

TABLE OF CONTENTS

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

Cadence Design Systems, Inc.
Condensed Consolidated Balance Sheets
January 2, 2016 and January 3, 2015
(In thousands)
(Unaudited)

| | <u>January 2, 2016</u> | <u>January 3, 2015</u> |
|--|------------------------|------------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 616,686 | \$ 932,161 |
| Short-term investments | 94,498 | 90,445 |
| Receivables, net | 164,848 | 122,492 |
| Inventories | 56,762 | 56,394 |
| 2015 notes hedges | - | 523,930 |
| Prepaid expenses and other | 31,967 | 126,313 |
| Total current assets | <u>964,761</u> | <u>1,851,735</u> |
| Property, plant and equipment, net of accumulated depreciation of \$581,345 and \$552,551, respectively | 228,599 | 230,112 |
| Goodwill | 551,772 | 553,767 |
| Acquired intangibles, net of accumulated amortization of \$216,589 and \$154,814, respectively | 296,482 | 360,932 |
| Long-term receivables | 4,498 | 3,644 |
| Other assets | 304,903 | 209,366 |
| Total assets | <u>\$ 2,351,015</u> | <u>\$ 3,209,556</u> |
| Current liabilities: | | |
| Convertible notes | \$ - | \$ 342,499 |
| 2015 notes embedded conversion derivative | - | 523,930 |
| Accounts payable and accrued liabilities | 238,022 | 225,375 |
| Current portion of deferred revenue | 298,285 | 301,287 |
| Total current liabilities | <u>536,307</u> | <u>1,393,091</u> |
| Long-term liabilities: | | |
| Long-term portion of deferred revenue | 30,209 | 54,726 |
| Long-term debt | 348,788 | 348,676 |
| Other long-term liabilities | 59,596 | 79,489 |
| Total long-term liabilities | <u>438,593</u> | <u>482,891</u> |
| Stockholders' equity | 1,376,115 | 1,333,574 |
| Total liabilities and stockholders' equity | <u>\$ 2,351,015</u> | <u>\$ 3,209,556</u> |

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

| | January 3, 2015 | April 4, 2015 | July 4, 2015 | October 3, 2015 | January 2, 2016 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 932,161 | \$ 887,736 | \$ 647,851 | \$ 616,091 | \$ 616,686 |
| Short-term investments | 90,445 | 92,640 | 96,560 | 95,104 | 94,498 |
| Receivables, net | 122,492 | 133,924 | 131,325 | 133,665 | 164,848 |
| Inventories | 56,394 | 54,450 | 62,172 | 57,690 | 56,762 |
| 2015 notes hedges | 523,930 | 429,847 | - | - | - |
| Prepaid expenses and other | 126,313 | 135,047 | 129,320 | 139,534 | 31,967 |
| Total current assets | <u>1,851,735</u> | <u>1,733,644</u> | <u>1,067,228</u> | <u>1,042,084</u> | <u>964,761</u> |
| Property, plant and equipment, net | 230,112 | 225,556 | 229,838 | 227,689 | 228,599 |
| Goodwill | 553,767 | 553,942 | 553,831 | 552,411 | 551,772 |
| Acquired intangibles, net | 360,932 | 344,450 | 328,338 | 312,405 | 296,482 |
| Long-term receivables | 3,644 | 3,619 | 1,628 | 1,568 | 4,498 |
| Other assets | 209,366 | 201,354 | 199,790 | 194,983 | 304,903 |
| Total assets | <u>\$ 3,209,556</u> | <u>\$ 3,062,565</u> | <u>\$ 2,380,653</u> | <u>\$ 2,331,140</u> | <u>\$ 2,351,015</u> |
| Current liabilities: | | | | | |
| Convertible notes | \$ 342,499 | \$ 293,667 | \$ - | \$ - | \$ - |
| 2015 notes embedded conversion derivative | 523,930 | 429,847 | - | - | - |
| Accounts payable and accrued liabilities | 225,375 | 178,474 | 202,794 | 194,427 | 238,022 |
| Current portion of deferred revenue | 301,287 | 324,448 | 324,569 | 315,220 | 298,285 |
| Total current liabilities | <u>1,393,091</u> | <u>1,226,436</u> | <u>527,363</u> | <u>509,647</u> | <u>536,307</u> |
| Long-term liabilities: | | | | | |
| Long-term portion of deferred revenue | 54,726 | 48,418 | 36,402 | 31,234 | 30,209 |
| Long-term debt | 348,676 | 348,705 | 348,733 | 348,760 | 348,788 |
| Other long-term liabilities | 79,489 | 75,816 | 70,940 | 56,937 | 59,596 |
| Total long-term liabilities | <u>482,891</u> | <u>472,939</u> | <u>456,075</u> | <u>436,931</u> | <u>438,593</u> |
| Stockholders' equity: | | | | | |
| Common stock and capital in excess of par value | 1,851,427 | 1,869,104 | 1,886,421 | 1,853,284 | 1,863,086 |
| Treasury stock, at cost | (203,792) | (219,578) | (256,476) | (307,408) | (400,555) |
| Accumulated deficit | (326,408) | (290,149) | (231,989) | (154,365) | (73,991) |
| Accumulated other comprehensive income (loss) | 12,347 | 3,813 | (741) | (6,949) | (12,425) |
| Total stockholders' equity | <u>1,333,574</u> | <u>1,363,190</u> | <u>1,397,215</u> | <u>1,384,562</u> | <u>1,376,115</u> |
| Total liabilities and stockholders' equity | <u>\$ 3,209,556</u> | <u>\$ 3,062,565</u> | <u>\$ 2,380,653</u> | <u>\$ 2,331,140</u> | <u>\$ 2,351,015</u> |

