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Cadence Design Systems, Inc.
Condensed Consolidated Balance Sheets
June 28, 2008 and December 29, 2007
(In thousands)
(Unaudited)

	June 28, 2008	December 29, 2007
Current Assets:		
Cash and cash equivalents	\$ 836,513	\$ 1,062,920
Short-term investments	52,751	15,193
Receivables, net of allowances of \$3,218 and \$2,895, respectively	315,677	326,211
Inventories	23,689	31,003
Prepaid expenses and other	99,153	94,236
Total current assets	1,327,783	1,529,563
Property, plant and equipment, net of accumulated depreciation of \$640,382 and \$624,680, respectively	359,023	339,463
Goodwill	1,314,238	1,310,211
Acquired intangibles, net	112,191	127,072
Installment contract receivables	192,503	238,010
Other assets	320,585	326,831
Total Assets	\$ 3,626,323	\$ 3,871,150
Current Liabilities:		
Convertible notes	\$ 230,385	\$ 230,385
Accounts payable and accrued liabilities	246,981	289,934
Current portion of deferred revenue	247,758	265,168
Total current liabilities	725,124	785,487
Long-term Liabilities:		
Long-term portion of deferred revenue	122,116	136,655
Convertible notes	500,000	500,000
Other long-term liabilities	350,422	368,942
Total long-term liabilities	972,538	1,005,597
Stockholders' Equity	1,928,661	2,080,066
Total Liabilities and Stockholders' Equity	\$ 3,626,323	\$ 3,871,150

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

	June 30, 2007	September 29, 2007	December 29, 2007	March 29, 2008	June 28, 2008
Current Assets:					
Cash and cash equivalents	\$ 1,128,529	\$ 935,587	\$ 1,062,920	\$ 825,545	\$ 836,513
Short-term investments	20,245	15,654	15,193	11,157	52,751
Receivables, net	242,353	278,200	326,211	346,321	315,677
Inventories	38,170	37,867	31,003	29,771	23,689
Prepaid expenses and other	90,369	111,554	94,236	97,940	99,153
Total current assets	<u>1,519,666</u>	<u>1,378,862</u>	<u>1,529,563</u>	<u>1,310,734</u>	<u>1,327,783</u>
Property, plant and equipment, net	331,585	332,519	339,463	345,918	359,023
Goodwill	1,262,227	1,311,087	1,310,211	1,315,561	1,314,238
Acquired intangibles, net	98,242	139,457	127,072	124,196	112,191
Installment contract receivables	199,113	221,520	238,010	214,991	192,503
Other assets	353,141	355,830	326,831	326,003	320,585
Total assets	<u>\$ 3,763,974</u>	<u>\$ 3,739,275</u>	<u>\$ 3,871,150</u>	<u>\$ 3,637,403</u>	<u>\$ 3,626,323</u>
Current Liabilities:					
Convertible notes	\$ -	\$ 230,385	\$ 230,385	\$ 230,385	\$ 230,385
Accounts payable and accrued liabilities	216,740	241,737	289,934	220,906	246,981
Current portion of deferred revenue	251,731	241,318	265,168	298,956	247,758
Total current liabilities	<u>468,471</u>	<u>713,440</u>	<u>785,487</u>	<u>750,247</u>	<u>725,124</u>
Long-term Liabilities:					
Long-term portion of deferred revenue	84,757	124,548	136,655	135,465	122,116
Convertible notes	730,385	500,000	500,000	500,000	500,000
Other long-term liabilities	427,961	448,439	368,942	357,986	350,422
Total long-term liabilities	<u>1,243,103</u>	<u>1,072,987</u>	<u>1,005,597</u>	<u>993,451</u>	<u>972,538</u>
Stockholders' Equity:					
Common stock and capital in excess of par value	1,472,577	1,491,687	1,516,493	1,528,671	1,530,635
Treasury stock, at cost	(404,119)	(596,997)	(619,125)	(780,999)	(734,608)
Retained earnings	971,762	1,042,938	1,162,441	1,119,176	1,104,821
Accumulated other comprehensive income	12,180	15,220	20,257	26,857	27,813
Total stockholders' equity	<u>2,052,400</u>	<u>1,952,848</u>	<u>2,080,066</u>	<u>1,893,705</u>	<u>1,928,661</u>
Total liabilities and stockholders' equity	<u>\$ 3,763,974</u>	<u>\$ 3,739,275</u>	<u>\$ 3,871,150</u>	<u>\$ 3,637,403</u>	<u>\$ 3,626,323</u>

