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Cadence Design Systems, Inc.
Condensed Consolidated Balance Sheets
December 31, 2016 and January 2, 2016
(In thousands)
(Unaudited)

	December 31, 2016	January 2, 2016
Current assets:		
Cash and cash equivalents	\$ 465,232	\$ 616,686
Short-term investments	3,057	94,498
Receivables, net	157,171	164,848
Inventories	39,475	56,762
Prepaid expenses and other	37,099	31,441
Total current assets	702,034	964,235
Property, plant and equipment, net of accumulated depreciation of \$612,961 and \$581,345, respectively	238,607	228,599
Goodwill	572,764	551,772
Acquired intangibles, net of accumulated amortization of \$267,723 and \$216,589, respectively	258,814	296,482
Long-term receivables	12,949	4,498
Other assets	311,740	299,929
Total assets	\$ 2,096,908	\$ 2,345,515
Current liabilities:		
Revolving credit facility	\$ 50,000	\$ -
Accounts payable and accrued liabilities	239,496	238,022
Current portion of deferred revenue	296,066	298,285
Total current liabilities	585,562	536,307
Long-term liabilities:		
Long-term portion of deferred revenue	66,769	30,209
Long-term debt	643,493	343,288
Other long-term liabilities	59,314	59,596
Total long-term liabilities	769,576	433,093
Stockholders' equity	741,770	1,376,115
Total liabilities and stockholders' equity	\$ 2,096,908	\$ 2,345,515

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

	January 2, 2016	April 2, 2016	July 2, 2016	October 1, 2016	December 31, 2016
Current assets:					
Cash and cash equivalents	\$ 616,686	\$ 810,400	\$ 669,573	\$ 524,333	\$ 465,232
Short-term investments	94,498	96,317	34,745	8,503	3,057
Receivables, net	164,848	147,533	156,444	152,025	157,171
Inventories	56,762	56,634	61,932	64,476	39,475
Prepaid expenses and other	31,441	41,360	39,485	42,953	37,099
Total current assets	<u>964,235</u>	<u>1,152,244</u>	<u>962,179</u>	<u>792,290</u>	<u>702,034</u>
Property, plant and equipment, net	228,599	231,180	235,911	240,590	238,607
Goodwill	551,772	551,897	573,714	573,890	572,764
Acquired intangibles, net	296,482	283,825	287,888	273,381	258,814
Long-term receivables	4,498	11,365	17,368	14,961	12,949
Other assets	299,929	308,513	300,813	298,975	311,740
Total assets	<u>\$ 2,345,515</u>	<u>\$ 2,539,024</u>	<u>\$ 2,377,873</u>	<u>\$ 2,194,087</u>	<u>\$ 2,096,908</u>
Current liabilities:					
Revolving credit facility	\$ -	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Accounts payable and accrued liabilities	238,022	195,216	224,685	192,948	239,496
Current portion of deferred revenue	298,285	322,684	289,786	288,373	296,066
Total current liabilities	<u>536,307</u>	<u>567,900</u>	<u>564,471</u>	<u>531,321</u>	<u>585,562</u>
Long-term liabilities:					
Long-term portion of deferred revenue	30,209	38,447	38,094	36,338	66,769
Long-term debt	343,288	642,862	643,073	643,277	643,493
Other long-term liabilities	59,596	55,763	56,842	56,355	59,314
Total long-term liabilities	<u>433,093</u>	<u>737,072</u>	<u>738,009</u>	<u>735,970</u>	<u>769,576</u>
Stockholders' equity:					
Common stock and capital in excess of par value	1,863,086	1,844,287	1,851,724	1,801,125	1,820,081
Treasury stock, at cost	(400,555)	(587,348)	(800,059)	(963,604)	(1,190,053)
Retained earnings (accumulated deficit)	(73,991)	(15,622)	33,713	98,425	136,902
Accumulated other comprehensive loss	(12,425)	(7,265)	(9,985)	(9,150)	(25,160)
Total stockholders' equity	<u>1,376,115</u>	<u>1,234,052</u>	<u>1,075,393</u>	<u>926,796</u>	<u>741,770</u>
Total liabilities and stockholders' equity	<u>\$ 2,345,515</u>	<u>\$ 2,539,024</u>	<u>\$ 2,377,873</u>	<u>\$ 2,194,087</u>	<u>\$ 2,096,908</u>