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three Months and Years Ended January 2, 2016 and January 3, 2015
(In thousands, except per share amounts)
(Unaudited)

| | <u>Three Months Ended</u> | | <u>Years Ended</u> | |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| | <u>January 2, 2016</u> | <u>January 3, 2015</u> | <u>January 2, 2016</u> | <u>January 3, 2015</u> |
| Revenue: | | | | |
| Product and maintenance | \$ 413,489 | \$ 393,223 | \$ 1,578,944 | \$ 1,479,151 |
| Services | 27,590 | 29,875 | 123,147 | 101,781 |
| Total revenue | <u>441,079</u> | <u>423,098</u> | <u>1,702,091</u> | <u>1,580,932</u> |
| Costs and expenses: | | | | |
| Cost of product and maintenance | 40,679 | 39,475 | 155,659 | 156,333 |
| Cost of services | 20,223 | 18,640 | 82,794 | 67,373 |
| Marketing and sales | 103,552 | 102,367 | 402,432 | 399,688 |
| Research and development | 161,970 | 155,124 | 637,567 | 603,006 |
| General and administrative | 26,789 | 26,939 | 109,982 | 113,619 |
| Amortization of acquired intangibles | 5,679 | 6,912 | 23,716 | 24,017 |
| Restructuring and other charges (credits) | 347 | (1,145) | 4,511 | 10,252 |
| Total costs and expenses | <u>359,239</u> | <u>348,312</u> | <u>1,416,661</u> | <u>1,374,288</u> |
| Income from operations | 81,840 | 74,786 | 285,430 | 206,644 |
| Interest expense | (4,200) | (11,961) | (28,311) | (34,121) |
| Other income, net | 2,510 | 3,879 | 10,477 | 8,479 |
| Income before provision (benefit) for income taxes | 80,150 | 66,704 | 267,596 | 181,002 |
| Provision (benefit) for income taxes | (224) | 1,674 | 15,179 | 22,104 |
| Net income | <u>\$ 80,374</u> | <u>\$ 65,030</u> | <u>\$ 252,417</u> | <u>\$ 158,898</u> |
| Net income per share - basic | <u>\$ 0.27</u> | <u>\$ 0.23</u> | <u>\$ 0.88</u> | <u>\$ 0.56</u> |
| Net income per share - diluted | <u>\$ 0.26</u> | <u>\$ 0.21</u> | <u>\$ 0.81</u> | <u>\$ 0.52</u> |
| Weighted average common shares outstanding - basic | <u>297,433</u> | <u>283,928</u> | <u>288,018</u> | <u>283,349</u> |
| Weighted average common shares outstanding - diluted | <u>310,512</u> | <u>310,273</u> | <u>312,302</u> | <u>306,775</u> |

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

| | Three Months Ended | | | | |
|--|----------------------------|--------------------------|-------------------------|----------------------------|----------------------------|
| | January 3, 2015 | April 4, 2015 | July 4, 2015 | October 3, 2015 | January 2, 2016 |
| Revenue: | | | | | |
| Product and maintenance | \$ 393,223 | \$ 383,637 | \$ 384,951 | \$ 396,867 | \$ 413,489 |
| Services | 29,875 | 27,729 | 30,932 | 36,896 | 27,590 |
| Total revenue | <u>423,098</u> | <u>411,366</u> | <u>415,883</u> | <u>433,763</u> | <u>441,079</u> |
| Costs and expenses: | | | | | |
| Cost of product and maintenance | 39,475 | 42,059 | 31,715 | 41,206 | 40,679 |
| Cost of services | 18,640 | 18,526 | 20,040 | 24,005 | 20,223 |
| Marketing and sales | 102,367 | 100,268 | 96,662 | 101,950 | 103,552 |
| Research and development | 155,124 | 162,996 | 157,974 | 154,627 | 161,970 |
| General and administrative | 26,939 | 27,642 | 27,467 | 28,084 | 26,789 |
| Amortization of acquired intangibles | 6,912 | 6,231 | 6,119 | 5,687 | 5,679 |
| Restructuring and other charges (credits) | (1,145) | 4,359 | (498) | 303 | 347 |
| Total costs and expenses | <u>348,312</u> | <u>362,081</u> | <u>339,479</u> | <u>355,862</u> | <u>359,239</u> |
| Income from operations | 74,786 | 49,285 | 76,404 | 77,901 | 81,840 |
| Interest expense | (11,961) | (11,754) | (8,180) | (4,177) | (4,200) |
| Other income, net | 3,879 | 4,781 | 1,347 | 1,839 | 2,510 |
| Income before provision (benefit) for income taxes | 66,704 | 42,312 | 69,571 | 75,563 | 80,150 |
| Provision (benefit) for income taxes | 1,674 | 6,053 | 11,411 | (2,061) | (224) |
| Net income | <u>\$ 65,030</u> | <u>\$ 36,259</u> | <u>\$ 58,160</u> | <u>\$ 77,624</u> | <u>\$ 80,374</u> |
| Net income per share - basic | <u>\$ 0.23</u> | <u>\$ 0.13</u> | <u>\$ 0.20</u> | <u>\$ 0.27</u> | <u>\$ 0.27</u> |
| Net income per share - diluted | <u>\$ 0.21</u> | <u>\$ 0.12</u> | <u>\$ 0.19</u> | <u>\$ 0.25</u> | <u>\$ 0.26</u> |
| Weighted average common shares outstanding - basic | <u>283,928</u> | <u>284,523</u> | <u>285,297</u> | <u>284,818</u> | <u>297,433</u> |
| Weighted average common shares outstanding - diluted | <u>310,273</u> | <u>311,847</u> | <u>313,665</u> | <u>313,186</u> | <u>310,512</u> |

