

TABLE OF CONTENTS

Condensed Consolidated Balance Sheets, April 2, 2016 and January 2, 2016.....	1
Trended Condensed Consolidated Balance Sheets.....	2
Condensed Consolidated Income Statements for the Three Months Ended April 2, 2016 and April 4, 2015.....	3
Trended Condensed Consolidated Income Statements.....	4
Condensed Consolidated Statements of Cash Flows for the Three Months Ended April 2, 2016 and April 4, 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 April 25, 2016.....	8
Impact of Non-GAAP Adjustments on Forward Looking Net Income, as of April 25, 2016.....	8
Reconciliation of GAAP Net Income to Non-GAAP Net Income, for the Three Months Ended April 2, 2016 and April 4, 2015.....	9
Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share, for the Three Months Ended April 2, 2016 and April 4, 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 April 2, 2016.....	12
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Three Months Ended April 4, 2015.....	13

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

	April 2, 2016	January 2, 2016
		(As Adjusted)*
Current assets:		
Cash and cash equivalents	\$ 810,400	\$ 616,686
Short-term investments	96,317	94,498
Receivables, net	147,533	164,848
Inventories	56,634	56,762
Prepaid expenses and other	41,360	31,441
Total current assets	1,152,244	964,235
Property, plant and equipment, net of accumulated depreciation of \$592,978 and \$581,345, respectively	231,180	228,599
Goodwill	551,897	551,772
Acquired intangibles, net of accumulated amortization of \$224,474 and \$216,589, respectively	283,825	296,482
Long-term receivables	11,365	4,498
Other assets	308,513	299,929
Total assets	\$ 2,539,024	\$ 2,345,515
Current liabilities:		
Revolving credit facility	\$ 50,000	\$ -
Accounts payable and accrued liabilities	195,216	238,022
Current portion of deferred revenue	322,684	298,285
Total current liabilities	567,900	536,307
Long-term liabilities:		
Long-term portion of deferred revenue	38,447	30,209
Long-term debt	642,862	343,288
Other long-term liabilities	55,763	59,596
Total long-term liabilities	737,072	433,093
Stockholders' equity	1,234,052	1,376,115
Total liabilities and stockholders' equity	\$ 2,539,024	\$ 2,345,515

* Adjusted for the retrospective adoption of ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs," during the three months ended April 2, 2016.

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

	April 4, 2015 (As Adjusted)*	July 4, 2015 (As Adjusted)*	October 3, 2015 (As Adjusted)*	January 2, 2016 (As Adjusted)*	April 2, 2016
Current assets:					
Cash and cash equivalents	\$ 887,736	\$ 647,851	\$ 616,091	\$ 616,686	\$ 810,400
Short-term investments	92,640	96,560	95,104	94,498	96,317
Receivables, net	133,924	131,325	133,665	164,848	147,533
Inventories	54,450	62,172	57,690	56,762	56,634
2015 notes hedges	429,847	-	-	-	-
Prepaid expenses and other	134,197	128,806	139,015	31,441	41,360
Total current assets	<u>1,732,794</u>	<u>1,066,714</u>	<u>1,041,565</u>	<u>964,235</u>	<u>1,152,244</u>
Property, plant and equipment, net	225,556	229,838	227,689	228,599	231,180
Goodwill	553,942	553,831	552,411	551,772	551,897
Acquired intangibles, net	344,450	328,338	312,405	296,482	283,825
Long-term receivables	3,619	1,628	1,568	4,498	11,365
Other assets	195,986	194,552	189,876	299,929	308,513
Total assets	<u>\$ 3,056,347</u>	<u>\$ 2,374,901</u>	<u>\$ 2,325,514</u>	<u>\$ 2,345,515</u>	<u>\$ 2,539,024</u>
Current liabilities:					
Revolving credit facility	\$ -	\$ -	\$ -	\$ -	\$ 50,000
Convertible notes	293,326	-	-	-	-
2015 notes embedded conversion derivative	429,847	-	-	-	-
Accounts payable and accrued liabilities	178,474	202,794	194,427	238,022	195,216
Current portion of deferred revenue	324,448	324,569	315,220	298,285	322,684
Total current liabilities	<u>1,226,095</u>	<u>527,363</u>	<u>509,647</u>	<u>536,307</u>	<u>567,900</u>
Long-term liabilities:					
Long-term portion of deferred revenue	48,418	36,402	31,234	30,209	38,447
Long-term debt	342,828	342,981	343,134	343,288	642,862
Other long-term liabilities	75,816	70,940	56,937	59,596	55,763
Total long-term liabilities	<u>467,062</u>	<u>450,323</u>	<u>431,305</u>	<u>433,093</u>	<u>737,072</u>
Stockholders' equity:					
Common stock and capital in excess of par value	1,869,104	1,886,421	1,853,284	1,863,086	1,844,287
Treasury stock, at cost	(219,578)	(256,476)	(307,408)	(400,555)	(587,348)
Accumulated deficit	(290,149)	(231,989)	(154,365)	(73,991)	(15,622)
Accumulated other comprehensive income (loss)	3,813	(741)	(6,949)	(12,425)	(7,265)
Total stockholders' equity	<u>1,363,190</u>	<u>1,397,215</u>	<u>1,384,562</u>	<u>1,376,115</u>	<u>1,234,052</u>
Total liabilities and stockholders' equity	<u>\$ 3,056,347</u>	<u>\$ 2,374,901</u>	<u>\$ 2,325,514</u>	<u>\$ 2,345,515</u>	<u>\$ 2,539,024</u>

