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**Cadence Design Systems, Inc.**  
**Condensed Consolidated Balance Sheets**  
**January 2, 2010 and January 3, 2009**  
(In thousands)  
(Unaudited)

	<b>January 2, 2010</b>	<b>January 3, 2009</b>
		(As Adjusted)*
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 569,115	\$ 568,255
Short-term investments	2,184	3,840
Receivables, net of allowances of \$14,020 and \$7,524, respectively	200,628	298,665
Inventories	24,165	28,465
Prepaid expenses and other	54,655	54,765
Total current assets	850,747	953,990
Property, plant and equipment, net of accumulated depreciation of \$637,107 and \$625,010, respectively	311,502	354,852
Acquired intangibles, net of accumulated amortization of \$124,507 and \$134,688, respectively	28,841	49,082
Installment contract receivables, net of allowances of \$9,724 and \$0, respectively	58,448	160,742
Other assets	161,049	161,187
<b>Total Assets</b>	<b>\$ 1,410,587</b>	<b>\$ 1,679,853</b>
<b>Current Liabilities:</b>		
Accounts payable and accrued liabilities	150,207	261,099
Current portion of deferred revenue	247,691	303,111
Total current liabilities	397,898	564,210
<b>Long-Term Liabilities:</b>		
Long-term portion of deferred revenue	92,298	130,354
Convertible notes	436,012	416,572
Other long-term liabilities	376,006	382,004
Total long-term liabilities	904,316	928,930
Stockholders' Equity	108,373	186,713
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 1,410,587</b>	<b>\$ 1,679,853</b>

\* Adjusted for the retrospective adoption of new accounting principles, as required by the "Debt with Conversion and Other Options" subtopic of the FASB Accounting Standards Codification, on the first day of fiscal 2009.

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

	January 3, 2009	April 4, 2009	July 4, 2009	October 3, 2009	January 2, 2010
	(As Adjusted)*				
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 568,255	\$ 554,404	\$ 556,925	\$ 570,617	\$ 569,115
Short-term investments	3,840	3,634	5,481	4,756	2,184
Receivables, net	298,665	245,689	225,377	195,468	200,628
Inventories	28,465	29,145	22,634	25,626	24,165
Prepaid expenses and other	54,765	55,263	56,831	64,694	54,655
Total current assets	953,990	888,135	867,248	861,161	850,747
Property, plant and equipment, net	354,852	336,533	328,507	313,398	311,502
Acquired intangibles, net	49,082	42,282	37,604	33,438	28,841
Installment contract receivables, net	160,742	103,820	77,016	64,859	58,448
Other assets	161,187	144,368	142,284	141,361	161,049
Total assets	\$ 1,679,853	\$ 1,515,138	\$ 1,452,659	\$ 1,414,217	\$ 1,410,587
<b>Current Liabilities:</b>					
Accounts payable and accrued liabilities	261,099	182,388	182,410	159,728	150,207
Current portion of deferred revenue	303,111	269,224	258,645	245,528	247,691
Total current liabilities	564,210	451,612	441,055	405,256	397,898
<b>Long-Term Liabilities:</b>					
Long-term portion of deferred revenue	130,354	126,433	116,530	108,941	92,298
Convertible notes	416,572	421,359	426,170	431,072	436,012
Other long-term liabilities	382,004	368,049	382,518	372,756	376,006
Total long-term liabilities	928,930	915,841	925,218	912,769	904,316
<b>Stockholders' Equity:</b>					
Common stock and capital in excess of par value	1,659,302	1,663,400	1,656,183	1,664,029	1,674,396
Treasury stock, at cost	(695,152)	(554,857)	(490,391)	(433,505)	(431,310)
Accumulated deficit	(814,679)	(992,290)	(1,116,869)	(1,175,535)	(1,177,983)
Accumulated other comprehensive income	37,242	31,432	37,463	41,203	43,270
Total stockholders' equity	186,713	147,685	86,386	96,192	108,373
Total liabilities and stockholders' equity	\$ 1,679,853	\$ 1,515,138	\$ 1,452,659	\$ 1,414,217	\$ 1,410,587

\* Adjusted for the retrospective adoption of new accounting principles, as required by the "Debt with Conversion and Other Options" subtopic of the FASB Accounting Standards Codification, on the first day of fiscal 2009.