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Operations
For the Quarters and Six Months Ended June 28, 2008 and June 30, 2007
(In thousands, except per share amounts)
(Unaudited)

	<u>Quarters Ended</u>		<u>Six Months Ended</u>	
	<u>June 28, 2008</u>	<u>June 30, 2007</u>	<u>June 28, 2008</u>	<u>June 30, 2007</u>
Revenue:				
Product	\$ 195,444	\$ 263,793	\$ 351,637	\$ 501,697
Services	33,694	32,816	65,890	64,738
Maintenance	100,340	94,352	199,140	189,711
Total revenue	<u>329,478</u>	<u>390,961</u>	<u>616,667</u>	<u>756,146</u>
Costs and Expenses:				
Cost of product	18,018	12,827	30,019	28,479
Cost of services	27,213	23,442	52,406	47,057
Cost of maintenance	14,439	15,295	28,979	30,418
Marketing and sales	89,907	98,063	182,941	200,761
Research and development	120,087	122,962	245,443	240,027
General and administrative	34,963	41,808	72,671	82,419
Amortization of acquired intangibles	5,820	4,413	11,580	8,922
Restructuring and other charges (credits)	(355)	(1,573)	(355)	(2,518)
Write-off of acquired in-process technology	-	-	600	-
Total costs and expenses	<u>310,092</u>	<u>317,237</u>	<u>624,284</u>	<u>635,565</u>
Income (loss) from operations	19,386	73,724	(7,617)	120,581
Interest expense	(2,880)	(3,064)	(5,875)	(6,524)
Other income (expense), net	(1,750)	14,207	4,013	33,737
Income (loss) before provision for income taxes	14,756	84,867	(9,479)	147,794
Provision for income taxes	9,760	25,271	4,272	43,777
Net income (loss)	<u>\$ 4,996</u>	<u>\$ 59,596</u>	<u>\$ (13,751)</u>	<u>\$ 104,017</u>
Basic net income (loss) per share	<u>\$ 0.02</u>	<u>\$ 0.22</u>	<u>\$ (0.05)</u>	<u>\$ 0.38</u>
Diluted net income (loss) per share	<u>\$ 0.02</u>	<u>\$ 0.20</u>	<u>\$ (0.05)</u>	<u>\$ 0.35</u>
Weighted average common shares outstanding - basic	<u>252,629</u>	<u>274,425</u>	<u>257,724</u>	<u>272,043</u>
Weighted average common shares outstanding - diluted	<u>269,060</u>	<u>302,746</u>	<u>257,724</u>	<u>297,048</u>

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

	Quarters Ended				
	June 30, 2007	September 29, 2007	December 29, 2007	March 29, 2008	June 28, 2008
Revenue:					
Product	\$ 263,793	\$ 273,799	\$ 328,474	\$ 156,193	\$ 195,444
Services	32,816	31,225	29,875	32,196	33,694
Maintenance	94,352	95,900	99,594	98,800	100,340
Total revenue	390,961	400,924	457,943	287,189	329,478
Costs and Expenses:					
Cost of product	12,827	13,823	17,767	12,001	18,018
Cost of services	23,442	23,364	22,939	25,193	27,213
Cost of maintenance	15,295	15,217	15,444	14,540	14,439
Marketing and sales	98,063	97,163	109,224	93,034	89,907
Research and development	122,962	125,391	128,614	125,356	120,087
General and administrative	41,808	40,747	45,831	37,708	34,963
Amortization of acquired intangibles	4,413	4,739	5,760	5,760	5,820
Restructuring and other charges (credits)	(1,573)	(7,066)	(102)	-	(355)
Write-off of acquired in-process technology	-	2,678	-	600	-
Total costs and expenses	317,237	316,056	345,477	314,192	310,092
Income (loss) from operations	73,724	84,868	112,466	(27,003)	19,386
Interest expense	(3,064)	(2,849)	(3,001)	(2,995)	(2,880)
Other income (expense), net	14,207	14,201	10,592	5,763	(1,750)
Income (loss) before provision (benefit) for income taxes	84,867	96,220	120,057	(24,235)	14,756
Provision (benefit) for income taxes	25,271	23,488	554	(5,488)	9,760
Net income (loss)	\$ 59,596	\$ 72,732	\$ 119,503	\$ (18,747)	\$ 4,996
Basic net income (loss) per share	\$ 0.22	\$ 0.27	\$ 0.44	\$ (0.07)	\$ 0.02
Diluted net income (loss) per share	\$ 0.20	\$ 0.24	\$ 0.41	\$ (0.07)	\$ 0.02
Weighted average common shares outstanding - basic	274,425	272,977	268,659	262,825	252,629
Weighted average common shares outstanding - diluted	302,746	299,506	290,970	262,825	269,060

