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Cadence Design Systems, Inc.
Condensed Consolidated Balance Sheets
January 3, 2015 and December 28, 2013
(In thousands)
(Unaudited)

	January 3, 2015	December 28, 2013
Current assets:		
Cash and cash equivalents	\$ 932,161	\$ 536,260
Short-term investments	90,445	96,788
Receivables, net	122,492	107,624
Inventories	56,394	50,220
2015 notes hedges	523,930	306,817
Prepaid expenses and other	126,313	123,382
Total current assets	1,851,735	1,221,091
Property, plant and equipment, net of accumulated depreciation of \$552,551 and \$568,494, respectively	230,112	238,715
Goodwill	553,767	456,905
Acquired intangibles, net of accumulated amortization of \$154,814 and \$139,820, respectively	360,932	311,693
Long-term receivables	3,644	3,672
Other assets	209,366	196,525
Total assets	\$ 3,209,556	\$ 2,428,601
Current liabilities:		
Convertible notes	\$ 342,499	\$ 324,826
2015 notes embedded conversion derivative	523,930	306,817
Accounts payable and accrued liabilities	225,375	216,594
Current portion of deferred revenue	301,287	299,973
Total current liabilities	1,393,091	1,148,210
Long-term liabilities:		
Long-term portion of deferred revenue	54,726	52,850
Long-term debt	348,676	-
Other long-term liabilities	79,489	71,436
Total long-term liabilities	482,891	124,286
Stockholders' equity	1,333,574	1,156,105
Total liabilities and stockholders' equity	\$ 3,209,556	\$ 2,428,601

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

	December 28, 2013	March 29, 2014	June 28, 2014	September 27, 2014	January 3, 2015
Current assets:					
Cash and cash equivalents	\$ 536,260	\$ 532,761	\$ 557,416	\$ 500,483	\$ 932,161
Short-term investments	96,788	97,006	97,910	94,970	90,445
Receivables, net	107,624	106,322	101,924	107,634	122,492
Inventories	50,220	55,605	58,311	61,096	56,394
2015 notes hedges	306,817	369,731	455,844	452,498	523,930
Prepaid expenses and other	123,382	136,300	143,314	134,929	126,313
Total current assets	<u>1,221,091</u>	<u>1,297,725</u>	<u>1,414,719</u>	<u>1,351,610</u>	<u>1,851,735</u>
Property, plant and equipment, net	238,715	239,425	239,314	231,337	230,112
Goodwill	456,905	478,990	559,957	557,252	553,767
Acquired intangibles, net	311,693	316,498	395,430	378,827	360,932
Long-term receivables	3,672	6,193	5,611	4,957	3,644
Other assets	196,525	185,389	170,802	181,958	209,366
Total assets	<u>\$ 2,428,601</u>	<u>\$ 2,524,220</u>	<u>\$ 2,785,833</u>	<u>\$ 2,705,941</u>	<u>\$ 3,209,556</u>
Current liabilities:					
Revolving credit facility	\$ -	\$ -	\$ 100,000	\$ -	\$ -
Convertible notes	324,826	329,058	333,333	337,711	342,499
2015 notes embedded conversion derivative	306,817	369,731	455,844	452,498	523,930
Accounts payable and accrued liabilities	216,594	189,200	216,959	205,647	225,375
Current portion of deferred revenue	299,973	304,705	301,911	300,188	301,287
Total current liabilities	<u>1,148,210</u>	<u>1,192,694</u>	<u>1,408,047</u>	<u>1,296,044</u>	<u>1,393,091</u>
Long-term liabilities:					
Long-term portion of deferred revenue	52,850	48,299	46,800	42,873	54,726
Long-term debt	-	-	-	-	348,676
Other long-term liabilities	71,436	69,025	70,502	82,297	79,489
Total long-term liabilities	<u>124,286</u>	<u>117,324</u>	<u>117,302</u>	<u>125,170</u>	<u>482,891</u>
Stockholders' equity:					
Common stock and capital in excess of par value	1,757,242	1,785,069	1,812,175	1,820,332	1,851,427
Treasury stock, at cost	(140,142)	(147,621)	(154,839)	(169,511)	(203,792)
Accumulated deficit	(485,306)	(452,236)	(428,973)	(391,438)	(326,408)
Accumulated other comprehensive income	24,311	28,990	32,121	25,344	12,347
Total stockholders' equity	<u>1,156,105</u>	<u>1,214,202</u>	<u>1,260,484</u>	<u>1,284,727</u>	<u>1,333,574</u>
Total liabilities and stockholders' equity	<u>\$ 2,428,601</u>	<u>\$ 2,524,220</u>	<u>\$ 2,785,833</u>	<u>\$ 2,705,941</u>	<u>\$ 3,209,556</u>