**Cadence Design Systems, Inc.**  
**Condensed Consolidated Statements of Operations**  
**For the Three Months and Years Ended January 2, 2010 and January 3, 2009**  
(In thousands, except per share amounts)  
(Unaudited)

	Three Months Ended		Years Ended	
	January 2, 2010	January 3, 2009 (As Adjusted)*	January 2, 2010	January 3, 2009 (As Adjusted)*
Revenue:				
Product	\$ 114,478	\$ 94,238	\$ 400,773	\$ 516,603
Services	22,871	34,735	106,555	133,498
Maintenance	82,930	98,362	345,304	388,513
Total revenue	220,279	227,335	852,632	1,038,614
Costs and Expenses:				
Cost of product	8,286	11,062	32,114	50,303
Cost of services	20,934	25,254	90,536	103,337
Cost of maintenance	11,170	12,951	46,593	55,840
Marketing and sales	72,230	84,393	286,833	358,409
Research and development	81,309	99,984	354,703	457,913
General and administrative	21,337	46,424	122,648	152,032
Amortization of acquired intangibles	2,726	5,526	11,420	22,732
Impairment of goodwill	-	1,317,200	-	1,317,200
Impairment of intangible and tangible assets	-	47,069	-	47,069
Restructuring and other charges (credits)	13,543	(1,318)	31,376	46,447
Write-off of acquired in-process technology	-	-	-	600
Total costs and expenses	231,535	1,648,545	976,223	2,611,882
Loss from operations	(11,256)	(1,421,210)	(123,591)	(1,573,268)
Interest expense	(7,280)	(6,706)	(28,872)	(27,402)
Other income (expense), net	4,723	(13,142)	(1,042)	(16,843)
Loss before provision (benefit) for income taxes	(13,813)	(1,441,058)	(153,505)	(1,617,513)
Provision (benefit) for income taxes	(15,603)	193,047	(3,634)	239,202
Net income (loss)	\$ 1,790	\$ (1,634,105)	\$ (149,871)	\$ (1,856,715)
Basic net income (loss) per share	\$ 0.01	\$ (6.55)	\$ (0.58)	\$ (7.30)
Diluted net income (loss) per share	\$ 0.01	\$ (6.55)	\$ (0.58)	\$ (7.30)
Weighted average common shares outstanding - basic	260,752	249,481	257,782	254,323
Weighted average common shares outstanding - diluted	265,093	249,481	257,782	254,323

\* Adjusted for the retrospective adoption of new accounting principles, as required by the "Debt with Conversion and Other Options" subtopic of the FASB Accounting Standards Codification, on the first day of fiscal 2009.

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

	Three Months Ended				
	January 3, 2009	April 4, 2009	July 4, 2009	October 3, 2009	January 2, 2010
	(As Adjusted)*				
Revenue:					
Product	\$ 94,238	\$ 87,523	\$ 101,840	\$ 96,932	\$ 114,478
Services	34,735	29,207	27,808	26,669	22,871
Maintenance	98,362	89,572	80,281	92,521	82,930
Total revenue	<u>227,335</u>	<u>206,302</u>	<u>209,929</u>	<u>216,122</u>	<u>220,279</u>
Costs and Expenses:					
Cost of product	11,062	7,671	9,752	6,405	8,286
Cost of services	25,254	24,045	24,418	21,139	20,934
Cost of maintenance	12,951	12,461	11,857	11,105	11,170
Marketing and sales	84,393	74,890	71,431	68,282	72,230
Research and development	99,984	94,692	90,653	88,049	81,309
General and administrative	46,424	38,339	34,240	28,732	21,337
Amortization of acquired intangibles	5,526	3,140	2,828	2,726	2,726
Impairment of goodwill	1,317,200	-	-	-	-
Impairment of intangible and tangible assets	47,069	-	-	-	-
Restructuring and other charges (credits)	(1,318)	(520)	18,528	(175)	13,543
Total costs and expenses	<u>1,648,545</u>	<u>254,718</u>	<u>263,707</u>	<u>226,263</u>	<u>231,535</u>
Loss from operations	(1,421,210)	(48,416)	(53,778)	(10,141)	(11,256)
Interest expense	(6,706)	(7,048)	(7,266)	(7,278)	(7,280)
Other income (expense), net	(13,142)	(6,149)	(2,533)	2,917	4,723
Loss before provision (benefit) for income taxes	(1,441,058)	(61,613)	(63,577)	(14,502)	(13,813)
Provision (benefit) for income taxes	193,047	1,644	10,780	(455)	(15,603)
Net income (loss)	<u>\$ (1,634,105)</u>	<u>\$ (63,257)</u>	<u>\$ (74,357)</u>	<u>\$ (14,047)</u>	<u>\$ 1,790</u>
Basic net income (loss) per share	<u>\$ (6.55)</u>	<u>\$ (0.25)</u>	<u>\$ (0.29)</u>	<u>\$ (0.05)</u>	<u>\$ 0.01</u>
Diluted net income (loss) per share	<u>\$ (6.55)</u>	<u>\$ (0.25)</u>	<u>\$ (0.29)</u>	<u>\$ (0.05)</u>	<u>\$ 0.01</u>
Weighted average common shares outstanding - basic	<u>249,481</u>	<u>254,302</u>	<u>256,883</u>	<u>259,193</u>	<u>260,752</u>
Weighted average common shares outstanding - diluted	<u>249,481</u>	<u>254,302</u>	<u>256,883</u>	<u>259,193</u>	<u>265,093</u>