* Adjusted for the retrospective adoption of ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs," during the three months ended April 2, 2016.

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three Months Ended April 2, 2016 and April 4, 2015
(In thousands, except per share amounts)
(Unaudited)

	<u>Three Months Ended</u>	
	<u>April 2, 2016</u>	<u>April 4, 2015</u>
Revenue:		
Product and maintenance	\$ 411,744	\$ 383,637
Services	36,118	27,729
	<u>447,862</u>	<u>411,366</u>
Costs and expenses:		
Cost of product and maintenance	44,181	42,059
Cost of services	17,873	18,526
Marketing and sales	99,200	100,268
Research and development	179,906	162,996
General and administrative	28,300	27,642
Amortization of acquired intangibles	5,780	6,231
Restructuring and other charges	14,586	4,359
	<u>389,826</u>	<u>362,081</u>
Income from operations	58,036	49,285
Interest expense	(5,357)	(11,754)
Other income, net	4,763	4,781
	<u>57,442</u>	<u>42,312</u>
Income before provision for income taxes	57,442	42,312
Provision for income taxes	6,880	6,053
	<u>50,562</u>	<u>36,259</u>
Net income	\$ 50,562	\$ 36,259
Net income per share - basic	<u>0.17</u>	<u>0.13</u>
Net income per share - diluted	<u>0.17</u>	<u>0.12</u>
Weighted average common shares outstanding - basic	<u>296,615</u>	<u>284,523</u>
Weighted average common shares outstanding - diluted	<u>303,434</u>	<u>311,847</u>