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three Months and Years Ended January 3, 2015 and December 28, 2013
(In thousands, except per share amounts)
(Unaudited)

	<u>Three Months Ended</u>		<u>Years Ended</u>	
	<u>January 3, 2015</u>	<u>December 28, 2013</u>	<u>January 3, 2015</u>	<u>December 28, 2013</u>
Revenue:				
Product and maintenance	\$ 393,223	\$ 350,079	\$ 1,479,151	\$ 1,357,934
Services	29,875	26,643	101,781	102,182
Total revenue	<u>423,098</u>	<u>376,722</u>	<u>1,580,932</u>	<u>1,460,116</u>
Costs and expenses:				
Cost of product and maintenance	39,475	41,757	156,333	132,245
Cost of services	18,640	17,274	67,373	67,956
Marketing and sales	102,367	94,384	399,688	378,157
Research and development	155,124	135,465	603,006	534,022
General and administrative	26,939	29,481	113,619	121,314
Amortization of acquired intangibles	6,912	5,157	24,017	19,416
Restructuring and other charges (credits)	(1,145)	15,405	10,252	17,999
Total costs and expenses	<u>348,312</u>	<u>338,923</u>	<u>1,374,288</u>	<u>1,271,109</u>
Income from operations	74,786	37,799	206,644	189,007
Interest expense	(11,961)	(9,208)	(34,121)	(37,581)
Other income, net	3,879	842	8,479	7,570
Income before provision (benefit) for income taxes	66,704	29,433	181,002	158,996
Provision (benefit) for income taxes	1,674	(8,272)	22,104	(5,247)
Net income	<u>\$ 65,030</u>	<u>\$ 37,705</u>	<u>\$ 158,898</u>	<u>\$ 164,243</u>
Net income per share - basic	<u>\$ 0.23</u>	<u>\$ 0.13</u>	<u>\$ 0.56</u>	<u>\$ 0.59</u>
Net income per share - diluted	<u>\$ 0.21</u>	<u>\$ 0.13</u>	<u>\$ 0.52</u>	<u>\$ 0.56</u>
Weighted average common shares outstanding - basic	<u>283,928</u>	<u>280,083</u>	<u>283,349</u>	<u>277,796</u>
Weighted average common shares outstanding - diluted	<u>310,273</u>	<u>294,663</u>	<u>306,775</u>	<u>294,564</u>