\* Adjusted for the retrospective adoption of new accounting principles, as required by the "Debt with Conversion and Other Options" subtopic of the FASB Accounting Standards Codification, on the first day of fiscal 2009.

**Cadence Design Systems, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**For the Years Ended January 2, 2010 and January 3, 2009**  
(In thousands)  
(Unaudited)

	Years Ended	
	January 2, 2010	January 3, 2009 (As Adjusted)*
Cash and Cash Equivalents at Beginning of Period	\$ 568,255	\$ 1,062,920
Cash Flows from Operating Activities:		
Net loss	(149,871)	(1,856,715)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Impairment of goodwill	-	1,317,200
Impairment of intangible and tangible assets	-	47,069
Depreciation and amortization	93,139	126,489
Amortization of debt discount and fees	20,912	18,019
Stock-based compensation	54,706	81,274
Equity in loss from investments, net	481	945
(Gain) loss on investments, net	(1,292)	15,263
Gain on sale and leaseback of land and buildings	(122)	(185)
Write-down of investment securities	5,207	16,653
Write-off of acquired in-process technology	-	600
Loss on liquidation of subsidiary	-	9,327
Tax benefit of call options	-	4,389
Impairment of property, plant and equipment	6,730	2,170
Deferred income taxes	(3,438)	198,784
Proceeds from the sale of receivables, net	5,827	52,232
Provisions for losses on trade and installment contract receivables and sales returns	20,947	4,578
Other non-cash items	(995)	2,086
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	61,966	(31,205)
Installment contract receivables	114,346	79,635
Inventories	3,896	2,584
Prepaid expenses and other	(1,393)	(4,618)
Other assets	12,044	(2,778)
Accounts payable and accrued liabilities	(94,851)	(42,882)
Deferred revenue	(95,135)	25,648
Other long-term liabilities	(27,467)	3,724
Net cash provided by operating activities	25,637	70,286
Cash Flows from Investing Activities:		
Proceeds from the sale of available-for-sale securities	4,135	56,529
Purchases of available-for-sale securities	-	(62,447)
Proceeds from the sale of long-term investments	-	4,028
Proceeds from the sale of property, plant and equipment	3,864	-
Purchases of property, plant and equipment	(41,308)	(97,290)
Purchases of software licenses	(774)	(2,388)
Investment in venture capital partnerships and equity investments	(2,300)	(4,386)
Cash paid in business combinations and asset acquisitions, net of cash acquired, and acquisition of intangibles	(14,126)	(20,931)
Net cash used for investing activities	(50,509)	(126,885)
Cash Flows from Financing Activities:		
Proceeds from receivable sale financing	-	17,970
Principal payments on receivable sale financing	(2,467)	(793)
Payment of convertible notes due 2023	-	(230,207)
Tax benefit from employee stock transactions	1,383	483
Proceeds from issuance of common stock	28,010	48,192
Stock received for payment of employee taxes on vesting of restricted stock	(5,959)	(5,114)
Purchases of treasury stock	-	(273,950)
Net cash provided by (used for) financing activities	20,967	(443,419)
Effect of exchange rate changes on cash and cash equivalents	4,765	5,353
Increase (decrease) in cash and cash equivalents	860	(494,665)
Cash and Cash Equivalents at End of Period	\$ 569,115	\$ 568,255

\* Adjusted for the retrospective adoption of new accounting principles, as required by the "Debt with Conversion and Other Options" subtopic of the FASB Accounting Standards Codification, on the first day of fiscal 2009.