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

	Three Months Ended				
	April 4, 2015	July 4, 2015	October 3, 2015	January 2, 2016	April 2, 2016
Revenue:					
Product and maintenance	\$ 383,637	\$ 384,951	\$ 396,867	\$ 413,489	\$ 411,744
Services	27,729	30,932	36,896	27,590	36,118
Total revenue	<u>411,366</u>	<u>415,883</u>	<u>433,763</u>	<u>441,079</u>	<u>447,862</u>
Costs and expenses:					
Cost of product and maintenance	42,059	31,715	41,206	40,679	44,181
Cost of services	18,526	20,040	24,005	20,223	17,873
Marketing and sales	100,268	96,662	101,950	103,552	99,200
Research and development	162,996	157,974	154,627	161,970	179,906
General and administrative	27,642	27,467	28,084	26,789	28,300
Amortization of acquired intangibles	6,231	6,119	5,687	5,679	5,780
Restructuring and other charges (credits)	4,359	(498)	303	347	14,586
Total costs and expenses	<u>362,081</u>	<u>339,479</u>	<u>355,862</u>	<u>359,239</u>	<u>389,826</u>
Income from operations	49,285	76,404	77,901	81,840	58,036
Interest expense	(11,754)	(8,180)	(4,177)	(4,200)	(5,357)
Other income, net	4,781	1,347	1,839	2,510	4,763
Income before provision (benefit) for income taxes	42,312	69,571	75,563	80,150	57,442
Provision (benefit) for income taxes	6,053	11,411	(2,061)	(224)	6,880
Net income	<u>\$ 36,259</u>	<u>\$ 58,160</u>	<u>\$ 77,624</u>	<u>\$ 80,374</u>	<u>\$ 50,562</u>
Net income per share - basic	<u>\$ 0.13</u>	<u>\$ 0.20</u>	<u>\$ 0.27</u>	<u>\$ 0.27</u>	<u>\$ 0.17</u>
Net income per share - diluted	<u>\$ 0.12</u>	<u>\$ 0.19</u>	<u>\$ 0.25</u>	<u>\$ 0.26</u>	<u>\$ 0.17</u>
Weighted average common shares outstanding - basic	<u>284,523</u>	<u>285,297</u>	<u>284,818</u>	<u>297,433</u>	<u>296,615</u>
Weighted average common shares outstanding - diluted	<u>311,847</u>	<u>313,665</u>	<u>313,186</u>	<u>310,512</u>	<u>303,434</u>

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Three Months Ended April 2, 2016 and April 4, 2015
(In thousands)
(Unaudited)

	Three Months Ended	
	April 2, 2016	April 4, 2015
Cash and cash equivalents at beginning of period	\$ 616,686	\$ 932,161
Cash flows from operating activities:		
Net income	50,562	36,259
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	31,231	29,433
Amortization of debt discount and fees	255	5,945
Stock-based compensation	24,632	21,861
Gain on investments, net	(2,617)	(1,270)
Deferred income taxes	1,623	1,864
Other non-cash items	209	929
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	11,618	(12,450)
Inventories	(3,714)	1,682
Prepaid expenses and other	(10,132)	(10,004)
Other assets	(3,595)	3,627
Accounts payable and accrued liabilities	(42,557)	(44,754)
Deferred revenue	30,710	16,812
Other long-term liabilities	(5,034)	(3,246)
Net cash provided by operating activities	<u>83,191</u>	<u>46,688</u>
Cash flows from investing activities:		
Purchases of available-for-sale securities	(20,525)	(33,161)
Proceeds from the sale of available-for-sale securities	1,000	20,551
Proceeds from the maturity of available-for-sale securities	19,000	10,350
Proceeds from the sale of long-term investments	2,583	1,364
Purchases of property, plant and equipment	(12,116)	(7,520)
Cash paid in business combinations and asset acquisitions, net of cash acquired	(3,853)	-
Net cash used for investing activities	<u>(13,911)</u>	<u>(8,416)</u>
Cash flows from financing activities:		
Proceeds from term loan	300,000	-
Proceeds from revolving credit facility	50,000	-
Payment of convertible notes	-	(53,862)
Payment of convertible notes embedded conversion derivative liability	-	(77,139)
Proceeds from convertible notes hedges	-	77,139
Payment of debt issuance costs	(542)	-
Excess tax benefits from stock-based compensation	-	6,482
Proceeds from issuance of common stock	24,200	24,609
Stock received for payment of employee taxes on vesting of restricted stock	(15,225)	(14,114)
Payments for repurchases of common stock	(240,000)	(36,797)
Net cash provided by (used for) financing activities	<u>118,433</u>	<u>(73,682)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>6,001</u>	<u>(9,015)</u>
Increase (decrease) in cash and cash equivalents	<u>193,714</u>	<u>(44,425)</u>
Cash and cash equivalents at end of period	<u>\$ 810,400</u>	<u>\$ 887,736</u>