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

	Three Months Ended				
	December 28, 2013	March 29, 2014	June 28, 2014	September 27, 2014	January 3, 2015
Revenue:					
Product and maintenance	\$ 350,079	\$ 357,350	\$ 354,468	\$ 374,110	\$ 393,223
Services	26,643	21,200	24,320	26,386	29,875
Total revenue	<u>376,722</u>	<u>378,550</u>	<u>378,788</u>	<u>400,496</u>	<u>423,098</u>
Costs and expenses:					
Cost of product and maintenance	41,757	42,197	37,707	36,954	39,475
Cost of services	17,274	14,902	16,706	17,125	18,640
Marketing and sales	94,384	98,323	98,611	100,387	102,367
Research and development	135,465	146,466	152,672	148,744	155,124
General and administrative	29,481	28,744	32,042	25,894	26,939
Amortization of acquired intangibles	5,157	5,210	5,579	6,316	6,912
Restructuring and other charges (credits)	15,405	396	(26)	11,027	(1,145)
Total costs and expenses	<u>338,923</u>	<u>336,238</u>	<u>343,291</u>	<u>346,447</u>	<u>348,312</u>
Income from operations	37,799	42,312	35,497	54,049	74,786
Interest expense	(9,208)	(7,268)	(7,369)	(7,523)	(11,961)
Other income (expense), net	842	3,382	1,635	(417)	3,879
Income before provision (benefit) for income taxes	29,433	38,426	29,763	46,109	66,704
Provision (benefit) for income taxes	(8,272)	5,356	6,500	8,574	1,674
Net income	<u>\$ 37,705</u>	<u>\$ 33,070</u>	<u>\$ 23,263</u>	<u>\$ 37,535</u>	<u>\$ 65,030</u>
Net income per share - basic	<u>\$ 0.13</u>	<u>\$ 0.12</u>	<u>\$ 0.08</u>	<u>\$ 0.13</u>	<u>\$ 0.23</u>
Net income per share - diluted	<u>\$ 0.13</u>	<u>\$ 0.11</u>	<u>\$ 0.08</u>	<u>\$ 0.12</u>	<u>\$ 0.21</u>
Weighted average common shares outstanding - basic	<u>280,083</u>	<u>281,615</u>	<u>283,344</u>	<u>284,462</u>	<u>283,928</u>
Weighted average common shares outstanding - diluted	<u>294,663</u>	<u>301,034</u>	<u>305,755</u>	<u>309,995</u>	<u>310,273</u>

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Years Ended January 3, 2015 and December 28, 2013
(In thousands)
(Unaudited)

	Years Ended	
	January 3, 2015	December 28, 2013
Cash and cash equivalents at beginning of year	\$ 536,260	\$ 726,357
Cash flows from operating activities:		
Net income	158,898	164,243
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	115,634	98,308
Amortization of debt discount and fees	20,529	25,384
Stock-based compensation	83,792	66,285
Gain on investments, net	(4,707)	(5,311)
Deferred income taxes	12,478	(2,366)
Other non-cash items	6,854	3,932
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	(17,925)	(3,609)
Inventories	(11,708)	(14,594)
Prepaid expenses and other	(2,501)	30,368
Other assets	(42,181)	(2,530)
Accounts payable and accrued liabilities	3,856	41,727
Deferred revenue	(11,860)	2,506
Other long-term liabilities	5,563	(36,738)
Net cash provided by operating activities	<u>316,722</u>	<u>367,605</u>
Cash flows from investing activities:		
Purchases of available-for-sale securities	(124,165)	(111,702)
Proceeds from the sale of available-for-sale securities	85,384	77,621
Proceeds from the maturity of available-for-sale securities	46,612	38,706
Proceeds from the sale of long-term investments	1,085	6,234
Purchases of property, plant and equipment	(39,810)	(44,929)
Cash paid in business combinations and asset acquisitions, net of cash acquired	(167,121)	(392,825)
Net cash used for investing activities	<u>(198,015)</u>	<u>(426,895)</u>
Cash flows from financing activities:		
Proceeds from issuance of debt	348,649	-
Proceeds from revolving credit facility	100,000	100,000
Payment on revolving credit facility	(100,000)	(100,000)
Payment of convertible notes	(1)	(144,639)
Payment of convertible notes embedded conversion derivative liability	(1)	-
Proceeds from convertible notes hedges	1	-
Principal payments on receivable financing	-	(2,526)
Payment of debt issuance costs	(6,500)	-
Payment of acquisition-related contingent consideration	(1,835)	(677)
Tax effect related to employee stock transactions allocated to equity	7,583	9,034
Proceeds from issuance of common stock	65,913	42,657
Stock received for payment of employee taxes on vesting of restricted stock	(24,727)	(20,140)
Payments for repurchases of common stock	(100,117)	-
Net cash provided by (used for) financing activities	<u>288,965</u>	<u>(116,291)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(11,771)</u>	<u>(14,516)</u>
Increase (decrease) in cash and cash equivalents	<u>395,901</u>	<u>(190,097)</u>
Cash and cash equivalents at end of year	<u>\$ 932,161</u>	<u>\$ 536,260</u>