**Cadence Design Systems, Inc.**  
**Trended Condensed Consolidated Statements of Cash Flows**  
**For the Five Quarters Ended January 2, 2010**  
(In thousands)  
(Unaudited)

	<u>Q4 2008</u>	<u>Q1 2009</u>	<u>Q2 2009</u>	<u>Q3 2009</u>	<u>Q4 2009</u>
	(As Adjusted)*				
Cash and Cash Equivalents at Beginning of Period	\$ 551,753	\$ 568,255	\$ 554,404	\$ 556,925	\$ 570,617
Cash Flows from Operating Activities:					
Net income (loss)	(1,634,105)	(63,257)	(74,357)	(14,047)	1,790
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:					
Impairment of goodwill	1,317,200	-	-	-	-
Impairment of intangible and tangible assets	47,069	-	-	-	-
Depreciation and amortization	30,452	26,257	23,766	21,311	21,805
Amortization of debt discount and fees	4,696	5,029	5,215	5,313	5,355
Stock-based compensation	23,596	12,728	16,507	14,455	11,016
Equity in loss from investments, net	122	146	85	138	112
(Gain) loss on investments, net	3,823	6,368	1,623	(3,684)	(5,599)
Gain on sale and leaseback of land and buildings	(535)	(122)	-	-	-
Write-down of investment securities	5,987	3,993	613	601	-
Loss on liquidation of subsidiary	9,327	-	-	-	-
Tax benefit of call options	1,395	-	-	-	-
Impairment of property, plant and equipment	166	3,429	266	2,908	127
Deferred income taxes	209,878	(3,073)	(1,971)	(1,476)	3,082
Proceeds from the sale of receivables, net	4,108	3,458	2,369	-	-
Provisions (recoveries) for losses (gains) on trade and installment contract receivables and sales returns	4,195	9,818	8,543	307	2,279
Other non-cash items	5,126	(8,147)	(769)	4,954	2,967
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	(52,694)	31,932	11,202	13,310	5,522
Installment contract receivables	33,437	57,767	32,190	32,345	(7,956)
Inventories	(2,902)	(665)	6,512	(3,001)	1,050
Prepaid expenses and other	(1,197)	172	(297)	(3,916)	2,648
Other assets	(929)	7,083	(314)	5,040	235
Accounts payable and accrued liabilities	(1,300)	(63,736)	(2,511)	(13,148)	(15,456)
Deferred revenue	57,891	(31,581)	(26,783)	(25,396)	(11,375)
Other long-term liabilities	(32,248)	(4,937)	8,455	(14,291)	(16,694)
Net cash provided by (used for) operating activities	<u>32,558</u>	<u>(7,338)</u>	<u>10,344</u>	<u>21,723</u>	<u>908</u>
Cash Flows from Investing Activities:					
Proceeds from the sale of available-for-sale securities	2,746	-	-	139	3,996
Proceeds from the sale of long-term investments	778	-	-	-	-
Proceeds from the sale of property, plant and equipment	-	-	-	-	3,864
Purchases of property, plant and equipment	(16,178)	(14,818)	(7,464)	(8,222)	(10,804)
Purchases of software licenses	(1,189)	-	(394)	(380)	-
Investment in venture capital partnerships and equity investments	(333)	(1,150)	(400)	(750)	-
Cash paid in business combinations and asset acquisitions, net of cash acquired, and acquisition of intangibles	(310)	(3,543)	(1,353)	(9,230)	-
Net cash used for investing activities	<u>(14,486)</u>	<u>(19,511)</u>	<u>(9,611)</u>	<u>(18,443)</u>	<u>(2,944)</u>
Cash Flows from Financing Activities:					
Principal payments on receivable sale financing	(793)	(796)	-	(1,671)	-
Tax benefit from employee stock transactions	56	-	-	-	1,383
Proceeds from issuance of common stock	76	19,521	80	8,261	148
Stock received for payment of employee taxes on vesting of restricted stock	(1,421)	(659)	(1,780)	(1,616)	(1,904)
Net cash provided by (used for) financing activities	<u>(2,082)</u>	<u>18,066</u>	<u>(1,700)</u>	<u>4,974</u>	<u>(373)</u>
Effect of exchange rate changes on cash and cash equivalents	512	(5,068)	3,488	5,438	907
Increase (decrease) in cash and cash equivalents	<u>16,502</u>	<u>(13,851)</u>	<u>2,521</u>	<u>13,692</u>	<u>(1,502)</u>
Cash and Cash Equivalents at End of Period	<u>\$ 568,255</u>	<u>\$ 554,404</u>	<u>\$ 556,925</u>	<u>\$ 570,617</u>	<u>\$ 569,115</u>