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three Months and Years Ended December 31, 2016 and January 2, 2016
(In thousands, except per share amounts)
(Unaudited)

	<u>Three Months Ended</u>		<u>Years Ended</u>	
	<u>December 31,</u> <u>2016</u>	<u>January 2,</u> <u>2016</u>	<u>December 31,</u> <u>2016</u>	<u>January 2,</u> <u>2016</u>
Revenue:				
Product and maintenance	\$ 436,694	\$ 413,489	\$ 1,683,771	\$ 1,578,944
Services	32,286	27,590	132,312	123,147
Total revenue	<u>468,980</u>	<u>441,079</u>	<u>1,816,083</u>	<u>1,702,091</u>
Costs and expenses:				
Cost of product and maintenance	57,410	40,679	183,291	155,659
Cost of services	18,638	20,223	73,201	82,794
Marketing and sales	98,091	103,552	395,194	402,432
Research and development	181,516	161,970	735,340	637,567
General and administrative	29,977	26,789	125,106	109,982
Amortization of acquired intangibles	3,889	5,679	18,095	23,716
Restructuring and other charges	26,342	347	40,955	4,511
Total costs and expenses	<u>415,863</u>	<u>359,239</u>	<u>1,571,182</u>	<u>1,416,661</u>
Income from operations	53,117	81,840	244,901	285,430
Interest expense	(6,364)	(4,200)	(23,670)	(28,311)
Other income, net	5,481	2,510	15,922	10,477
Income before provision (benefit) for income taxes	52,234	80,150	237,153	267,596
Provision (benefit) for income taxes	13,757	(224)	34,067	15,179
Net income	<u>\$ 38,477</u>	<u>\$ 80,374</u>	<u>\$ 203,086</u>	<u>\$ 252,417</u>
Net income per share - basic	<u>\$ 0.14</u>	<u>\$ 0.27</u>	<u>\$ 0.71</u>	<u>\$ 0.88</u>
Net income per share - diluted	<u>\$ 0.14</u>	<u>\$ 0.26</u>	<u>\$ 0.70</u>	<u>\$ 0.81</u>
Weighted average common shares outstanding - basic	<u>272,578</u>	<u>297,433</u>	<u>284,502</u>	<u>288,018</u>
Weighted average common shares outstanding - diluted	<u>278,917</u>	<u>310,512</u>	<u>291,256</u>	<u>312,302</u>

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

	Three Months Ended				
	January 2, 2016	April 2, 2016	July 2, 2016	October 1, 2016	December 31, 2016
Revenue:					
Product and maintenance	\$ 413,489	\$ 411,744	\$ 419,963	\$ 415,370	\$ 436,694
Services	27,590	36,118	33,058	30,850	32,286
Total revenue	441,079	447,862	453,021	446,220	468,980
Costs and expenses:					
Cost of product and maintenance	40,679	44,181	42,960	38,740	57,410
Cost of services	20,223	17,873	18,823	17,867	18,638
Marketing and sales	103,552	99,200	101,110	96,793	98,091
Research and development	161,970	179,906	182,371	191,547	181,516
General and administrative	26,789	28,300	36,388	30,441	29,977
Amortization of acquired intangibles	5,679	5,780	4,537	3,889	3,889
Restructuring and other charges (credits)	347	14,586	(74)	101	26,342
Total costs and expenses	359,239	389,826	386,115	379,378	415,863
Income from operations	81,840	58,036	66,906	66,842	53,117
Interest expense	(4,200)	(5,357)	(5,896)	(6,053)	(6,364)
Other income, net	2,510	4,763	2,842	2,836	5,481
Income before provision (benefit) for income taxes	80,150	57,442	63,852	63,625	52,234
Provision (benefit) for income taxes	(224)	6,880	14,517	(1,087)	13,757
Net income	\$ 80,374	\$ 50,562	\$ 49,335	\$ 64,712	\$ 38,477
Net income per share - basic	\$ 0.27	\$ 0.17	\$ 0.17	\$ 0.23	\$ 0.14
Net income per share - diluted	\$ 0.26	\$ 0.17	\$ 0.17	\$ 0.23	\$ 0.14
Weighted average common shares outstanding - basic	297,433	296,615	288,191	280,622	272,578
Weighted average common shares outstanding - diluted	310,512	303,434	295,201	287,473	278,917

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Years Ended December 31, 2016 and January 2, 2016
(In thousands)
(Unaudited)