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Years Ended January 2, 2016 and January 3, 2015
(In thousands)
(Unaudited)

| | Years Ended | |
|--|----------------------------|----------------------------|
| | January 2, 2016 | January 3, 2015 |
| Cash and cash equivalents at beginning of year | \$ 932,161 | \$ 536,260 |
| Cash flows from operating activities: | | |
| Net income | 252,417 | 158,898 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 118,165 | 115,634 |
| Amortization of debt discount and fees | 9,402 | 20,529 |
| Stock-based compensation | 92,341 | 83,792 |
| Gain on investments, net | (2,124) | (4,707) |
| Deferred income taxes | (13,148) | 12,478 |
| Other non-cash items | 646 | 6,854 |
| Changes in operating assets and liabilities, net of effect of acquired businesses: | | |
| Receivables | (44,732) | (17,925) |
| Inventories | (1,120) | (11,708) |
| Prepaid expenses and other | (1,380) | (2,501) |
| Other assets | (1,558) | (42,181) |
| Accounts payable and accrued liabilities | 15,321 | 3,856 |
| Deferred revenue | (27,019) | (11,860) |
| Other long-term liabilities | (19,011) | 5,563 |
| Net cash provided by operating activities | <u>378,200</u> | <u>316,722</u> |
| Cash flows from investing activities: | | |
| Purchases of available-for-sale securities | (96,531) | (124,165) |
| Proceeds from the sale of available-for-sale securities | 60,949 | 85,384 |
| Proceeds from the maturity of available-for-sale securities | 31,316 | 46,612 |
| Proceeds from the sale of long-term investments | 4,570 | 1,085 |
| Purchases of property, plant and equipment | (44,808) | (39,810) |
| Cash paid in business combinations and asset acquisitions, net of cash acquired | - | (167,121) |
| Net cash used for investing activities | <u>(44,504)</u> | <u>(198,015)</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 | - | (100,000) |
| Payment of convertible notes | (349,999) | (1) |
| Payment of convertible notes embedded conversion derivative liability | (530,643) | (1) |
| Proceeds from convertible notes hedges | 530,643 | 1 |
| Payment of debt issuance costs | - | (6,500) |
| Payment of acquisition-related contingent consideration | - | (1,835) |
| Excess tax benefits from stock-based compensation | 15,591 | 7,583 |
| Proceeds from issuance of common stock | 74,938 | 65,913 |
| Stock received for payment of employee taxes on vesting of restricted stock | (33,651) | (24,727) |
| Payments for repurchases of common stock | (333,189) | (100,117) |
| Net cash provided by (used for) financing activities | <u>(626,310)</u> | <u>288,965</u> |
| Effect of exchange rate changes on cash and cash equivalents | <u>(22,861)</u> | <u>(11,771)</u> |
| Increase (decrease) in cash and cash equivalents | <u>(315,475)</u> | <u>395,901</u> |
| Cash and cash equivalents at end of year | <u>\$ 616,686</u> | <u>\$ 932,161</u> |

Cadence Design Systems, Inc.
Trended Condensed Consolidated Statements of Cash Flows
For the Five Quarters Ended January 2, 2016
(In thousands)
(Unaudited)