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

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Cash and cash equivalents at beginning of period	\$ 932,161	\$ 887,736	\$ 647,851	\$ 616,091	\$ 616,686
Cash flows from operating activities:					
Net income	36,259	58,160	77,624	80,374	50,562
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	29,433	29,530	29,043	30,159	31,231
Amortization of debt discount and fees	5,945	3,026	214	217	255
Stock-based compensation	21,861	21,703	24,117	24,660	24,632
(Gain) loss on investments, net	(1,270)	(320)	156	(690)	(2,617)
Deferred income taxes	1,864	5,233	(5,384)	(14,861)	1,623
Other non-cash items	929	213	(1,211)	715	209
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	(12,450)	4,372	(2,022)	(34,632)	11,618
Inventories	1,682	(7,925)	4,382	741	(3,714)
Prepaid expenses and other	(10,004)	1,968	(4,415)	11,071	(10,132)
Other assets	3,627	(2,510)	(817)	(1,858)	(3,595)
Accounts payable and accrued liabilities	(44,754)	24,101	(7,501)	43,475	(42,557)
Deferred revenue	16,812	(10,985)	(15,034)	(17,812)	30,710
Other long-term liabilities	(3,246)	(4,812)	(12,245)	1,292	(5,034)
Net cash provided by operating activities	<u>46,688</u>	<u>121,754</u>	<u>86,907</u>	<u>122,851</u>	<u>83,191</u>
Cash flows from investing activities:					
Purchases of available-for-sale securities	(33,161)	(26,355)	(21,784)	(15,231)	(20,525)
Proceeds from the sale of available-for-sale securities	20,551	17,035	13,220	10,143	1,000
Proceeds from the maturity of available-for-sale securities	10,350	5,250	9,950	5,766	19,000
Proceeds from the sale of long-term investments	1,364	929	2,217	60	2,583
Purchases of property, plant and equipment	(7,520)	(16,547)	(10,026)	(10,715)	(12,116)
Cash paid in business combinations and asset acquisitions, net of cash acquired	-	-	-	-	(3,853)
Net cash used for investing activities	<u>(8,416)</u>	<u>(19,688)</u>	<u>(6,423)</u>	<u>(9,977)</u>	<u>(13,911)</u>
Cash flows from financing activities:					
Proceeds from term loan	-	-	-	-	300,000
Proceeds from revolving credit facility	-	-	-	-	50,000
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	-	-	-	-	(542)
Excess tax benefits from stock-based compensation	6,482	3,615	6,843	(1,349)	-
Proceeds from issuance of common stock	24,609	13,558	21,281	15,490	24,200
Stock received for payment of employee taxes on vesting of restricted stock	(14,114)	(1,700)	(15,981)	(1,856)	(15,225)
Payments for repurchases of common stock	(36,797)	(56,279)	(120,059)	(120,054)	(240,000)
Net cash provided by (used for) financing activities	<u>(73,682)</u>	<u>(336,943)</u>	<u>(107,916)</u>	<u>(107,769)</u>	<u>118,433</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(9,015)</u>	<u>(5,008)</u>	<u>(4,328)</u>	<u>(4,510)</u>	<u>6,001</u>
Increase (decrease) in cash and cash equivalents	<u>(44,425)</u>	<u>(239,885)</u>	<u>(31,760)</u>	<u>595</u>	<u>193,714</u>
Cash and cash equivalents at end of period	<u>\$ 887,736</u>	<u>\$ 647,851</u>	<u>\$ 616,091</u>	<u>\$ 616,686</u>	<u>\$ 810,400</u>

Cadence Design Systems, Inc.
(Unaudited)

Revenue Mix by Geography (% of Total Revenue)