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

	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Cash and cash equivalents at beginning of period	\$ 620,403	\$ 536,260	\$ 532,761	\$ 557,416	\$ 500,483
Cash flows from operating activities:					
Net income	37,705	33,070	23,263	37,535	65,030
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	25,627	26,017	27,592	30,687	31,338
Amortization of debt discount and fees	6,282	4,882	4,932	5,049	5,666
Stock-based compensation	18,798	18,864	19,077	22,877	22,974
(Gain) loss on investments, net	(1,276)	(3,651)	(1,477)	1,926	(1,505)
Deferred income taxes	4,059	2,245	2,533	14,185	(6,485)
Other non-cash items	1,749	2,344	1,350	2,527	633
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	(5,801)	(108)	5,444	(7,194)	(16,067)
Inventories	(4,589)	(9,373)	(2,893)	(3,530)	4,088
Prepaid expenses and other	3,441	(9,753)	(3,849)	13,594	(2,493)
Other assets	44,121	3,157	(4,430)	(36,968)	(3,940)
Accounts payable and accrued liabilities	23,450	(29,680)	16,130	(2,073)	19,479
Deferred revenue	7,980	(5,508)	(18,232)	(3,491)	15,371
Other long-term liabilities	(42,382)	(4,408)	(575)	12,568	(2,022)
Net cash provided by operating activities	<u>119,164</u>	<u>28,098</u>	<u>68,865</u>	<u>87,692</u>	<u>132,067</u>
Cash flows from investing activities:					
Purchases of available-for-sale securities	(27,702)	(47,005)	(30,485)	(20,902)	(25,773)
Proceeds from the sale of available-for-sale securities	18,607	32,586	22,015	15,311	15,472
Proceeds from the maturity of available-for-sale securities	8,200	13,905	9,894	8,603	14,210
Proceeds from the sale of long-term investments	34	-	-	-	1,085
Purchases of property, plant and equipment	(8,979)	(6,252)	(11,463)	(10,243)	(11,852)
Cash paid in business combinations and asset acquisitions, net of cash acquired	-	(27,422)	(136,263)	(3,563)	127
Net cash used for investing activities	<u>(9,840)</u>	<u>(34,188)</u>	<u>(146,302)</u>	<u>(10,794)</u>	<u>(6,731)</u>
Cash flows from financing activities:					
Proceeds from issuance of debt	-	-	-	-	348,649
Proceeds from revolving credit facility	-	-	100,000	-	-
Payment on revolving credit facility	(50,000)	-	-	(100,000)	-
Payment of convertible notes	(144,561)	-	-	(1)	-
Payment of convertible notes embedded conversion derivative liability	-	-	-	(1)	-
Proceeds from convertible notes hedges	-	-	-	1	-
Payment of debt issuance costs	-	-	-	(322)	(6,178)
Payment of acquisition-related contingent consideration	-	(1,835)	-	-	-
Tax effect related to employee stock transactions allocated to equity	(460)	1,827	815	3,144	1,797
Proceeds from issuance of common stock	1,966	23,377	13,105	18,235	11,196
Stock received for payment of employee taxes on vesting of restricted stock	(679)	(10,981)	(1,311)	(11,356)	(1,079)
Payments for repurchases of common stock	-	(12,517)	(12,515)	(37,543)	(37,542)
Net cash provided by (used for) financing activities	<u>(193,734)</u>	<u>(129)</u>	<u>100,094</u>	<u>(127,843)</u>	<u>316,843</u>
Effect of exchange rate changes on cash and cash equivalents	<u>267</u>	<u>2,720</u>	<u>1,998</u>	<u>(5,988)</u>	<u>(10,501)</u>
Increase (decrease) in cash and cash equivalents	<u>(84,143)</u>	<u>(3,499)</u>	<u>24,655</u>	<u>(56,933)</u>	<u>431,678</u>
Cash and cash equivalents at end of period	<u>\$ 536,260</u>	<u>\$ 532,761</u>	<u>\$ 557,416</u>	<u>\$ 500,483</u>	<u>\$ 932,161</u>