| | Q4 2014 | Q1 2015 | Q2 2015 | Q3 2015 | Q4 2015 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Cash and cash equivalents at beginning of period | \$ 500,483 | \$ 932,161 | \$ 887,736 | \$ 647,851 | \$ 616,091 |
| Cash flows from operating activities: | | | | | |
| Net income | 65,030 | 36,259 | 58,160 | 77,624 | 80,374 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | | |
| Depreciation and amortization | 31,338 | 29,433 | 29,530 | 29,043 | 30,159 |
| Amortization of debt discount and fees | 5,666 | 5,945 | 3,026 | 214 | 217 |
| Stock-based compensation | 22,974 | 21,861 | 21,703 | 24,117 | 24,660 |
| (Gain) loss on investments, net | (1,505) | (1,270) | (320) | 156 | (690) |
| Deferred income taxes | (6,485) | 1,864 | 5,233 | (5,384) | (14,861) |
| Other non-cash items | 633 | 929 | 213 | (1,211) | 715 |
| Changes in operating assets and liabilities, net of effect of acquired businesses: | | | | | |
| Receivables | (16,067) | (12,450) | 4,372 | (2,022) | (34,632) |
| Inventories | 4,088 | 1,682 | (7,925) | 4,382 | 741 |
| Prepaid expenses and other | (2,493) | (10,004) | 1,968 | (4,415) | 11,071 |
| Other assets | (3,940) | 3,627 | (2,510) | (817) | (1,858) |
| Accounts payable and accrued liabilities | 19,479 | (44,754) | 24,101 | (7,501) | 43,475 |
| Deferred revenue | 15,371 | 16,812 | (10,985) | (15,034) | (17,812) |
| Other long-term liabilities | (2,022) | (3,246) | (4,812) | (12,245) | 1,292 |
| Net cash provided by operating activities | <u>132,067</u> | <u>46,688</u> | <u>121,754</u> | <u>86,907</u> | <u>122,851</u> |
| Cash flows from investing activities: | | | | | |
| Purchases of available-for-sale securities | (25,773) | (33,161) | (26,355) | (21,784) | (15,231) |
| Proceeds from the sale of available-for-sale securities | 15,472 | 20,551 | 17,035 | 13,220 | 10,143 |
| Proceeds from the maturity of available-for-sale securities | 14,210 | 10,350 | 5,250 | 9,950 | 5,766 |
| Proceeds from the sale of long-term investments | 1,085 | 1,364 | 929 | 2,217 | 60 |
| Purchases of property, plant and equipment | (11,852) | (7,520) | (16,547) | (10,026) | (10,715) |
| Cash paid in business combinations and asset acquisitions, net of cash acquired | 127 | - | - | - | - |
| Net cash used for investing activities | <u>(6,731)</u> | <u>(8,416)</u> | <u>(19,688)</u> | <u>(6,423)</u> | <u>(9,977)</u> |
| Cash flows from financing activities: | | | | | |
| Proceeds from issuance of debt | 348,649 | - | - | - | - |
| Payment of convertible notes | - | (53,862) | (296,137) | - | - |
| Payment of convertible notes embedded conversion derivative liability | - | (77,139) | (453,504) | - | - |
| Proceeds from convertible notes hedges | - | 77,139 | 453,504 | - | - |
| Payment of debt issuance costs | (6,178) | - | - | - | - |
| Excess tax benefits from stock-based compensation | 1,797 | 6,482 | 3,615 | 6,843 | (1,349) |
| Proceeds from issuance of common stock | 11,196 | 24,609 | 13,558 | 21,281 | 15,490 |
| Stock received for payment of employee taxes on vesting of restricted stock | (1,079) | (14,114) | (1,700) | (15,981) | (1,856) |
| Payments for repurchases of common stock | (37,542) | (36,797) | (56,279) | (120,059) | (120,054) |
| Net cash provided by (used for) financing activities | <u>316,843</u> | <u>(73,682)</u> | <u>(336,943)</u> | <u>(107,916)</u> | <u>(107,769)</u> |
| Effect of exchange rate changes on cash and cash equivalents | (10,501) | (9,015) | (5,008) | (4,328) | (4,510) |
| Increase (decrease) in cash and cash equivalents | <u>431,678</u> | <u>(44,425)</u> | <u>(239,885)</u> | <u>(31,760)</u> | <u>595</u> |
| Cash and cash equivalents at end of period | <u>\$ 932,161</u> | <u>\$ 887,736</u> | <u>\$ 647,851</u> | <u>\$ 616,091</u> | <u>\$ 616,686</u> |

Cadence Design Systems, Inc.
(Unaudited)

Revenue Mix by Geography (% of Total Revenue)

| <u>GEOGRAPHY</u> | 2014 | | | | | 2015 | | | | |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | Q1 | Q2 | Q3 | Q4 | Year | Q1 | Q2 | Q3 | Q4 | Year |
| Americas | 45% | 44% | 46% | 47% | 45% | 47% | 48% | 48% | 48% | 47% |
| Asia | 23% | 23% | 22% | 22% | 23% | 24% | 23% | 25% | 25% | 24% |
| Europe, Middle East and Africa | 20% | 22% | 21% | 21% | 21% | 19% | 20% | 18% | 17% | 19% |
| Japan | 12% | 11% | 11% | 10% | 11% | 10% | 9% | 9% | 10% | 10% |
| Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Revenue Mix by Product Group (% of Total Revenue)

| <u>PRODUCT GROUP</u> | 2014 | | | | | 2015 | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | Q1 | Q2 | Q3 | Q4 | Year | Q1 | Q2 | Q3 | Q4 | Year |
| Functional Verification, including Emulation Hardware | 23% | 21% | 23% | 21% | 22% | 23% | 21% | 23% | 25% | 23% |
| Digital IC Design and Signoff | 30% | 30% | 29% | 28% | 29% | 28% | 29% | 28% | 28% | 28% |
| Custom IC Design | 27% | 28% | 27% | 28% | 27% | 27% | 27% | 26% | 25% | 26% |
| System Interconnect and Analysis | 10% | 11% | 10% | 11% | 11% | 11% | 11% | 10% | 10% | 11% |
| IP | 10% | 10% | 11% | 12% | 11% | 11% | 12% | 13% | 12% | 12% |
| Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Cadence Design Systems, Inc.
As of February 3, 2016
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share
(Unaudited)

| | Three Months Ending April 2, 2016 Forecast | Year Ending December 31, 2016 Forecast |
|---|---|---|
| Diluted net income per share on a GAAP basis | \$0.17 to \$0.19 | \$0.72 to \$0.82 |
| Amortization of acquired intangibles | 0.05 | 0.20 |
| Stock-based compensation expense | 0.08 | 0.38 |
| Acquisition and integration-related costs | - | - |
| Other income or expense related to investments and non-qualified deferred compensation plan assets* | (0.01) | (0.01) |
| Income tax effect of non-GAAP adjustments | (0.03) | (0.14) |
| Diluted net income per share on a non-GAAP basis† | <u><u>\$0.26 to \$0.28</u></u> | <u><u>\$1.15 to \$1.25</u></u> |