	Years Ended	
	December 31, 2016	January 2, 2016
Cash and cash equivalents at beginning of year	\$ 616,686	\$ 932,161
Cash flows from operating activities:		
Net income	203,086	252,417
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	119,588	118,165
Amortization of debt discount and fees	1,069	9,402
Stock-based compensation	109,217	92,341
Gain on investments, net	(4,725)	(2,124)
Gain on sale of property, plant and equipment	(923)	-
Deferred income taxes	(4,869)	(13,148)
Other non-cash items	4,027	646
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	(3,299)	(44,732)
Inventories	4,934	(1,120)
Prepaid expenses and other	(6,903)	(1,380)
Other assets	(6,566)	(1,558)
Accounts payable and accrued liabilities	2,655	15,321
Deferred revenue	30,742	(27,019)
Other long-term liabilities	(3,154)	(19,011)
Net cash provided by operating activities	<u>444,879</u>	<u>378,200</u>
Cash flows from investing activities:		
Purchases of available-for-sale securities	(20,525)	(96,531)
Proceeds from the sale of available-for-sale securities	55,619	60,949
Proceeds from the maturity of available-for-sale securities	57,762	31,316
Proceeds from the sale of long-term investments	2,917	4,570
Proceeds from the sale of property, plant and equipment	923	-
Purchases of property, plant and equipment	(53,712)	(44,808)
Cash paid in business combinations and asset acquisitions, net of cash acquired	(41,627)	-
Net cash provided by (used for) investing activities	<u>1,357</u>	<u>(44,504)</u>
Cash flows from financing activities:		
Proceeds from term loan	300,000	-
Proceeds from revolving credit facility	115,000	-
Payment on revolving credit facility	(65,000)	-
Payment of debt issuance costs	(622)	-
Payment of convertible notes	-	(349,999)
Payment of convertible notes embedded conversion derivative liability	-	(530,643)
Proceeds from convertible notes hedges	-	530,643
Excess tax benefits from stock-based compensation	-	15,591
Proceeds from issuance of common stock	55,440	74,938
Stock received for payment of employee taxes on vesting of restricted stock	(37,226)	(33,651)
Payments for repurchases of common stock	(960,289)	(333,189)
Net cash used for financing activities	<u>(592,697)</u>	<u>(626,310)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(4,993)</u>	<u>(22,861)</u>
Decrease in cash and cash equivalents	<u>(151,454)</u>	<u>(315,475)</u>
Cash and cash equivalents at end of year	<u>\$ 465,232</u>	<u>\$ 616,686</u>

Cadence Design Systems, Inc.
Trended Condensed Consolidated Statements of Cash Flows
For the Five Quarters Ended December 31, 2016
(In thousands)
(Unaudited)