<u>GEOGRAPHY</u>	2015					2016
	Q1	Q2	Q3	Q4	Year	Q1
Americas	47%	48%	48%	48%	47%	49%
Asia	24%	23%	25%	25%	24%	22%
Europe, Middle East and Africa	19%	20%	18%	17%	19%	19%
Japan	10%	9%	9%	10%	10%	10%
Total	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
Functional Verification, including Emulation Hardware	23%	21%	23%	25%	23%	26%
Digital IC Design and Signoff	28%	29%	28%	28%	28%	30%
Custom IC Design	27%	27%	26%	25%	26%	25%
System Interconnect and Analysis	11%	11%	10%	10%	11%	9%
IP	11%	12%	13%	12%	12%	10%
Total	100%	100%	100%	100%	100%	100%

Cadence Design Systems, Inc.
As of April 25, 2016
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share
(Unaudited)

	Three Months Ending July 2, 2016 Forecast	Year Ending December 31, 2016 Forecast
Diluted net income per share on a GAAP basis	\$0.17 to \$0.19	\$0.71 to \$0.81
Amortization of acquired intangibles	0.05	0.21
Stock-based compensation expense	0.09	0.37
Restructuring and other charges	-	0.05
Acquisition and integration-related costs	-	0.02
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	(0.01)
Income tax effect of non-GAAP adjustments	(0.04)	(0.20)
Diluted net income per share on a non-GAAP basis†	\$0.27 to \$0.29	\$1.15 to \$1.25

Cadence Design Systems, Inc.
As of April 25, 2016
Impact of Non-GAAP Adjustments on Forward Looking Net Income
(Unaudited)

(\$ in millions)	Three Months Ending July 2, 2016 Forecast	Year Ending December 31, 2016 Forecast
Net income on a GAAP basis	\$49 to \$55	\$205 to \$234
Amortization of acquired intangibles	15	61
Stock-based compensation expense	25	109
Restructuring and other charges	-	15
Acquisition and integration-related costs	1	4
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	(3)
Income tax effect of non-GAAP adjustments	(11)	(57)
Net income on a non-GAAP basis†	\$79 to \$85	\$334 to \$363

† 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 first quarter of 2016 for a further discussion of its non-GAAP financial measures.

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

Cadence Design Systems, Inc.
Reconciliation of GAAP Net Income to Non-GAAP Net Income
For the Three Months Ended April 2, 2016 and April 4, 2015
(Unaudited)

(In thousands)	Three Months Ended	
	April 2, 2016	April 4, 2015
Net income on a GAAP basis	\$ 50,562	\$ 36,259
Amortization of acquired intangibles*	16,443	16,404
Stock-based compensation expense**	24,632	21,861
Non-qualified deferred compensation expenses (credits)***	(83)	527
Restructuring and other charges	14,586	4,359
Acquisition and integration-related costs****	804	3,750
Amortization of debt discount on convertible notes	-	5,026
Other income or expense related to investments and non-qualified deferred compensation plan assets †	(2,617)	(1,263)
Income tax effect of non-GAAP adjustments	(18,698)	(15,331)
Net income on a non-GAAP basis +	\$ 85,629	\$ 71,592

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

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

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

(In thousands)	Three Months Ended	
	April 2, 2016	April 4, 2015
Cost of product and maintenance	\$ 10,663	\$ 10,173
Amortization of acquired intangibles	5,780	6,231
Total amortization of acquired intangibles	\$ 16,443	\$ 16,404

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

(In thousands)	Three Months Ended	
	April 2, 2016	April 4, 2015
Cost of product and maintenance	\$ 464	\$ 569
Cost of services	681	832
Marketing and sales	5,536	5,447
Research and development	13,897	11,377
General and administrative	4,054	3,636
Total stock-based compensation expense	\$ 24,632	\$ 21,861

*** 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	
	April 2, 2016	April 4, 2015
Cost of product and maintenance	\$ -	\$ 4
Cost of services	-	6
Marketing and sales	-	34
Research and development	(27)	362
General and administrative	(56)	121
Total non-qualified deferred compensation expenses (credits)	\$ (83)	\$ 527