Cadence Design Systems, Inc.
As of February 3, 2016
Impact of Non-GAAP Adjustments on Forward Looking Net Income
(Unaudited)

| (\$ in millions) | Three Months Ending April 2, 2016 Forecast | Year Ending December 31, 2016 Forecast |
|---|---|---|
| Net income on a GAAP basis | \$50 to \$56 | \$206 to \$235 |
| Amortization of acquired intangibles | 16 | 58 |
| Stock-based compensation expense | 25 | 109 |
| Acquisition and integration-related costs | - | 1 |
| Other income or expense related to investments and non-qualified deferred compensation plan assets* | (2) | (2) |
| Income tax effect of non-GAAP adjustments | (10) | (41) |
| Net income on a non-GAAP basis† | <u><u>\$79 to \$85</u></u> | <u><u>\$331 to \$360</u></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 fourth quarter and fiscal year 2015 for a further discussion of its non-GAAP financial measures.

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

Cadence Design Systems, Inc.
Reconciliation of GAAP Net Income to Non-GAAP Net Income
For the Three Months and Years Ended January 2, 2016 and January 3, 2015
(Unaudited)

| (In thousands) | Three Months Ended | | Years Ended | |
|---|--------------------|------------------|-------------------|-------------------|
| | January 2, 2016 | January 3, 2015 | January 2, 2016 | January 3, 2015 |
| Net income on a GAAP basis | \$ 80,374 | \$ 65,030 | \$ 252,417 | \$ 158,898 |
| Amortization of acquired intangibles* | 15,826 | 17,559 | 64,248 | 60,924 |
| Stock-based compensation expense** | 24,660 | 22,974 | 92,341 | 83,792 |
| Non-qualified deferred compensation expenses (credits)*** | 575 | 409 | (369) | 3,415 |
| Restructuring and other charges (credits) | 347 | (1,145) | 4,511 | 10,252 |
| Acquisition and integration-related costs**** | 1,596 | 4,280 | 7,975 | 24,620 |
| Special charges † ***** | 916 | - | 916 | 10,816 |
| Amortization of debt discount on convertible notes | - | 4,782 | 7,496 | 17,602 |
| Other income or expense related to investments and non-qualified deferred compensation plan assets †† | (579) | (1,484) | (1,979) | (4,629) |
| Income tax effect of non-GAAP adjustments | (28,627) | (27,987) | (86,650) | (78,723) |
| Net income on a non-GAAP basis + | <u>\$ 95,088</u> | <u>\$ 84,418</u> | <u>\$ 340,906</u> | <u>\$ 286,967</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 fourth quarter and fiscal year 2015 for a further discussion of its non-GAAP financial measures.

† 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 of acquired intangibles is reported in the Condensed Consolidated Income Statements as follows:

| (In thousands) | Three Months Ended | | Years Ended | |
|--|--------------------|------------------|------------------|------------------|
| | January 2, 2016 | January 3, 2015 | January 2, 2016 | January 3, 2015 |
| Cost of product and maintenance | \$ 10,147 | \$ 10,647 | \$ 40,532 | \$ 36,907 |
| Amortization of acquired intangibles | 5,679 | 6,912 | 23,716 | 24,017 |
| Total amortization of acquired intangibles | <u>\$ 15,826</u> | <u>\$ 17,559</u> | <u>\$ 64,248</u> | <u>\$ 60,924</u> |

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

| (In thousands) | Three Months Ended | | Years Ended | |
|--|--------------------|------------------|------------------|------------------|
| | January 2, 2016 | January 3, 2015 | January 2, 2016 | January 3, 2015 |
| Cost of product and maintenance | \$ 647 | \$ 644 | \$ 2,436 | \$ 2,244 |
| Cost of services | 946 | 942 | 3,561 | 3,280 |
| Marketing and sales | 5,207 | 5,494 | 21,654 | 20,580 |
| Research and development | 14,130 | 12,225 | 49,755 | 43,173 |
| General and administrative | 3,730 | 3,669 | 14,935 | 14,515 |
| Total stock-based compensation expense | <u>\$ 24,660</u> | <u>\$ 22,974</u> | <u>\$ 92,341</u> | <u>\$ 83,792</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 2, 2016 | January 3, 2015 | January 2, 2016 | January 3, 2015 |
| Cost of product and maintenance | \$ 2 | \$ 6 | \$ (5) | \$ 34 |
| Cost of services | 2 | 8 | (9) | 50 |
| Marketing and sales | 30 | 19 | (20) | 149 |
| Research and development | 440 | 216 | (76) | 1,886 |
| General and administrative | 101 | 160 | (259) | 1,296 |
| Total non-qualified deferred compensation expenses (credits) | <u>\$ 575</u> | <u>\$ 409</u> | <u>\$ (369)</u> | <u>\$ 3,415</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 2, 2016 | January 3, 2015 | January 2, 2016 | January 3, 2015 |
| Marketing and sales | \$ 113 | \$ 411 | \$ 654 | \$ 2,768 |
| Research and development | 1,034 | 3,354 | 6,757 | 17,228 |
| General and administrative | 449 | 515 | 564 | 4,624 |
| Total acquisition and integration-related costs | <u>\$ 1,596</u> | <u>\$ 4,280</u> | <u>\$ 7,975</u> | <u>\$ 24,620</u> |