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Six Months Ended June 28, 2008 and June 30, 2007
(In thousands)
(Unaudited)

	Six Months Ended	
	June 28, 2008	June 30, 2007
Cash and Cash Equivalents at Beginning of Period	\$ 1,062,920	\$ 934,342
Cash Flows from Operating Activities:		
Net income (loss)	(13,751)	104,017
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	65,553	63,308
Stock-based compensation	43,044	54,709
Equity in loss from investments, net	718	1,720
(Gain) loss on investments, net	1,729	(12,093)
Gain on sale and leaseback of land and buildings	(1,070)	(12,071)
Write-down of investment securities	8,304	550
Write-off of acquired in-process technology	600	-
Tax benefit of call options	-	4,292
Deferred income taxes	880	1,332
Proceeds from the sale of receivables, net	46,025	76,311
Provisions (recoveries) for losses (gains) on trade accounts receivable and sales returns	324	(106)
Other non-cash items	(1,503)	5,045
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	11,007	24,168
Installment contract receivables	7,298	(153,636)
Inventories	7,350	(972)
Prepaid expenses and other	(8,075)	(7,760)
Other assets	(4,562)	810
Accounts payable and accrued liabilities	(56,629)	(19,493)
Deferred revenue	(37,187)	(16,926)
Other long-term liabilities	(12,580)	6,940
Net cash provided by operating activities	<u>57,475</u>	<u>120,145</u>
Cash Flows from Investing Activities:		
Proceeds from the sale of available-for-sale securities	3,693	3,256
Purchase of available-for-sale investments	(31,758)	-
Proceeds from the sale of long-term investments	3,250	6,241
Proceeds from the sale of property, plant and equipment	-	46,500
Purchases of property, plant and equipment	(60,769)	(37,996)
Purchases of software licenses	(375)	-
Investment in venture capital partnerships and equity investments	(1,419)	(1,948)
Cash paid in business combinations and asset acquisitions, net of cash acquired, and acquisition of intangibles	(6,189)	(7,394)
Net cash provided by (used for) investing activities	<u>(93,567)</u>	<u>8,659</u>
Cash Flows from Financing Activities:		
Principal payments on term loan	-	(28,000)
Tax benefit from employee stock transactions	288	17,732
Proceeds from issuance of common stock	26,637	205,219
Stock received for payment of employee taxes on vesting of restricted stock	(3,287)	(10,337)
Purchases of treasury stock	(216,236)	(121,455)
Net cash provided by (used for) financing activities	<u>(192,598)</u>	<u>63,159</u>
Effect of exchange rate changes on cash and cash equivalents	<u>2,283</u>	<u>2,224</u>
Increase (decrease) in cash and cash equivalents	<u>(226,407)</u>	<u>194,187</u>
Cash and Cash Equivalents at End of Period	<u>\$ 836,513</u>	<u>\$ 1,128,529</u>

Cadence Design Systems, Inc.
Trended Condensed Consolidated Statements of Cash Flows
For the Five Quarters Ended June 28, 2008
(In thousands)
(Unaudited)