\* Adjusted for the retrospective adoption of new accounting principles, as required by the "Debt with Conversion and Other Options" subtopic of the FASB Accounting Standards Codification, on the first day of fiscal 2009.

**Cadence Design Systems, Inc.**  
**As of February 3, 2010**  
**Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Loss Per Share**  
**(Unaudited)**

	<b>Three Months Ending April 3, 2010 Forecast</b>	<b>Year Ending January 1, 2011 Forecast</b>
Diluted net loss per share on a GAAP basis	\$(0.10) to \$(0.08)	\$(0.29) to \$(0.19)
Amortization of acquired intangibles	0.02	0.04
Stock-based compensation expense	0.04	0.18
Restructuring and other charges	-	-
Equity in losses from investments, write-down of investments, gains and losses on non-qualified deferred compensation plan assets	-	-
Amortization of debt discount	0.02	0.08
Income tax effect of non-GAAP adjustments	0.02	0.04
Diluted net income per share on a non-GAAP basis	<u>\$0.00 to \$0.02</u>	<u>\$0.05 to \$0.15</u>

**Cadence Design Systems, Inc.**  
**As of February 3, 2010**  
**Impact of Non-GAAP Adjustments on Forward Looking Net Loss**  
**(Unaudited)**

<b>(\$ in Millions)</b>	<b>Three Months Ending April 3, 2010 Forecast</b>	<b>Year Ending January 1, 2011 Forecast</b>
Net loss on a GAAP basis	\$(26) to \$(20)	\$(78) to \$(52)
Amortization of acquired intangibles	5	12
Stock-based compensation expense	11	48
Restructuring and other charges	-	1
Equity in losses from investments, write-down of investments, gains and losses on non-qualified deferred compensation plan assets	-	1
Amortization of debt discount	5	21
Income tax effect of non-GAAP adjustments	5	10
Net income on a non-GAAP basis	<u>\$0 to \$6</u>	<u>\$15 to \$41</u>

**Cadence Design Systems, Inc.**  
**Reconciliation of GAAP Net Income (Loss) to Non-GAAP Net Income (Loss)**  
**For the Three Months and Years Ended January 2, 2010 and January 3, 2009**  
**(Unaudited)**

(In thousands)	Three Months Ended		Years Ended	
	January 2, 2010	January 3, 2009 (As Adjusted) †	January 2, 2010	January 3, 2009 (As Adjusted) †
Net income (loss) on a GAAP basis	\$ 1,790	\$ (1,634,105)	\$ (149,871)	\$ (1,856,715)
Amortization of acquired intangibles*	4,391	10,310	19,941	44,185
Stock-based compensation expense**	11,016	23,596	54,706	81,274
Non-qualified deferred compensation expenses (credits)***	3,389	(4,357)	(644)	(7,321)
Impairment of goodwill	-	1,317,200	-	1,317,200
Impairment of intangible and tangible assets	-	47,069	-	47,069
Restructuring and other charges (credits)	13,543	(1,318)	31,376	46,447
Costs related to a withdrawn acquisition proposal	-	-	-	3,153
Write-off of acquired in-process technology	-	-	-	600
Executive severance costs †	-	9,232	-	9,232
Integration and acquisition-related costs	135	231	665	995
Amortization of debt discount	4,870	4,276	19,104	16,460
Equity in losses from investments, write-down of investments, gains and losses on nonqualified deferred compensation plan assets - recorded in Other income (expense), net	(3,177)	10,647	6,738	26,515
Losses on the sale of shares of withdrawn acquisition target company stock	-	-	-	9,379
Loss on liquidation of subsidiary	-	9,327	-	9,327
Income tax expense from recording a valuation allowance against deferred tax assets	-	332,880	-	332,880
Income tax related to repatriation of foreign earnings	-	30,076	-	101,123
Income tax effect of the increase in United States net operating loss carryback period	(14,825)	-	(14,825)	-
Income tax effect of non-GAAP adjustments	(6,070)	(166,049)	16,812	(191,421)
Net income (loss) on a non-GAAP basis	\$ 15,062	\$ (10,985)	\$ (15,998)	\$ (9,618)