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

| (In thousands) | Three Months Ended | | Years Ended | |
|---------------------------------|--------------------|-----------------|-----------------|------------------|
| | January 2, 2016 | January 3, 2015 | January 2, 2016 | January 3, 2015 |
| Cost of product and maintenance | \$ - | \$ - | \$ - | \$ 401 |
| Cost of services | - | - | - | 667 |
| Marketing and sales | - | - | - | 1,913 |
| Research and development | 916 | - | 916 | 5,854 |
| General and administrative | - | - | - | 1,981 |
| Total special charges | <u>\$ 916</u> | <u>\$ -</u> | <u>\$ 916</u> | <u>\$ 10,816</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 and Years Ended January 2, 2016 and January 3, 2015
(Unaudited)

| (In thousands, except per share data) | Three Months Ended | | Years Ended | |
|---|--------------------|--------------------|--------------------|--------------------|
| | January 2, 2016 | January 3, 2015 | January 2, 2016 | January 3, 2015 |
| Diluted net income per share on a GAAP basis | \$ 0.26 | \$ 0.21 | \$ 0.81 | \$ 0.52 |
| Amortization of acquired intangibles | 0.05 | 0.06 | 0.21 | 0.20 |
| Stock-based compensation expense | 0.08 | 0.07 | 0.30 | 0.27 |
| Non-qualified deferred compensation expenses (credits) | - | - | - | 0.01 |
| Restructuring and other charges (credits) | - | - | 0.01 | 0.03 |
| Acquisition and integration-related costs | 0.01 | 0.01 | 0.03 | 0.08 |
| Special charges* | - | - | - | 0.04 |
| Amortization of debt discount on convertible notes | - | 0.01 | 0.02 | 0.06 |
| Other income or expense related to investments and non-qualified deferred compensation plan assets ** | - | - | (0.01) | (0.01) |
| Income tax effect of non-GAAP adjustments | (0.09) | (0.09) | (0.28) | (0.26) |
| Diluted net income per share on a non-GAAP basis + | \$ 0.31 | \$ 0.27 | \$ 1.09 | \$ 0.94 |
| Shares used in calculation of diluted net income per share - GAAP *** | 310,512 | 310,273 | 312,302 | 306,775 |
| Shares used in calculation of diluted net income per share - non-GAAP *** | 310,512 | 310,273 | 312,302 | 306,775 |

+ **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 fourth quarter and fiscal year 2015 for a further discussion of its non-GAAP financial measures.**

* 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)

| | Three Months Ended January 2, 2016 | Three Months Ended January 3, 2015 |
|--|---------------------------------------|---------------------------------------|
| | Actual (In thousands) | Actual (In thousands) |
| GAAP total costs and expenses | \$ 359,239 | \$ 348,312 |
| Reconciling items to non-GAAP total costs and expense: | | |
| Amortization of acquired intangibles | (15,826) | (17,559) |
| Stock-based compensation expense | (24,660) | (22,974) |
| Non-qualified deferred compensation expense: | (575) | (409) |
| Restructuring and other (charges) credits | (347) | 1,145 |
| Acquisition and integration-related costs: | (1,596) | (4,280) |
| Special charges* | (916) | - |
| Non-GAAP total costs and expenses† | <u>\$ 315,319</u> | <u>\$ 304,235</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 fourth quarter and fiscal year 2015 for a further discussion of its non-GAAP financial measures.

*Comprised of executive severance costs

| | Three Months Ended January 2, 2016 | Three Months Ended January 3, 2015 | Year Ended January 2, 2016 | Year Ended January 3, 2015 | Three Months Ending April 2, 2016 | Year Ending December 31, 2016 |
|--|---------------------------------------|---------------------------------------|-------------------------------|-------------------------------|--------------------------------------|----------------------------------|
| | Actual | Actual | Actual | Actual | Forecast | Forecast |
| GAAP operating margin as a percent of total revenue | 19% | 18% | 17% | 13% | 15% to 16% | 17% |
| Reconciling items to non-GAAP operating margin as a percent of total revenue | | | | | | |
| Amortization of acquired intangibles | 4% | 4% | 4% | 4% | 3% | 3% |
| Stock-based compensation expense | 6% | 5% | 5% | 5% | 6% | 6% |
| Non-qualified deferred compensation expense (credits) | 0% | 0% | 0% | 0% | 0% | 0% |
| Restructuring and other charges (credits) | 0% | 0% | 0% | 0% | 0% | 0% |
| Acquisition and integration-related costs: | 0% | 1% | 1% | 2% | 0% | 0% |
| Special charges* | 0% | 0% | 0% | 1% | 0% | 0% |
| Non-GAAP operating margin as a percent of total revenue† | <u>29%</u> | <u>28%</u> | <u>27%</u> | <u>25%</u> | <u>24% to 25%</u> | <u>26%</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 fourth quarter and fiscal year 2015 for a further discussion of its non-GAAP financial measures.