Cadence Design Systems, Inc.
As of February 4, 2015
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share
(Unaudited)

	Three Months Ending April 4, 2015 Forecast	Year Ending January 2, 2016 Forecast
Diluted net income per share on a GAAP basis	\$0.08 to \$0.10	\$0.49 to \$0.61
Amortization of acquired intangibles	0.05	0.21
Stock-based compensation expense	0.07	0.31
Acquisition and integration-related costs	0.01	0.03
Amortization of debt discount	0.02	0.02
Income tax effect of non-GAAP adjustments	(0.03)	(0.12)
Diluted net income per share on a non-GAAP basis	<u>\$0.20 to \$0.22</u>	<u>\$0.94 to \$1.06</u>

Cadence Design Systems, Inc.
As of February 4, 2015
Impact of Non-GAAP Adjustments on Forward Looking Net Income
(Unaudited)

(\$ in millions)	Three Months Ending April 4, 2015 Forecast	Year Ending January 2, 2016 Forecast
Net income on a GAAP basis	\$26 to \$33	\$153 to \$190
Amortization of acquired intangibles	16	64
Stock-based compensation expense	22	95
Acquisition and integration-related costs	3	8
Amortization of debt discount	5	7
Income tax effect of non-GAAP adjustments	(10)	(36)
Net income on a non-GAAP basis	<u>\$62 to \$69</u>	<u>\$291 to \$328</u>

Cadence Design Systems, Inc.
Reconciliation of GAAP Net Income to Non-GAAP Net Income
For the Three Months and Years Ended January 3, 2015 and December 28, 2013
(Unaudited)

(In thousands)	Three Months Ended		Years Ended	
	January 3, 2015	December 28, 2013	January 3, 2015	December 28, 2013
Net income on a GAAP basis	\$ 65,030	\$ 37,705	\$ 158,898	\$ 164,243
Amortization and sale of acquired intangibles*	17,559	12,422	60,924	44,134
Stock-based compensation expense**	22,974	18,798	83,792	66,285
Non-qualified deferred compensation expenses***	409	1,256	3,415	3,293
Restructuring and other charges (credits)	(1,145)	15,405	10,252	17,999
Acquisition and integration-related costs****	4,280	8,903	24,620	31,972
Special charges † *****	-	216	10,816	961
Amortization of debt discount	4,782	5,515	17,602	22,315
Other income or expense related to investments and non-qualified deferred compensation plan assets ††	(1,484)	(1,553)	(4,629)	(5,280)
Income tax benefit due to a release of an uncertain tax position	-	-	-	(33,719)
Income tax effect of non-GAAP adjustments	(27,987)	(31,775)	(78,723)	(60,104)
Net income on a non-GAAP basis	<u>\$ 84,418</u>	<u>\$ 66,892</u>	<u>\$ 286,967</u>	<u>\$ 252,099</u>

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

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

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

(In thousands)	Three Months Ended		Years Ended	
	January 3, 2015	December 28, 2013	January 3, 2015	December 28, 2013
Cost of product and maintenance	\$ 10,647	\$ 7,265	\$ 36,907	\$ 24,718
Amortization of acquired intangibles	6,912	5,157	24,017	19,416
Total amortization and sale of acquired intangibles	<u>\$ 17,559</u>	<u>\$ 12,422</u>	<u>\$ 60,924</u>	<u>\$ 44,134</u>