	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Cash and cash equivalents at beginning of period	\$ 616,091	\$ 616,686	\$ 810,400	\$ 669,573	\$ 524,333
Cash flows from operating activities:					
Net income	80,374	50,562	49,335	64,712	38,477
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	30,159	31,231	31,528	26,967	29,862
Amortization of debt discount and fees	217	255	272	265	277
Stock-based compensation	24,660	24,632	25,356	29,998	29,231
Gain on investments, net	(690)	(2,617)	(648)	(805)	(655)
Gain on sale of property, plant and equipment	-	-	-	(482)	(441)
Deferred income taxes	(14,861)	1,623	8,629	(1,595)	(13,526)
Other non-cash items	715	209	541	1,119	2,158
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	(34,632)	11,618	(15,150)	6,405	(6,172)
Inventories	741	(3,714)	(6,582)	(6,043)	21,273
Prepaid expenses and other	11,071	(10,132)	1,442	(3,445)	5,232
Other assets	(1,858)	(3,595)	(5,114)	4,887	(2,744)
Accounts payable and accrued liabilities	43,475	(42,557)	28,545	(32,573)	49,240
Deferred revenue	(17,812)	30,710	(38,122)	(3,411)	41,565
Other long-term liabilities	1,292	(5,034)	334	(1,539)	3,085
Net cash provided by operating activities	<u>122,851</u>	<u>83,191</u>	<u>80,366</u>	<u>84,460</u>	<u>196,862</u>
Cash flows from investing activities:					
Purchases of available-for-sale securities	(15,231)	(20,525)	-	-	-
Proceeds from the sale of available-for-sale securities	10,143	1,000	54,168	250	201
Proceeds from the maturity of available-for-sale securities	5,766	19,000	7,115	26,247	5,400
Proceeds from the sale of long-term investments	60	2,583	-	330	4
Proceeds from the sale of property, plant and equipment	-	-	-	482	441
Purchases of property, plant and equipment	(10,715)	(12,116)	(16,171)	(14,165)	(11,260)
Cash paid in business combinations and asset acquisitions, net of cash acquired	-	(3,853)	(37,774)	-	-
Net cash provided by (used for) investing activities	<u>(9,977)</u>	<u>(13,911)</u>	<u>7,338</u>	<u>13,144</u>	<u>(5,214)</u>
Cash flows from financing activities:					
Proceeds from term loan	-	300,000	-	-	-
Proceeds from revolving credit facility	-	50,000	-	-	65,000
Payment on revolving credit facility	-	-	-	-	(65,000)
Payment of debt issuance costs	-	(542)	(80)	-	-
Excess tax benefits from stock-based compensation	(1,349)	-	-	-	-
Proceeds from issuance of common stock	15,490	24,200	12,096	13,997	5,147
Stock received for payment of employee taxes on vesting of restricted stock	(1,856)	(15,225)	(2,265)	(18,042)	(1,694)
Payments for repurchases of common stock	(120,054)	(240,000)	(240,100)	(240,096)	(240,093)
Net cash provided by (used for) financing activities	<u>(107,769)</u>	<u>118,433</u>	<u>(230,349)</u>	<u>(244,141)</u>	<u>(236,640)</u>
Effect of exchange rate changes on cash and cash equivalents	(4,510)	6,001	1,818	1,297	(14,109)
Increase (decrease) in cash and cash equivalents	<u>595</u>	<u>193,714</u>	<u>(140,827)</u>	<u>(145,240)</u>	<u>(59,101)</u>
Cash and cash equivalents at end of period	<u>\$ 616,686</u>	<u>\$ 810,400</u>	<u>\$ 669,573</u>	<u>\$ 524,333</u>	<u>\$ 465,232</u>

Cadence Design Systems, Inc.
(Unaudited)

Revenue Mix by Geography (% of Total Revenue)

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

Revenue Mix by Product Group (% of Total Revenue)

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

Cadence Design Systems, Inc.
As of February 1, 2017
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share
(Unaudited)

	Three Months Ending April 1, 2017 Forecast	Year Ending December 30, 2017 Forecast
Diluted net income per share on a GAAP basis	\$0.19 to \$0.21	\$0.89 to \$0.99
Amortization of acquired intangibles	0.05	0.20
Stock-based compensation expense	0.11	0.47
Acquisition and integration-related costs	0.01	0.01
Income tax effect of non-GAAP adjustments	(0.06)	(0.25)
Diluted net income per share on a non-GAAP basis†	<u><u>\$0.30 to \$0.32</u></u>	<u><u>\$1.32 to \$1.42</u></u>

Cadence Design Systems, Inc.
As of February 1, 2017
Impact of Non-GAAP Adjustments on Forward Looking Net Income
(Unaudited)

(\$ in millions)	Three Months Ending April 1, 2017 Forecast	Year Ending December 30, 2017 Forecast
Net income on a GAAP basis	\$53 to \$59	\$248 to \$276
Amortization of acquired intangibles	14	56
Stock-based compensation expense	31	132
Acquisition and integration-related costs	1	3
Income tax effect of non-GAAP adjustments	(16)	(71)
Net income on a non-GAAP basis†	<u><u>\$83 to \$89</u></u>	<u><u>\$368 to \$396</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 for Cadence Design Systems, Inc. for its fourth quarter and fiscal year 2016 for a further discussion of its non-GAAP measures.

Cadence Design Systems, Inc.
Reconciliation of GAAP Net Income to Non-GAAP Net Income
For the Three Months and Years Ended December 31, 2016 and January 2, 2016
(Unaudited)

(In thousands)	Three Months Ended		Years Ended	
	December 31, 2016	January 2, 2016	December 31, 2016	January 2, 2016
Net income on a GAAP basis	\$ 38,477	\$ 80,374	\$ 203,086	\$ 252,417
Amortization of acquired intangibles*	14,474	15,826	60,482	64,248
Stock-based compensation expense**	29,231	24,660	109,217	92,341
Non-qualified deferred compensation expenses (credits)***	544	575	1,741	(369)
Restructuring and other charges	26,342	347	40,955	4,511
Acquisition and integration-related costs****	1,433	1,596	11,268	7,975
Special charges † *****	-	916	-	916
Amortization of debt discount on convertible notes	-	-	-	7,496
Other income or expense related to investments and non-qualified deferred compensation plan assets ††	(655)	(579)	(4,672)	(1,979)
Income tax effect of non-GAAP adjustments	(14,672)	(28,627)	(70,847)	(86,650)
Net income on a non-GAAP basis +	<u>\$ 95,174</u>	<u>\$ 95,088</u>	<u>\$ 351,230</u>	<u>\$ 340,906</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 2016 for a further discussion of its non-GAAP measures.