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

| (In millions) | Year Ending December 31, 2016 Forecast |
|---|--|
| | GAAP total other income (expense), net |
| Reconciling items to non-GAAP total other income (expense), net | |
| Other income or expense related to investments and non-qualified deferred compensation plan assets* | (2) |
| Non-GAAP total other income (expense), net† | <u>\$(27) to \$(18)</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 fourth quarter and fiscal year 2015 for a further discussion of its non-GAAP financial measures.

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

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

| (In thousands) | For the three months ended January 2, 2016 | | | | | | |
|--------------------------------------|--|--------------------------|--------------------------------------|--|---|------------------|--|
| | Operating expenses on a GAAP basis† | Stock-based compensation | Amortization of acquired intangibles | Non-qualified deferred compensation expenses | Acquisition and integration-related costs | Special charges* | Operating expenses on a non-GAAP basis |
| Cost of product and maintenance | 40,679 | (647) | (10,147) | (2) | - | - | 29,883 |
| Cost of services | 20,223 | (946) | - | (2) | - | - | 19,275 |
| Marketing and sales | 103,552 | (5,207) | - | (30) | (113) | - | 98,202 |
| Research and development | 161,970 | (14,130) | - | (440) | (1,034) | (916) | 145,450 |
| General and administrative | 26,789 | (3,730) | - | (101) | (449) | - | 22,509 |
| Amortization of acquired intangibles | 5,679 | - | (5,679) | - | - | - | - |
| | | <u>(24,660)</u> | <u>(15,826)</u> | <u>(575)</u> | <u>(1,596)</u> | <u>(916)</u> | |
| (In thousands) | For the year ended January 2, 2016 | | | | | | |
| | Operating expenses on a GAAP basis† | Stock-based compensation | Amortization of acquired intangibles | Non-qualified deferred compensation credits | Acquisition and integration-related costs | Special charges* | Operating expenses on a non-GAAP basis |
| Cost of product and maintenance | 155,659 | (2,436) | (40,532) | 5 | - | - | 112,696 |
| Cost of services | 82,794 | (3,561) | - | 9 | - | - | 79,242 |
| Marketing and sales | 402,432 | (21,654) | - | 20 | (654) | - | 380,144 |
| Research and development | 637,567 | (49,755) | - | 76 | (6,757) | (916) | 580,215 |
| General and administrative | 109,982 | (14,935) | - | 259 | (564) | - | 94,742 |
| Amortization of acquired intangibles | 23,716 | - | (23,716) | - | - | - | - |
| | | <u>(92,341)</u> | <u>(64,248)</u> | <u>369</u> | <u>(7,975)</u> | <u>(916)</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 fourth quarter and fiscal year 2015 for a further discussion of its non-GAAP financial measures.

*Comprised of executive severance costs

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Three Months Ended January 2, 2016
(In thousands)
(Unaudited)

| | Three Months Ended January 2, 2016 | | |
|--|---------------------------------------|--------------|------------|
| | GAAP | Adjustments | Non-GAAP* |
| Revenue: | | | |
| Product and maintenance | \$ 413,489 | \$ - | \$ 413,489 |
| Services | 27,590 | - | 27,590 |
| Total revenue | 441,079 | - | 441,079 |
| Costs and expenses: | | | |
| Cost of product and maintenance | 40,679 | (10,796) (A) | 29,883 |
| Cost of services | 20,223 | (948) (A) | 19,275 |
| Marketing and sales | 103,552 | (5,350) (A) | 98,202 |
| Research and development | 161,970 | (16,520) (A) | 145,450 |
| General and administrative | 26,789 | (4,280) (A) | 22,509 |
| Amortization of acquired intangibles | 5,679 | (5,679) (A) | - |
| Restructuring and other charges | 347 | (347) | - |
| Total costs and expenses | 359,239 | (43,920) | 315,319 |
| Income from operations | 81,840 | 43,920 | 125,760 |
| Interest expense | (4,200) | - | (4,200) |
| Other income, net | 2,510 | (579) (B) | 1,931 |
| Income before provision (benefit) for income taxes | 80,150 | 43,341 | 123,491 |
| Provision (benefit) for income taxes | (224) | 28,627 (C) | 28,403 |
| Net income | \$ 80,374 | \$ 14,714 | \$ 95,088 |

* 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 fourth quarter and fiscal year 2015 for a further discussion of its non-GAAP financial measures.