† Adjusted for the retrospective adoption of new accounting principles, as required by the "Debt with Conversion and Other Options" subtopic of the FASB Accounting Standards Codification, on the first day of fiscal 2009.

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

(In thousands)	Three Months Ended		Years Ended	
	January 2, 2010	January 3, 2009	January 2, 2010	January 3, 2009
Cost of product	\$ 620	\$ 3,736	\$ 4,341	\$ 17,261
Cost of services	-	3	-	12
Cost of maintenance	1,045	1,045	4,180	4,180
Amortization of acquired intangibles	2,726	5,526	11,420	22,732
Total amortization of acquired intangibles	\$ 4,391	\$ 10,310	\$ 19,941	\$ 44,185

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

(In thousands)	Three Months Ended		Years Ended	
	January 2, 2010	January 3, 2009	January 2, 2010	January 3, 2009
Cost of product	\$ 28	\$ 49	\$ 151	\$ 195
Cost of services	606	1,078	3,321	4,312
Cost of maintenance	388	690	2,126	2,758
Marketing and sales	2,605	4,313	12,285	17,353
Research and development	5,193	8,773	26,364	36,695
General and administrative	2,196	8,693	10,459	19,961
Total stock-based compensation expense	\$ 11,016	\$ 23,596	\$ 54,706	\$ 81,274

\*\*\* 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)	Three Months Ended		Years Ended	
	January 2, 2010	January 3, 2009	January 2, 2010	January 3, 2009
Cost of product	\$ 1	\$ (6)	\$ (3)	\$ (14)
Cost of services	30	(130)	(31)	(295)
Cost of maintenance	19	(83)	(20)	(189)
Marketing and sales	766	(1,514)	(226)	(2,951)
Research and development	1,485	(1,491)	319	(1,562)
General and administrative	1,088	(1,133)	(683)	(2,310)
Total non-qualified deferred compensation expenses (credits)	\$ 3,389	\$ (4,357)	\$ (644)	\$ (7,321)

† Executive severance costs are reported in the Condensed Consolidated Statements of Operations as follows:

(In thousands)	Three Months Ended		Years Ended	
	January 2, 2010	January 3, 2009	January 2, 2010	January 3, 2009
Marketing and sales	-	1,457	-	1,457
Research and development	-	1,064	-	1,064
General and administrative	-	6,711	-	6,711
Total executive severance costs	\$ -	\$ 9,232	\$ -	\$ 9,232

**Cadence Design Systems, Inc.**  
**Reconciliation of GAAP Diluted Net Income (Loss) Per Share to Non-GAAP Diluted Net Income (Loss) Per Share**  
**For the Three Months and Years Ended January 2, 2010 and January 3, 2009**  
**(Unaudited)**