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

(In thousands)	Three Months Ended	
	April 2, 2016	April 4, 2015
Marketing and sales	\$ 126	\$ 275
Research and development	580	3,414
General and administrative	98	61
Total acquisition and integration-related costs	\$ 804	\$ 3,750

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 April 2, 2016 and April 4, 2015
(Unaudited)

(In thousands, except per share data)	Three Months Ended	
	April 2, 2016	April 4, 2015
Diluted net income per share on a GAAP basis	\$ 0.17	\$ 0.12
Amortization of acquired intangibles	0.05	0.05
Stock-based compensation expense	0.08	0.07
Non-qualified deferred compensation expenses (credits)	-	-
Restructuring and other charges	0.05	0.01
Acquisition and integration-related costs	-	0.01
Amortization of debt discount on convertible notes	-	0.02
Other income or expense related to investments and non-qualified deferred compensation plan assets *	(0.01)	-
Income tax effect of non-GAAP adjustments	(0.06)	(0.05)
Diluted net income per share on a non-GAAP basis +	\$ 0.28	\$ 0.23
Shares used in calculation of diluted net income per share - GAAP **	303,434	311,847
Shares used in calculation of diluted net income per share - non-GAAP **	303,434	311,847

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

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

** 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 April 2, 2016	Three Months Ended April 4, 2015
	Actual	Actual
	(In thousands)	(In thousands)
GAAP total costs and expenses	\$ 389,826	\$ 362,081
Reconciling items to non-GAAP total costs and expenses		
Amortization of acquired intangibles	(16,443)	(16,404)
Stock-based compensation expense	(24,632)	(21,861)
Non-qualified deferred compensation (expenses) credits	83	(527)
Restructuring and other charges	(14,586)	(4,359)
Acquisition and integration-related costs	(804)	(3,750)
Non-GAAP total costs and expenses†	<u>\$ 333,444</u>	<u>\$ 315,180</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 first quarter of 2016 for a further discussion of its non-GAAP financial measures.

	Three Months Ended April 2, 2016	Three Months Ended April 4, 2015	Three Months Ending July 2, 2016	Year Ending December 31, 2016
	Actual	Actual	Forecast	Forecast
GAAP operating margin as a percent of total revenue	13%	12%	15%	16%
Reconciling items to non-GAAP operating margin as a percent of total revenue				
Amortization of acquired intangibles	4%	4%	4%	3%
Stock-based compensation expense	6%	5%	6%	6%
Non-qualified deferred compensation expenses (credits)	0%	0%	0%	0%
Restructuring and other charges	3%	1%	0%	1%
Acquisition and integration-related costs	0%	1%	0%	0%
Non-GAAP operating margin as a percent of total revenue†	<u>26%</u>	<u>23%</u>	<u>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 release of Cadence Design Systems, Inc. for its first quarter of 2016 for a further discussion of its non-GAAP financial measures.

(In millions)	Year Ending December 31, 2016
	Forecast
GAAP total other income (expense), net	\$(21) to \$(12)
Reconciling items to non-GAAP total other income (expense), net	
Other income or expense related to investments and non-qualified deferred compensation plan assets*	(3)
Non-GAAP total other income (expense), net†	<u>\$(24) to \$(15)</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 first quarter of 2016 for a further discussion of its non-GAAP financial measures.

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

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

(In thousands)	For the three months ended April 2, 2016					
	Operating expenses on a GAAP basis†	Amortization of acquired intangibles	Stock-based compensation	Non-qualified deferred compensation credits	Acquisition and integration-related costs	Operating expenses on a non-GAAP basis
Cost of product and maintenance	44,181	(10,663)	(464)	-	-	33,054
Cost of services	17,873	-	(681)	-	-	17,192
Marketing and sales	99,200	-	(5,536)	-	(126)	93,538
Research and development	179,906	-	(13,897)	27	(580)	165,456
General and administrative	28,300	-	(4,054)	56	(98)	24,204
Amortization of acquired intangibles	5,780	(5,780)	-	-	-	-
		<u>(16,443)</u>	<u>(24,632)</u>	<u>83</u>	<u>(804)</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 first quarter of 2016 for a further discussion of its non-GAAP financial measures.