† Comprised of 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	
	December 31, 2016	January 2, 2016	December 31, 2016	January 2, 2016
Cost of product and maintenance	\$ 10,585	\$ 10,147	\$ 42,387	\$ 40,532
Amortization of acquired intangibles	3,889	5,679	18,095	23,716
Total amortization of acquired intangibles	<u>\$ 14,474</u>	<u>\$ 15,826</u>	<u>\$ 60,482</u>	<u>\$ 64,248</u>

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

(In thousands)	Three Months Ended		Years Ended	
	December 31, 2016	January 2, 2016	December 31, 2016	January 2, 2016
Cost of product and maintenance	\$ 534	\$ 647	\$ 1,995	\$ 2,436
Cost of services	770	946	2,911	3,561
Marketing and sales	5,819	5,207	22,700	21,654
Research and development	17,685	14,130	64,061	49,755
General and administrative	4,423	3,730	17,550	14,935
Total stock-based compensation expense	<u>\$ 29,231</u>	<u>\$ 24,660</u>	<u>\$ 109,217</u>	<u>\$ 92,341</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 31, 2016	January 2, 2016	December 31, 2016	January 2, 2016
Cost of product and maintenance	\$ 8	\$ 2	\$ 13	\$ (5)
Cost of services	12	2	19	(9)
Marketing and sales	29	30	105	(20)
Research and development	413	440	1,303	(76)
General and administrative	82	101	301	(259)
Total non-qualified deferred compensation expenses (credits)	<u>\$ 544</u>	<u>\$ 575</u>	<u>\$ 1,741</u>	<u>\$ (369)</u>

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

(In thousands)	Three Months Ended		Years Ended	
	December 31, 2016	January 2, 2016	December 31, 2016	January 2, 2016
Marketing and sales	\$ 43	\$ 113	\$ 305	\$ 654
Research and development	1,377	1,034	4,615	6,757
General and administrative	13	449	6,348	564
Total acquisition and integration-related costs	<u>\$ 1,433</u>	<u>\$ 1,596</u>	<u>\$ 11,268</u>	<u>\$ 7,975</u>

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

(In thousands)	Three Months Ended		Years Ended	
	December 31, 2016	January 2, 2016	December 31, 2016	January 2, 2016
Research and development	\$ -	\$ 916	\$ -	\$ 916
Total special charges	<u>\$ -</u>	<u>\$ 916</u>	<u>\$ -</u>	<u>\$ 916</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 December 31, 2016 and January 2, 2016
(Unaudited)

(In thousands, except per share data)	Three Months Ended		Years Ended	
	December 31, 2016	January 2, 2016	December 31, 2016	January 2, 2016
Diluted net income per share on a GAAP basis	\$ 0.14	\$ 0.26	\$ 0.70	\$ 0.81
Amortization of acquired intangibles	0.05	0.05	0.21	0.21
Stock-based compensation expense	0.10	0.08	0.37	0.30
Non-qualified deferred compensation expenses (credits)	-	-	0.01	-
Restructuring and other charges	0.09	-	0.14	0.01
Acquisition and integration-related costs	0.01	0.01	0.04	0.03
Special charges*	-	-	-	-
Amortization of debt discount on convertible notes	-	-	-	0.02
Other income or expense related to investments and non-qualified deferred compensation plan assets **	-	-	(0.02)	(0.01)
Income tax effect of non-GAAP adjustments	(0.05)	(0.09)	(0.24)	(0.28)
Diluted net income per share on a non-GAAP basis +	\$ 0.34	\$ 0.31	\$ 1.21	\$ 1.09
Shares used in calculation of diluted net income per share - GAAP ***	278,917	310,512	291,256	312,302
Shares used in calculation of diluted net income per share - non-GAAP ***	278,917	310,512	291,256	312,302