	<u>Q2 2007</u>	<u>Q3 2007</u>	<u>Q4 2007</u>	<u>Q1 2008</u>	<u>Q2 2008</u>
Cash and Cash Equivalents at Beginning of Period	\$ 946,754	\$ 1,128,529	\$ 935,587	\$ 1,062,920	\$ 825,545
Cash Flows from Operating Activities:					
Net income (loss)	59,596	72,732	119,503	(18,747)	4,996
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	31,388	33,490	33,851	32,982	32,571
Stock-based compensation	27,027	24,119	22,587	21,590	21,454
Equity in loss from investments, net	1,083	784	523	333	385
(Gain) loss on investments, net	(4,595)	(4,515)	(1,482)	(224)	1,953
Gain on sale and leaseback of land and buildings	(944)	(535)	(535)	(535)	(535)
Write-down of investment securities	550	2,000	-	5,401	2,903
Write-off of acquired in-process technology	-	2,678	-	600	-
Non-cash restructuring and other charges (credits)	-	(7,106)	-	-	-
Tax benefit of call options	2,386	2,744	4,310	-	-
Deferred income taxes	1,141	3,516	7,963	-	880
Proceeds from the sale of receivables, net	34,877	87,238	51,895	15,660	30,365
Provisions (recoveries) for losses (gains) on trade accounts receivable and sales returns	(1,389)	(869)	389	(142)	466
Other non-cash items	1,829	3,480	2,694	1,075	(2,578)
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	6,012	(15,115)	6,709	(20,431)	31,438
Installment contract receivables	(66,132)	(119,665)	(120,357)	23,253	(15,955)
Inventories	(321)	291	6,878	1,281	6,069
Prepaid expenses and other	2,072	(15,469)	22,626	(3,546)	(4,529)
Other assets	5,156	(2,837)	1,399	(4,344)	(218)
Accounts payable and accrued liabilities	18,236	(16,023)	55,868	(80,931)	24,302
Deferred revenue	(23,587)	26,337	35,364	22,530	(59,717)
Other long-term liabilities	6,797	11,508	(56,675)	(14,886)	2,306
Net cash provided by (used for) operating activities	<u>101,182</u>	<u>88,783</u>	<u>193,510</u>	<u>(19,081)</u>	<u>76,556</u>
Cash Flows from Investing Activities:					
Proceeds from the sale of available-for-sale securities	3,059	3,212	-	-	3,693
Purchases of short-term investments - available-for-sale	-	-	-	-	(31,758)
Proceeds from the sale of long-term investments	1,454	82	-	3,250	-
Purchases of property, plant and equipment	(17,602)	(19,409)	(24,390)	(24,595)	(36,174)
Purchases of software licenses	-	-	(2,000)	(375)	-
Investment in venture capital partnerships and equity investments	(449)	(1,266)	-	-	(1,419)
Cash paid in business combinations and asset acquisitions, net of cash acquired, and acquisition of intangibles	(5,847)	(66,723)	(6,608)	(5,560)	(629)
Net cash used for investing activities	<u>(19,385)</u>	<u>(84,104)</u>	<u>(32,998)</u>	<u>(27,280)</u>	<u>(66,287)</u>
Cash Flows from Financing Activities:					
Tax benefit from employee stock transactions	9,090	2,995	363	95	193
Proceeds from issuance of common stock	93,603	43,787	6,456	25,485	1,152
Stock received for payment of employee taxes on vesting of restricted stock	(4,114)	(1,398)	(7,393)	(2,207)	(1,080)
Purchases of treasury stock	-	(250,961)	(27,074)	(216,236)	-
Other	-	8,558	(8,558)	-	-
Net cash provided by (used for) financing activities	<u>98,579</u>	<u>(197,019)</u>	<u>(36,206)</u>	<u>(192,863)</u>	<u>265</u>
Effect of exchange rate changes on cash and cash equivalents	1,399	(602)	3,027	1,849	434
Increase (decrease) in cash and cash equivalents	<u>181,775</u>	<u>(192,942)</u>	<u>127,333</u>	<u>(237,375)</u>	<u>10,968</u>
Cash and Cash Equivalents at End of Period	<u>\$ 1,128,529</u>	<u>\$ 935,587</u>	<u>\$ 1,062,920</u>	<u>\$ 825,545</u>	<u>\$ 836,513</u>

