
Net income	<u>\$ 37,705</u>	<u>\$ 29,187</u>	<u>\$ 66,892</u>

Notes:

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

	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Integration and acquisition-related costs	Executive severance costs	Total adjustments
Cost of product and maintenance	\$ 7,265	\$ 471	\$ 7	\$ -	\$ -	\$ 7,743
Cost of services	-	689	9	-	-	698
Marketing and sales	-	4,703	68	430	-	5,201
Research and development	-	9,605	683	5,378	-	15,666
General and administrative	-	3,330	489	3,095	216	7,130
Amortization of acquired intangibles	5,157	-	-	-	-	5,157
Total	<u>\$ 12,422</u>	<u>\$ 18,798</u>	<u>\$ 1,256</u>	<u>\$ 8,903</u>	<u>\$ 216</u>	<u>\$ 41,595</u>

(B) Amortization of debt discount related to convertible notes

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

(D) Income tax effect of non-GAAP adjustments

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Three Months Ended December 29, 2012
(In thousands)
(Unaudited)

	Three Months Ended December 29, 2012		
	GAAP	Adjustments	Non-GAAP
Revenue:			
Product and maintenance Services	\$ 318,513	\$ -	\$ 318,513
	27,072	-	27,072
Total revenue	345,585	-	345,585
Costs and expenses:			
Cost of product and maintenance	24,437	(4,263) (E)	20,174
Cost of services	19,353	(554) (E)	18,799
Marketing and sales	95,604	(3,082) (E)	92,522
Research and development	118,382	(8,725) (E)	109,657
General and administrative	27,712	(3,932) (E)	23,780
Amortization of acquired intangibles	3,772	(3,772) (E)	-
Restructuring and other charges	64	(64)	-
	289,324	(24,392)	264,932
Total costs and expenses	289,324	(24,392)	264,932
Income from operations	56,261	24,392	80,653
Interest expense	(8,902)	5,354 (F)	(3,548)
Other income, net	5,369	(4,081) (G)	1,288
	52,728	25,665	78,393
Income before provision (benefit) for income taxes	52,728	25,665	78,393
Provision (benefit) for income taxes	(261,146)	281,528 (H)	20,382
	(261,146)	281,528	20,382
Net income	\$ 313,874	\$ (255,863)	\$ 58,011

Notes:

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

	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Integration and acquisition-related costs	Total adjustments
Cost of product and maintenance	\$ 3,877	\$ 375	\$ 11	\$ -	\$ 4,263
Cost of services	-	538	16	-	554
Marketing and sales	-	2,907	110	65	3,082
Research and development	-	6,293	623	1,809	8,725
General and administrative	-	3,163	456	313	3,932
Amortization of acquired intangibles	3,772	-	-	-	3,772
Total	\$ 7,649	\$ 13,276	\$ 1,216	\$ 2,187	\$ 24,328

(F) Amortization of debt discount related to convertible notes

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

(H) Income tax effect of non-GAAP adjustments

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Year Ended December 28, 2013
(In thousands)
(Unaudited)

	Year Ended December 28, 2013		
	GAAP	Adjustments	Non-GAAP
Revenue:			
Product and maintenance	\$ 1,357,934	\$ -	\$ 1,357,934
Services	102,182	-	102,182
Total revenue	1,460,116	-	1,460,116
Costs and expenses:			
Cost of product and maintenance	132,245	(26,352) (I)	105,893
Cost of services	67,956	(2,373) (I)	65,583
Marketing and sales	378,157	(17,828) (I)	360,329
Research and development	534,022	(53,403) (I)	480,619
General and administrative	121,314	(27,273) (I)	94,041
Amortization of acquired intangibles	19,416	(19,416) (I)	-
Restructuring and other charges	17,999	(17,999)	-
Total costs and expenses	1,271,109	(164,644)	1,106,465
Income from operations	189,007	164,644	353,651
Interest expense	(37,581)	22,315 (J)	(15,266)
Other income, net	7,570	(5,280) (K)	2,290
Income before provision (benefit) for income taxes	158,996	181,679	340,675
Provision (benefit) for income taxes	(5,247)	93,823 (L)	88,576
Net income	\$ 164,243	\$ 87,856	\$ 252,099

Notes:

(I) For the year ended December 28, 2013 adjustments to GAAP are as follows for the line items specified:

	Amortization and sale of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Integration and acquisition-related costs	Executive severance costs	Total adjustments
Cost of product and maintenance	\$ 24,718	\$ 1,596	\$ 38	\$ -	\$ -	\$ 26,352
Cost of services	-	2,321	52	-	-	2,373
Marketing and sales	-	15,642	239	1,467	480	17,828
Research and development	-	32,999	1,700	18,704	-	53,403
General and administrative	-	13,727	1,264	11,801	481	27,273
Amortization of acquired intangibles	19,416	-	-	-	-	19,416
Total	\$ 44,134	\$ 66,285	\$ 3,293	\$ 31,972	\$ 961	\$ 146,645

(J) Amortization of debt discount related to convertible notes

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

(L) Income tax effect of non-GAAP adjustments

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Year Ended December 29, 2012
(In thousands)
(Unaudited)

	Year Ended December 29, 2012		
	GAAP	Adjustments	Non-GAAP
Revenue:			
Product and maintenance	\$ 1,212,429	\$ -	\$ 1,212,429
Services	113,995	-	113,995
Total revenue	1,326,424	-	1,326,424
Costs and expenses:			
Cost of product and maintenance	118,516	(14,905) (M)	103,611
Cost of services	72,607	(1,957) (M)	70,650
Marketing and sales	342,278	(11,247) (M)	331,031
Research and development	454,085	(29,860) (M)	424,225
General and administrative	112,076	(16,910) (M)	95,166
Amortization of acquired intangibles	15,077	(15,077) (M)	-
Restructuring and other charges	113	(113)	-
Total costs and expenses	1,114,752	(90,069)	1,024,683
Income from operations	211,672	90,069	301,741
Interest expense	(34,742)	20,846 (N)	(13,896)
Other income, net	11,341	(6,296) (O)	5,045
Income before provision (benefit) for income taxes	188,271	104,619	292,890
Provision (benefit) for income taxes	(251,677)	327,828 (P)	76,151
Net income	\$ 439,948	\$ (223,209)	\$ 216,739

Notes:

(M) For the year ended December 29, 2012 adjustments to GAAP are as follows for the line items specified:

	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Integration and acquisition-related costs	Shareholder litigation costs	Total adjustments
Cost of product and maintenance	\$ 13,541	\$ 1,317	\$ 47	\$ -	\$ -	\$ 14,905
Cost of services	-	1,889	68	-	-	1,957
Marketing and sales	-	10,193	492	562	-	11,247
Research and development	-	21,516	2,144	6,200	-	29,860
General and administrative	-	12,646	1,702	2,516	46	16,910
Amortization of acquired intangibles	15,077	-	-	-	-	15,077
Total	\$ 28,618	\$ 47,561	\$ 4,453	\$ 9,278	\$ 46	\$ 89,956

(N) Amortization of debt discount related to convertible notes

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

(P) Income tax effect of non-GAAP adjustments