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

* Comprised of 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 December 31, 2016	Three Months Ended January 2, 2016
	Actual	Actual
	(In thousands)	(In thousands)
GAAP total costs and expenses	\$ 415,863	\$ 359,239
Reconciling items to non-GAAP total costs and expenses		
Amortization of acquired intangibles	(14,474)	(15,826)
Stock-based compensation expense	(29,231)	(24,660)
Non-qualified deferred compensation expenses	(544)	(575)
Restructuring and other charges	(26,342)	(347)
Acquisition and integration-related costs	(1,433)	(1,596)
Special charges*	-	(916)
Non-GAAP total costs and expenses†	<u>\$ 343,839</u>	<u>\$ 315,319</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 release of Cadence Design Systems, Inc. for its fourth quarter and fiscal year 2016 for a further discussion of its non-GAAP financial measures.

*Comprised of executive severance costs.

	Three Months Ended December 31, 2016	Three Months Ended January 2, 2016	Year Ended December 31, 2016	Year Ended January 2, 2016	Three Months Ending April 1, 2017	Year Ending December 30, 2017
	Actual	Actual	Actual	Actual	Forecast	Forecast
GAAP operating margin as a percent of total revenue	11%	19%	13%	17%	15%	17%
Reconciling items to non-GAAP operating margin as a percent of total revenue						
Amortization of acquired intangibles	3%	4%	4%	4%	3%	3%
Stock-based compensation expense	6%	6%	6%	5%	7%	7%
Non-qualified deferred compensation expenses (credits)	0%	0%	0%	0%	0%	0%
Restructuring and other charges	6%	0%	2%	0%	0%	0%
Acquisition and integration-related costs	1%	0%	1%	1%	0%	0%
Special charges*	0%	0%	0%	0%	0%	0%
Non-GAAP operating margin as a percent of total revenue†	<u>27%</u>	<u>29%</u>	<u>26%</u>	<u>27%</u>	<u>25%</u>	<u>27%</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 release of Cadence Design Systems, Inc. for its fourth quarter and fiscal year 2016 for a further discussion of its non-GAAP financial measures.

*Comprised of executive severance costs.

(In millions)	Year Ending December 30, 2017
	Forecast
GAAP total other income (expense), net	\$(28) to \$(19)
Reconciling items to non-GAAP total other income (expense), net	
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-
Non-GAAP total other income (expense), net†	<u>\$(28) to \$(19)</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 release of Cadence Design Systems, Inc. for its fourth quarter and fiscal year 2016 for a further discussion of its non-GAAP financial measures.

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

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

(In thousands)	For the three months ended December 31, 2016					
	Operating expenses on a GAAP basis†	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Acquisition and integration-related costs	Operating expenses on a non-GAAP basis
Cost of product and maintenance	57,410	(10,585)	(534)	(8)	-	46,283
Cost of services	18,638	-	(770)	(12)	-	17,856
Marketing and sales	98,091	-	(5,819)	(29)	(43)	92,200
Research and development	181,516	-	(17,685)	(413)	(1,377)	162,041
General and administrative	29,977	-	(4,423)	(82)	(13)	25,459
Amortization of acquired intangibles	3,889	(3,889)	-	-	-	-
		<u>(14,474)</u>	<u>(29,231)</u>	<u>(544)</u>	<u>(1,433)</u>	
	For the year ended December 31, 2016					
	Operating expenses on a GAAP basis†	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Acquisition and integration-related costs	Operating expenses on a non-GAAP basis
Cost of product and maintenance	183,291	(42,387)	(1,995)	(13)	-	138,896
Cost of services	73,201	-	(2,911)	(19)	-	70,271
Marketing and sales	395,194	-	(22,700)	(105)	(305)	372,084
Research and development	735,340	-	(64,061)	(1,303)	(4,615)	665,361
General and administrative	125,106	-	(17,550)	(301)	(6,348)	100,907
Amortization of acquired intangibles	18,095	(18,095)	-	-	-	-
		<u>(60,482)</u>	<u>(109,217)</u>	<u>(1,741)</u>	<u>(11,268)</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 release of Cadence Design Systems, Inc. for its fourth quarter and fiscal year 2016 for a further discussion of its non-GAAP financial measures.