Cadence Design Systems, Inc.
As of July 23, 2008
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income (Loss) Per Share
(Unaudited)

	<u>Quarter ended</u> <u>September 27, 2008</u> <u>Forecast</u>	<u>Year ended</u> <u>January 3, 2009</u> <u>Forecast</u>
Diluted net loss per share on a GAAP basis	\$(0.27) to \$(0.25)	\$(0.54) to \$(0.50)
Amortization of acquired intangibles	0.04	0.17
Stock-based compensation expense	0.08	0.33
Non-qualified deferred compensation expenses (credits)	-	(0.01)
Write-off of acquired in-process technology	-	-
Integration and acquisition-related costs	-	-
Equity in losses from investments, gains and losses on non-qualified deferred compensation plan assets	-	0.05
Income tax effect of non-GAAP adjustments	0.04	0.01
Diluted net income (loss) per share on a non-GAAP basis	<u><u>\$(0.11) to \$(0.09)</u></u>	<u><u>\$0.01 to \$0.05</u></u>

Cadence Design Systems, Inc.
As of July 23, 2008
Impact of Non-GAAP Adjustments on Forward Looking Net Income (Loss)
(Unaudited)

(\$ in Millions)	<u>Quarter ended</u> <u>September 27, 2008</u> <u>Forecast</u>	<u>Year ended</u> <u>January 3, 2009</u> <u>Forecast</u>
Net loss on a GAAP basis	\$(72) to \$(66)	\$(138) to \$(128)
Amortization of acquired intangibles	11	44
Stock-based compensation expense	21	84
Non-qualified deferred compensation expenses (credits)	-	(3)
Write-off of acquired in-process technology	-	1
Integration and acquisition-related costs	-	1
Equity in losses from investments, gains and losses on non-qualified deferred compensation plan assets	-	13
Income tax effect of non-GAAP adjustments	10	2
Net income (loss) on a non-GAAP basis	<u><u>\$(30) to \$(24)</u></u>	<u><u>\$4 to \$14</u></u>

Cadence Design Systems, Inc.
Reconciliation of GAAP Net Income (Loss) to Non-GAAP Net Income
For the Quarters and Six Months Ended June 28, 2008 and June 30, 2007
(Unaudited)

(In thousands)	Quarters Ended		Six Months Ended	
	June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007
Net income (loss) on a GAAP basis	\$ 4,996	\$ 59,596	\$ (13,751)	\$ 104,017
Amortization of acquired intangibles*	11,630	10,858	23,121	22,148
Stock-based compensation expense**	21,454	27,027	43,044	54,709
Non-qualified deferred compensation expenses (credits)***	(3,050)	994	(3,152)	4,151
Restructuring and other charges (credits)	(355)	(1,573)	(355)	(2,518)
Write-off of acquired in-process technology	-	-	600	-
Integration and acquisition-related costs	256	331	530	684
Equity in losses from investments, gains and losses on non-qualified deferred compensation plan assets - recorded in Other income (expense), net	6,676	750	13,070	(1,952)
Income tax effect of non-GAAP adjustments	(3,595)	(6,775)	(13,246)	(14,727)
Net income on a non-GAAP basis	\$ 38,012	\$ 91,208	\$ 49,861	\$ 166,512

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

(In thousands)	Quarters Ended		Six Months Ended	
	June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007
Cost of product	\$ 4,762	\$ 5,225	\$ 9,445	\$ 10,776
Cost of services	3	3	6	6
Cost of maintenance	1,045	1,217	2,090	2,444
Amortization of acquired intangibles	5,820	4,413	11,580	8,922
Total amortization of acquired intangibles	\$ 11,630	\$ 10,858	\$ 23,121	\$ 22,148

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

(In thousands)	Quarters Ended		Six Months Ended	
	June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007
Cost of product	\$ 51	\$ 47	\$ 94	\$ 89
Cost of services	1,120	1,012	2,072	1,918
Cost of maintenance	716	648	1,325	1,229
Marketing and sales	4,800	5,363	9,172	12,116
Research and development	9,433	12,463	19,210	25,640
General and administrative	5,334	7,494	11,171	13,717
Total stock-based compensation expense	\$ 21,454	\$ 27,027	\$ 43,044	\$ 54,709