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

(In thousands)	Three Months Ended		Years Ended	
	January 3, 2015	December 28, 2013	January 3, 2015	December 28, 2013
Cost of product and maintenance	\$ 644	\$ 471	\$ 2,244	\$ 1,596
Cost of services	942	689	3,280	2,321
Marketing and sales	5,494	4,703	20,580	15,642
Research and development	12,225	9,605	43,173	32,999
General and administrative	3,669	3,330	14,515	13,727
Total stock-based compensation expense	<u>\$ 22,974</u>	<u>\$ 18,798</u>	<u>\$ 83,792</u>	<u>\$ 66,285</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	
	January 3, 2015	December 28, 2013	January 3, 2015	December 28, 2013
Cost of product and maintenance	\$ 6	\$ 7	\$ 34	\$ 38
Cost of services	8	9	50	52
Marketing and sales	19	68	149	239
Research and development	216	683	1,886	1,700
General and administrative	160	489	1,296	1,264
Total non-qualified deferred compensation expenses	<u>\$ 409</u>	<u>\$ 1,256</u>	<u>\$ 3,415</u>	<u>\$ 3,293</u>

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

(In thousands)	Three Months Ended		Years Ended	
	January 3, 2015	December 28, 2013	January 3, 2015	December 28, 2013
Marketing and sales	\$ 411	\$ 430	\$ 2,768	\$ 1,467
Research and development	3,354	5,378	17,228	18,704
General and administrative	515	3,095	4,624	11,801
Total acquisition and integration-related costs	<u>\$ 4,280</u>	<u>\$ 8,903</u>	<u>\$ 24,620</u>	<u>\$ 31,972</u>

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

(In thousands)	Three Months Ended		Years Ended	
	January 3, 2015	December 28, 2013	January 3, 2015	December 28, 2013
Cost of product and maintenance	\$ -	\$ -	\$ 401	\$ -
Cost of services	-	-	667	-
Marketing and sales	-	-	1,913	480
Research and development	-	-	5,854	-
General and administrative	-	216	1,981	481
Total special charges	<u>\$ -</u>	<u>\$ 216</u>	<u>\$ 10,816</u>	<u>\$ 961</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 January 3, 2015, September 27, 2014 and December 28, 2013
and the Years Ended January 3, 2015 and December 28, 2013
(Unaudited)

(In thousands, except per share data)	Three Months Ended			Years Ended	
	January 3, 2015	September 27, 2014	December 28, 2013	January 3, 2015	December 28, 2013
Diluted net income per share on a GAAP basis	\$ 0.21	\$ 0.12	\$ 0.13	\$ 0.52	\$ 0.56
Amortization and sale of acquired intangibles	0.06	0.05	0.04	0.20	0.15
Stock-based compensation expense	0.07	0.07	0.06	0.27	0.23
Non-qualified deferred compensation expenses	-	-	0.01	0.01	0.01
Restructuring and other charges (credits)	-	0.04	0.05	0.03	0.06
Acquisition and integration-related costs	0.01	0.02	0.03	0.08	0.11
Special charges*	-	-	-	0.04	-
Amortization of debt discount	0.01	0.01	0.02	0.06	0.08
Other income or expense related to investments and non-qualified deferred compensation plan assets **	-	0.01	-	(0.01)	(0.02)
Income tax benefit due to a release of an uncertain tax position	-	-	-	-	(0.11)
Income tax effect of non-GAAP adjustments	(0.09)	(0.06)	(0.11)	(0.26)	(0.21)
Diluted net income per share on a non-GAAP basis	\$ 0.27	\$ 0.26	\$ 0.23	\$ 0.94	\$ 0.86
Shares used in calculation of diluted net income per share - GAAP ***	310,273	309,995	294,663	306,775	294,564
Shares used in calculation of diluted net income per share - non-GAAP ***	310,273	309,995	294,663	306,775	294,564

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

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

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

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

	<u>Three Months Ended January 3, 2015</u>	<u>Three Months Ended September 27, 2014</u>	<u>Three Months Ended December 28, 2013</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
	(In thousands)	(In thousands)	(In thousands)
GAAP total costs and expenses	\$ 348,312	\$ 346,447	\$ 338,923
Reconciling items to non-GAAP total costs and expenses			
Amortization of acquired intangibles	(17,559)	(16,387)	(12,422)
Stock-based compensation expense	(22,974)	(22,877)	(18,798)
Non-qualified deferred compensation (expenses) credits	(409)	104	(1,256)
Restructuring and other (charges) credits	1,145	(11,027)	(15,405)
Acquisition and integration-related costs	(4,280)	(4,435)	(8,903)
Special charges*	-	(459)	(216)
Non-GAAP total costs and expenses	<u>\$ 304,235</u>	<u>\$ 291,366</u>	<u>\$ 281,923</u>