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Three Months Ended December 31, 2016
(In thousands)
(Unaudited)

	Three Months Ended December 31, 2016		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 436,694	\$ -	\$ 436,694
Services	32,286	-	32,286
Total revenue	<u>468,980</u>	<u>-</u>	<u>468,980</u>
Costs and expenses:			
Cost of product and maintenance	57,410	(11,127) (A)	46,283
Cost of services	18,638	(782) (A)	17,856
Marketing and sales	98,091	(5,891) (A)	92,200
Research and development	181,516	(19,475) (A)	162,041
General and administrative	29,977	(4,518) (A)	25,459
Amortization of acquired intangibles	3,889	(3,889) (A)	-
Restructuring and other charges	26,342	(26,342)	-
Total costs and expenses	<u>415,863</u>	<u>(72,024)</u>	<u>343,839</u>
Income from operations	53,117	72,024	125,141
Interest expense	(6,364)	-	(6,364)
Other income, net	5,481	(655) (B)	4,826
Income before provision for income taxes	52,234	71,369	123,603
Provision for income taxes	13,757	14,672 (C)	28,429
Net income	<u>\$ 38,477</u>	<u>\$ 56,697</u>	<u>\$ 95,174</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 2016 for a further discussion of its non-GAAP financial measures.

Notes:

(A) For the three months ended December 31, 2016, adjustments to GAAP are as follows for the line items specified:

	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Acquisition and integration-related costs	Total adjustments
Cost of product and maintenance	\$ 10,585	\$ 534	\$ 8	\$ -	\$ 11,127
Cost of services	-	770	12	-	782
Marketing and sales	-	5,819	29	43	5,891
Research and development	-	17,685	413	1,377	19,475
General and administrative	-	4,423	82	13	4,518
Amortization of acquired intangibles	3,889	-	-	-	3,889
Total	<u>\$ 14,474</u>	<u>\$ 29,231</u>	<u>\$ 544</u>	<u>\$ 1,433</u>	<u>\$ 45,682</u>

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

(C) Income tax effect of non-GAAP adjustments

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Three Months Ended 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
	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)	-
	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
	80,150	43,341	123,491
Income before provision (benefit) for income taxes	80,150	43,341	123,491
Provision (benefit) for income taxes	(224)	28,627 (C)	28,403
	80,374	14,714	95,088
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 2016 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 Year Ended December 31, 2016
(In thousands)
(Unaudited)

	Year Ended December 31, 2016		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 1,683,771	\$ -	\$ 1,683,771
Services	132,312	-	132,312
Total revenue	<u>1,816,083</u>	<u>-</u>	<u>1,816,083</u>
Costs and expenses:			
Cost of product and maintenance	183,291	(44,395) (A)	138,896
Cost of services	73,201	(2,930) (A)	70,271
Marketing and sales	395,194	(23,110) (A)	372,084
Research and development	735,340	(69,979) (A)	665,361
General and administrative	125,106	(24,199) (A)	100,907
Amortization of acquired intangibles	18,095	(18,095) (A)	-
Restructuring and other charges	40,955	(40,955)	-
Total costs and expenses	<u>1,571,182</u>	<u>(223,663)</u>	<u>1,347,519</u>
Income from operations	244,901	223,663	468,564
Interest expense	(23,670)	-	(23,670)
Other income, net	15,922	(4,672) (B)	11,250
Income before provision for income taxes	237,153	218,991	456,144
Provision for income taxes	34,067	70,847 (C)	104,914
Net income	<u>\$ 203,086</u>	<u>\$ 148,144</u>	<u>\$ 351,230</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 2016 for a further discussion of its non-GAAP financial measures.

Notes:

(A) For the year ended December 31, 2016, adjustments to GAAP are as follows for the line items specified:

	Amortization of acquired intangibles	Stock-based compensation expense	Non-qualified deferred compensation expenses	Acquisition and integration-related costs	Total adjustments
Cost of product and maintenance	\$ 42,387	\$ 1,995	\$ 13	\$ -	\$ 44,395
Cost of services	-	2,911	19	-	2,930
Marketing and sales	-	22,700	105	305	23,110
Research and development	-	64,061	1,303	4,615	69,979
General and administrative	-	17,550	301	6,348	24,199
Amortization of acquired intangibles	18,095	-	-	-	18,095
Total	<u>\$ 60,482</u>	<u>\$ 109,217</u>	<u>\$ 1,741</u>	<u>\$ 11,268</u>	<u>\$ 182,708</u>

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

(C) Income tax effect of non-GAAP adjustments

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the 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 2016 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