***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 (expense), net, such that the net impact on Cadence's Net income (loss) is not significant. The operating expenses (credits) are reported in the Condensed Consolidated Statements of Operations as follows:

(In thousands)	Quarters Ended		Six Months Ended	
	June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007
Cost of product	\$ (7)	\$ 1	\$ (7)	\$ (9)
Cost of services	(143)	30	(145)	152
Cost of maintenance	(92)	19	(93)	97
Marketing and sales	(1,153)	289	(1,342)	1,232
Research and development	(794)	394	(497)	1,406
General and administrative	(861)	261	(1,068)	1,273
Total non-qualified deferred compensation expenses (credits)	\$ (3,050)	\$ 994	\$ (3,152)	\$ 4,151

Cadence Design Systems, Inc.
Reconciliation of GAAP Diluted Net Income (Loss) Per Share to Non-GAAP Diluted Net Income Per Share
For the Quarters and Six Months Ended June 28, 2008 and June 30, 2007
(Unaudited)

(In thousands, except per share data)	Quarters Ended		Six Months Ended	
	June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007
Diluted net income (loss) per share on a GAAP basis**	\$ 0.02	\$ 0.20	\$ (0.05)	\$ 0.35
Amortization of acquired intangibles	0.04	0.04	0.08	0.08
Stock-based compensation expense	0.08	0.09	0.16	0.19
Non-qualified deferred compensation expenses (credits)	(0.01)	-	(0.01)	0.01
Restructuring and other charges (credits)	-	(0.01)	-	(0.01)
Write-off of acquired in-process technology	-	-	-	-
Integration and acquisition-related costs	-	-	-	-
Equity in losses from investments, gains and losses on non-qualified deferred compensation plan assets - recorded in Other income (expense), net	0.02	-	0.05	(0.01)
Income tax effect of non-GAAP adjustments	(0.01)	(0.02)	(0.05)	(0.05)
Diluted net income per share on a non-GAAP basis**	\$ 0.14	\$ 0.30	\$ 0.18	\$ 0.56

Shares used in calculation of diluted net income (loss) per share - GAAP *	269,060	302,746	257,724	297,048
Shares used in calculation of diluted net income per share - non-GAAP *	269,060	302,746	274,357	297,048

* Shares used in the calculation of GAAP net income (loss) 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.

** In accordance with Emerging Issues Task Force 04-08, Cadence excludes expenses associated with its convertible notes due 2023 from diluted net income per share on a GAAP basis and on a non-GAAP basis. The following tables show the adjustments to GAAP and non-GAAP net income (loss) and the calculation of diluted net income (loss) per share on a GAAP basis and on a non-GAAP basis.

Diluted net income (loss) per share on a GAAP basis (In thousands, except per share data)	Quarters Ended		Six Months Ended	
	June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007
Net income (loss)	\$ 4,996	\$ 59,596	\$ (13,751)	\$ 104,017
Amortization of offering costs related to convertible notes due 2023, net of tax	219	219	-	438
Adjusted net income (loss)	\$ 5,215	\$ 59,815	\$ (13,751)	\$ 104,455
Diluted net income (loss) per share	\$ 0.02	\$ 0.20	\$ (0.05)	\$ 0.35
Shares used in the calculation of net income (loss) per share - GAAP	269,060	302,746	257,724	297,048

Diluted net income per share on a non-GAAP basis (In thousands, except per share data)	Quarters Ended		Six Months Ended	
	June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007
Net income on a non-GAAP basis	\$ 38,012	\$ 91,208	\$ 49,861	\$ 166,512
Amortization of offering costs related to convertible notes due 2023, net of tax	270	270	540	540
Adjusted net income on a non-GAAP basis	\$ 38,282	\$ 91,478	\$ 50,401	\$ 167,052
Diluted net income per share on a non-GAAP basis	\$ 0.14	\$ 0.30	\$ 0.18	\$ 0.56
Shares used in the calculation of net income per share - non-GAAP	269,060	302,746	274,357	297,048