Notes:

(A) For the three months ended January 2, 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 | Special charges (D) | Total adjustments |
|--------------------------------------|--|--|---|--|------------------------|----------------------|
| Cost of product and maintenance | \$ 10,147 | \$ 647 | \$ 2 | \$ - | \$ - | \$ 10,796 |
| Cost of services | - | 946 | 2 | - | - | 948 |
| Marketing and sales | - | 5,207 | 30 | 113 | - | 5,350 |
| Research and development | - | 14,130 | 440 | 1,034 | 916 | 16,520 |
| General and administrative | - | 3,730 | 101 | 449 | - | 4,280 |
| Amortization of acquired intangibles | 5,679 | - | - | - | - | 5,679 |
| Total | \$ 15,826 | \$ 24,660 | \$ 575 | \$ 1,596 | \$ 916 | \$ 43,573 |

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

(C) Income tax effect of non-GAAP adjustments

(D) Comprised of executive severance costs

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 January 3, 2015 | | |
|---|---------------------------------------|------------------|------------------|
| | GAAP | Adjustments | Non-GAAP* |
| Revenue: | | | |
| Product and maintenance | \$ 393,223 | \$ - | \$ 393,223 |
| Services | 29,875 | - | 29,875 |
| Total revenue | <u>423,098</u> | <u>-</u> | <u>423,098</u> |
| 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 | <u>348,312</u> | <u>(44,077)</u> | <u>304,235</u> |
| 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 | <u>\$ 65,030</u> | <u>\$ 19,388</u> | <u>\$ 84,418</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 fourth quarter and fiscal year 2015 for a further discussion of its non-GAAP financial measures.

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 | <u>\$ 17,559</u> | <u>\$ 22,974</u> | <u>\$ 409</u> | <u>\$ 4,280</u> | <u>\$ 45,222</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 Year Ended January 2, 2016
(In thousands)
(Unaudited)

| | Year Ended January 2, 2016 | | |
|---|-------------------------------|------------------|-------------------|
| | GAAP | Adjustments | Non-GAAP* |
| Revenue: | | | |
| Product and maintenance | \$ 1,578,944 | \$ - | \$ 1,578,944 |
| Services | 123,147 | - | 123,147 |
| Total revenue | 1,702,091 | - | 1,702,091 |
| Costs and expenses: | | | |
| Cost of product and maintenance | 155,659 | (42,963) (A) | 112,696 |
| Cost of services | 82,794 | (3,552) (A) | 79,242 |
| Marketing and sales | 402,432 | (22,288) (A) | 380,144 |
| Research and development | 637,567 | (57,352) (A) | 580,215 |
| General and administrative | 109,982 | (15,240) (A) | 94,742 |
| Amortization of acquired intangibles | 23,716 | (23,716) (A) | - |
| Restructuring and other charges | 4,511 | (4,511) | - |
| Total costs and expenses | 1,416,661 | (169,622) | 1,247,039 |
| Income from operations | 285,430 | 169,622 | 455,052 |
| Interest expense | (28,311) | 7,496 (B) | (20,815) |
| Other income, net | 10,477 | (1,979) (C) | 8,498 |
| Income before provision for income taxes | 267,596 | 175,139 | 442,735 |
| Provision for income taxes | 15,179 | 86,650 (D) | 101,829 |
| Net income | \$ 252,417 | \$ 88,489 | \$ 340,906 |

* 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 fourth quarter and fiscal year 2015 for a further discussion of its non-GAAP financial measures.

Notes:

(A) For the year ended January 2, 2016 adjustments to GAAP are as follows for the line items specified:

| | Amortization of acquired intangibles | Stock-based compensation expense | Non-qualified deferred compensation credits | Acquisition and integration-related costs | Special charges (E) | Total adjustments |
|--------------------------------------|--|--|--|---|------------------------|----------------------|
| Cost of product and maintenance | \$ 40,532 | \$ 2,436 | \$ (5) | \$ - | \$ - | \$ 42,963 |
| Cost of services | - | 3,561 | (9) | - | - | 3,552 |
| Marketing and sales | - | 21,654 | (20) | 654 | - | 22,288 |
| Research and development | - | 49,755 | (76) | 6,757 | 916 | 57,352 |
| General and administrative | - | 14,935 | (259) | 564 | - | 15,240 |
| Amortization of acquired intangibles | 23,716 | - | - | - | - | 23,716 |
| Total | \$ 64,248 | \$ 92,341 | \$ (369) | \$ 7,975 | \$ 916 | \$ 165,111 |

(B) Amortization of debt discount related to convertible notes

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

(D) Income tax effect of non-GAAP adjustments

(E) Comprised of 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 | \$ 1,479,151 | \$ - | \$ 1,479,151 |
| Services | <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) (A) | 116,747 |
| Cost of services | 67,373 | (3,997) (A) | 63,376 |
| Marketing and sales | 399,688 | (25,410) (A) | 374,278 |
| Research and development | 603,006 | (68,141) (A) | 534,865 |
| General and administrative | 113,619 | (22,416) (A) | 91,203 |
| Amortization of acquired intangibles | 24,017 | (24,017) (A) | - |
| Restructuring and other charges | <u>10,252</u> | <u>(10,252)</u> | <u>-</u> |
| 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 (B) | (16,519) |
| Other income, net | <u>8,479</u> | <u>(4,629) (C)</u> | <u>3,850</u> |
| Income before provision for income taxes | 181,002 | 206,792 | 387,794 |
| Provision for income taxes | <u>22,104</u> | <u>78,723 (D)</u> | <u>100,827</u> |
| Net income | <u>\$ 158,898</u> | <u>\$ 128,069</u> | <u>\$ 286,967</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 fourth quarter and fiscal year 2015 for a further discussion of its non-GAAP financial measures.

Notes:

(A) 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 (E) | 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> |

(B) Amortization of debt discount related to convertible notes

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

(D) Income tax effect of non-GAAP adjustments

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