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

	<u>Three Months Ended January 3, 2015</u>	<u>Three Months Ended September 27, 2014</u>	<u>Three Months Ended December 28, 2013</u>	<u>Year Ended January 3, 2015</u>	<u>Year Ended December 28, 2013</u>	<u>Three Months Ending April 4, 2015</u>	<u>Year Ending January 2, 2016</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	18%	13%	10%	13%	13%	12% to 13%	15%
Reconciling items to non-GAAP operating margin as a percent of total revenue							
Amortization of acquired intangibles	4%	4%	3%	4%	3%	4%	4%
Stock-based compensation expense	5%	6%	5%	5%	5%	5%	6%
Non-qualified deferred compensation expenses (credits)	0%	0%	0%	0%	0%	0%	0%
Restructuring and other charges (credits)	0%	3%	4%	0%	1%	0%	0%
Acquisition and integration-related costs	1%	1%	3%	2%	2%	1%	0%
Special charges*	0%	0%	0%	1%	0%	0%	0%
Non-GAAP operating margin as a percent of total revenue	<u>28%</u>	<u>27%</u>	<u>25%</u>	<u>25%</u>	<u>24%</u>	<u>22% to 23%</u>	<u>25%</u>

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

	<u>Year Ending January 2, 2016</u>
(In millions)	<u>Forecast</u>
GAAP total other income (expense), net	\$(31) to \$(24)
Reconciling items to non-GAAP total other income (expense), net	
Amortization of debt discount	7
Non-GAAP total other income (expense), net	<u>\$(24) to \$(17)</u>

Cadence Design Systems, Inc.
(Unaudited)

Revenue Mix by Geography (% of Total Revenue)

<u>GEOGRAPHY</u>	2013					2014				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Americas	44%	45%	48%	47%	46%	45%	44%	46%	47%	45%
Asia	19%	21%	20%	19%	20%	23%	23%	22%	22%	23%
Europe, Middle East and Africa	22%	21%	20%	20%	21%	20%	22%	21%	21%	21%
Japan	15%	13%	12%	14%	13%	12%	11%	11%	10%	11%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Revenue Mix by Product Group (% of Total Revenue)

<u>PRODUCT GROUP</u>	2013					2014				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Functional Verification, including Emulation Hardware	22%	22%	24%	25%	23%	23%	21%	23%	21%	22%
Digital IC Design and Signoff	33%	31%	29%	29%	30%	30%	30%	29%	28%	29%
Custom IC Design	28%	28%	28%	26%	27%	27%	28%	27%	28%	27%
System Interconnect and Analysis	10%	11%	10%	10%	11%	10%	11%	10%	11%	11%
IP	7%	8%	9%	10%	9%	10%	10%	11%	12%	11%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Three Months Ended January 3, 2015
(In thousands)
(Unaudited)

	Three Months Ended		
	GAAP	Adjustments	Non-GAAP
Revenue:			
Product and maintenance	\$ 393,223	\$ -	\$ 393,223
Services	29,875	-	29,875
Total revenue	423,098	-	423,098
Costs and expenses:			
Cost of product and maintenance	39,475	(11,297) (A)	28,178
Cost of services	18,640	(950) (A)	17,690
Marketing and sales	102,367	(5,924) (A)	96,443
Research and development	155,124	(15,795) (A)	139,329
General and administrative	26,939	(4,344) (A)	22,595
Amortization of acquired intangibles	6,912	(6,912) (A)	-
Restructuring and other charges (credits)	(1,145)	1,145	-
Total costs and expenses	348,312	(44,077)	304,235
Income from operations	74,786	44,077	118,863
Interest expense	(11,961)	4,782 (B)	(7,179)
Other income, net	3,879	(1,484) (C)	2,395
Income before provision for income taxes	66,704	47,375	114,079
Provision for income taxes	1,674	27,987 (D)	29,661
Net income	\$ 65,030	\$ 19,388	\$ 84,418