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

	Three Months Ended April 2, 2016		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 411,744	\$ -	\$ 411,744
Services	36,118	-	36,118
Total revenue	<u>447,862</u>	<u>-</u>	<u>447,862</u>
Costs and expenses:			
Cost of product and maintenance	44,181	(11,127) (A)	33,054
Cost of services	17,873	(681) (A)	17,192
Marketing and sales	99,200	(5,662) (A)	93,538
Research and development	179,906	(14,450) (A)	165,456
General and administrative	28,300	(4,096) (A)	24,204
Amortization of acquired intangibles	5,780	(5,780) (A)	-
Restructuring and other charges	14,586	(14,586)	-
Total costs and expenses	<u>389,826</u>	<u>(56,382)</u>	<u>333,444</u>
Income from operations	58,036	56,382	114,418
Interest expense	(5,357)	-	(5,357)
Other income, net	4,763	(2,617) (B)	2,146
Income before provision for income taxes	57,442	53,765	111,207
Provision for income taxes	6,880	18,698 (C)	25,578
Net income	<u>\$ 50,562</u>	<u>\$ 35,067</u>	<u>\$ 85,629</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 first quarter of 2016 for a further discussion of its non-GAAP financial measures.

Notes:

(A) For the three months ended April 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	Total adjustments
Cost of product and maintenance	\$ 10,663	\$ 464	\$ -	\$ -	\$ 11,127
Cost of services	-	681	-	-	681
Marketing and sales	-	5,536	-	126	5,662
Research and development	-	13,897	(27)	580	14,450
General and administrative	-	4,054	(56)	98	4,096
Amortization of acquired intangibles	5,780	-	-	-	5,780
Total	<u>\$ 16,443</u>	<u>\$ 24,632</u>	<u>\$ (83)</u>	<u>\$ 804</u>	<u>\$ 41,796</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 April 4, 2015
(In thousands)
(Unaudited)

	Three Months Ended April 4, 2015		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 383,637	\$ -	\$ 383,637
Services	27,729	-	27,729
Total revenue	<u>411,366</u>	<u>-</u>	<u>411,366</u>
Costs and expenses:			
Cost of product and maintenance	42,059	(10,746) (A)	31,313
Cost of services	18,526	(838) (A)	17,688
Marketing and sales	100,268	(5,756) (A)	94,512
Research and development	162,996	(15,153) (A)	147,843
General and administrative	27,642	(3,818) (A)	23,824
Amortization of acquired intangibles	6,231	(6,231) (A)	-
Restructuring and other charges	4,359	(4,359)	-
Total costs and expenses	<u>362,081</u>	<u>(46,901)</u>	<u>315,180</u>
Income from operations	49,285	46,901	96,186
Interest expense	(11,754)	5,026 (B)	(6,728)
Other income, net	4,781	(1,263) (C)	3,518
Income before provision for income taxes	42,312	50,664	92,976
Provision for income taxes	6,053	15,331 (D)	21,384
Net income	<u>\$ 36,259</u>	<u>\$ 35,333</u>	<u>\$ 71,592</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 first quarter of 2016 for a further discussion of its non-GAAP financial measures.

Notes:

(A) For the three months ended April 4, 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	\$ 10,173	\$ 569	\$ 4	\$ -	\$ 10,746
Cost of services	-	832	6	-	838
Marketing and sales	-	5,447	34	275	5,756
Research and development	-	11,377	362	3,414	15,153
General and administrative	-	3,636	121	61	3,818
Amortization of acquired intangibles	6,231	-	-	-	6,231
Total	<u>\$ 16,404</u>	<u>\$ 21,861</u>	<u>\$ 527</u>	<u>\$ 3,750</u>	<u>\$ 42,542</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