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

(In thousands)	Quarter ended June 28, 2008	Quarter ended June 30, 2007
	Actual	Actual
GAAP total costs and expenses	\$ 310,092	\$ 317,237
Reconciling items to non-GAAP total costs and expenses		
Amortization of acquired intangibles	(11,630)	(10,858)
Stock-based compensation expense	(21,454)	(27,027)
Non-qualified deferred compensation (expenses) credits	3,050	(994)
Restructuring and other (charges) credits	355	1,573
Non-GAAP total costs and expenses	<u>\$ 280,413</u>	<u>\$ 279,931</u>

	Quarter ended June 28, 2008	Year ended January 3, 2009
	Actual	Forecast
GAAP operating margin as a percent of total revenue	6%	-11%
Reconciling items to non-GAAP operating margin as a percent of total revenue		
Amortization of acquired intangibles	4%	4%
Stock-based compensation expense	6%	7%
Non-qualified deferred compensation expenses (credits)	-1%	-
Restructuring and other charges (credits)	-	-
Write-off of acquired in-process technology	-	-
Non-GAAP operating margin as a percent of total revenue	<u>15%</u>	<u>0%</u>

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

	For the quarter ended June 28, 2008				
	Operating expenses on a GAAP basis	Stock-based compensation	Amortization of acquired intangibles	Non-qualified deferred compensation expense	Operating expenses on a non-GAAP basis
Cost of product	18,018	(51)	(4,762)	7	13,212
Cost of services	27,213	(1,120)	(3)	143	26,233
Cost of maintenance	14,439	(716)	(1,045)	92	12,770
Marketing and sales	89,907	(4,800)	-	1,153	86,260
Research and development	120,087	(9,433)	-	794	111,448
General and administrative	34,963	(5,334)	-	861	30,490
Amortization of acquired intangibles	5,820	-	(5,820)	-	-
		<u>(21,454)</u>	<u>(11,630)</u>	<u>3,050</u>	

	For the six months ended June 28, 2008				
	Operating expenses on a GAAP basis	Stock-based compensation	Amortization of acquired intangibles	Non-qualified deferred compensation expense	Operating expenses on a non-GAAP basis
Cost of product	30,019	(94)	(9,445)	7	20,487
Cost of services	52,406	(2,072)	(6)	145	50,473
Cost of maintenance	28,979	(1,325)	(2,090)	93	25,657
Marketing and sales	182,941	(9,172)	-	1,342	175,111
Research and development	245,443	(19,210)	-	497	226,730
General and administrative	72,671	(11,171)	-	1,068	62,568
Amortization of acquired intangibles	11,580	-	(11,580)	-	-
		<u>(43,044)</u>	<u>(23,121)</u>	<u>3,152</u>	

Cadence Design Systems, Inc.
(Unaudited)

Revenue Mix by Geography (% of Total Revenue)

<u>GEOGRAPHY</u>	2006					2007					2008	
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2
Americas	51%	48%	54%	60%	54%	48%	52%	41%	50%	49%	40%	49%
Europe	19%	18%	22%	19%	19%	15%	17%	25%	17%	18%	22%	21%
Japan	21%	24%	13%	10%	17%	27%	14%	22%	22%	21%	26%	18%
Asia	9%	10%	11%	11%	10%	10%	17%	12%	11%	12%	12%	12%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Revenue Mix by Product Group (% of Total Revenue)

<u>PRODUCT GROUP</u>	2006					2007					2008	
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2
Functional Verification	26%	22%	24%	23%	24%	24%	24%	20%	26%	24%	20%	25%
Digital IC Design	20%	26%	19%	26%	24%	26%	29%	27%	27%	27%	27%	23%
Custom IC Design	27%	27%	30%	26%	27%	24%	24%	32%	25%	27%	25%	26%
Design for Manufacturing	8%	8%	8%	6%	7%	7%	7%	6%	6%	6%	6%	7%
System Interconnect	9%	8%	10%	11%	9%	10%	8%	7%	9%	8%	11%	9%
Services & Other	10%	9%	9%	8%	9%	9%	8%	8%	7%	8%	11%	10%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Note: Product Group total revenue includes Product + Maintenance