Notes:

(A) For the three months ended January 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 expenses	Acquisition and integration- related costs	Total adjustments
Cost of product and maintenance	\$ 10,647	\$ 644	\$ 6	\$ -	\$ 11,297
Cost of services	-	942	8	-	950
Marketing and sales	-	5,494	19	411	5,924
Research and development	-	12,225	216	3,354	15,795
General and administrative	-	3,669	160	515	4,344
Amortization of acquired intangibles	6,912	-	-	-	6,912
Total	\$ 17,559	\$ 22,974	\$ 409	\$ 4,280	\$ 45,222

(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 28, 2013
(In thousands)
(Unaudited)

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

Notes:

(E) 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	Acquisition and integration- related costs	Special charges (I)	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	\$ 12,422	\$ 18,798	\$ 1,256	\$ 8,903	\$ 216	\$ 41,595

(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

(I) Comprised of executive severance costs

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Year Ended January 3, 2015
(In thousands)
(Unaudited)

	Year Ended January 3, 2015		
	GAAP	Adjustments	Non-GAAP
Revenue:			
Product and maintenance Services	\$ 1,479,151	\$ -	\$ 1,479,151
	<u>101,781</u>	<u>-</u>	<u>101,781</u>
Total revenue	<u>1,580,932</u>	<u>-</u>	<u>1,580,932</u>
Costs and expenses:			
Cost of product and maintenance	156,333	(39,586) (J)	116,747
Cost of services	67,373	(3,997) (J)	63,376
Marketing and sales	399,688	(25,410) (J)	374,278
Research and development	603,006	(68,141) (J)	534,865
General and administrative	113,619	(22,416) (J)	91,203
Amortization of acquired intangibles	24,017	(24,017) (J)	-
Restructuring and other charges	10,252	(10,252)	-
Total costs and expenses	<u>1,374,288</u>	<u>(193,819)</u>	<u>1,180,469</u>
Income from operations	206,644	193,819	400,463
Interest expense	(34,121)	17,602 (K)	(16,519)
Other income, net	8,479	(4,629) (L)	3,850
Income before provision for income taxes	181,002	206,792	387,794
Provision for income taxes	22,104	78,723 (M)	100,827
Net income	<u>\$ 158,898</u>	<u>\$ 128,069</u>	<u>\$ 286,967</u>

Notes:

(J) For the year ended January 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 expenses	Acquisition and integration-related costs	Special charges (N)	Total adjustments
Cost of product and maintenance	\$ 36,907	\$ 2,244	\$ 34	\$ -	\$ 401	\$ 39,586
Cost of services	-	3,280	50	-	667	3,997
Marketing and sales	-	20,580	149	2,768	1,913	25,410
Research and development	-	43,173	1,886	17,228	5,854	68,141
General and administrative	-	14,515	1,296	4,624	1,981	22,416
Amortization of acquired intangibles	24,017	-	-	-	-	24,017
Total	<u>\$ 60,924</u>	<u>\$ 83,792</u>	<u>\$ 3,415</u>	<u>\$ 24,620</u>	<u>\$ 10,816</u>	<u>\$ 183,567</u>

(K) Amortization of debt discount related to convertible notes

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

(M) Income tax effect of non-GAAP adjustments

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

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

Notes:

(O) 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	Acquisition and integration-related costs	Special charges (S)	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	<u>\$ 44,134</u>	<u>\$ 66,285</u>	<u>\$ 3,293</u>	<u>\$ 31,972</u>	<u>\$ 961</u>	<u>\$ 146,645</u>

(P) Amortization of debt discount related to convertible notes

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

(R) Income tax effect of non-GAAP adjustments

(S) Comprised of executive severance costs