(In thousands, except per share data)	Three Months Ended		Years Ended	
	January 2, 2010	January 3, 2009 (As Adjusted) †	January 2, 2010	January 3, 2009 (As Adjusted) †
Diluted net income (loss) per share on a GAAP basis	\$ 0.01	\$ (6.55)	\$ (0.58)	\$ (7.30)
Amortization of acquired intangibles	0.02	0.04	0.08	0.17
Stock-based compensation expense	0.04	0.09	0.21	0.32
Non-qualified deferred compensation expenses (credits)	0.01	(0.02)	-	(0.03)
Impairment of goodwill	-	5.28	-	5.18
Impairment of intangible and tangible assets	-	0.19	-	0.19
Restructuring and other charges (credits)	0.05	-	0.12	0.18
Costs related to a withdrawn acquisition proposal	-	-	-	0.01
Executive severance costs	-	0.04	-	0.04
Amortization of debt discount	0.02	0.02	0.07	0.06
Equity in losses from investments, write-down of investments, gains and losses on nonqualified deferred compensation plan assets - recorded in Other income (expense), net	(0.01)	0.04	0.03	0.10
Losses on the sale of shares of withdrawn acquisition target company stock	-	-	-	0.04
Loss on liquidation of subsidiary	-	0.04	-	0.04
Income tax expense from recording a valuation allowance against deferred tax assets	-	1.33	-	1.31
Income tax related to repatriation of foreign earnings	-	0.12	-	0.40
Income tax effect of the increase in United States net operating loss carryback period	(0.06)	-	(0.06)	-
Income tax effect of non-GAAP adjustments	(0.02)	(0.66)	0.07	(0.75)
Diluted net income (loss) per share on a non-GAAP basis	\$ 0.06	\$ (0.04)	\$ (0.06)	\$ (0.04)
Shares used in calculation of diluted net income (loss) per share - GAAP *	265,093	249,481	257,782	254,323
Shares used in calculation of diluted net income (loss) per share - non-GAAP *	265,093	249,481	257,782	254,323

\* 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 (loss) 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.

† Adjusted for the retrospective adoption of new accounting principles, as required by the "Debt with Conversion and Other Options" subtopic of the FASB Accounting Standards Codification, on the first day of fiscal 2009.

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

	<u>Three Months Ended</u> <u>January 2, 2010</u>	<u>Three Months Ended</u> <u>January 3, 2009</u>	<u>Three Months Ending</u> <u>April 3, 2010</u>
	Actual	Actual	Forecast
	(In thousands)	(In thousands)	(In millions)
GAAP total costs and expenses	\$ 231,535	\$ 1,648,545	\$226 to \$231
Reconciling items to non-GAAP total costs and expenses			
Amortization of acquired intangibles	(4,391)	(10,310)	(5)
Stock-based compensation expense	(11,016)	(23,596)	(11)
Non-qualified deferred compensation (expenses) credits	(3,389)	4,357	-
Impairment of goodwill	-	(1,317,200)	-
Impairment of intangible and tangible assets	-	(47,069)	-
Restructuring and other (charges) credits	(13,543)	1,318	-
Executive severance costs	-	(9,232)	-
Non-GAAP total costs and expenses	<u>\$ 199,196</u>	<u>\$ 246,813</u>	<u>\$210 to \$215</u>

	<u>Three Months Ended</u> <u>January 2, 2010</u>	<u>Year Ended</u> <u>January 2, 2010</u>	<u>Three Months Ending</u> <u>April 3, 2010</u>	<u>Year Ending</u> <u>January 1, 2011</u>
	Actual	Actual	Forecast	Forecast
GAAP operating margin as a percent of total revenue	-5%	-14%	-6% to -4%	-3% to -1%
Reconciling items to non-GAAP operating margin as a percent of total revenue				
Amortization of acquired intangibles	2%	2%	2%	1%
Stock-based compensation expense	5%	6%	6%	6%
Non-qualified deferred compensation expenses (credits)	2%	0%	0%	0%
Restructuring and other charges (credits)	6%	4%	0%	0%
Non-GAAP operating margin as a percent of total revenue	<u>10%</u>	<u>-2%</u>	<u>2% to 4%</u>	<u>4% to 6%</u>

	<u>Year Ending</u> <u>January 1, 2011</u>
(In millions)	Forecast
GAAP total other income (expense), net	\$(32) to \$(30)
Reconciling items to non-GAAP total other income (expense), net	
Equity in losses from investments, write-down of investments, gains and losses on non-qualified deferred compensation plan assets	1
Amortization of debt discount	21
Non-GAAP total other income (expense), net	<u>\$(10) to \$(8)</u>

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

	<u>For the three months ended January 2, 2010</u>				
	Operating expenses on a GAAP basis	Stock-based compensation	Amortization of acquired intangibles	Non-qualified deferred compensation expenses	Operating expenses on a non-GAAP basis
Cost of product	8,286	(28)	(620)	(1)	7,637
Cost of services	20,934	(606)	-	(30)	20,298
Cost of maintenance	11,170	(388)	(1,045)	(19)	9,718
Marketing and sales	72,230	(2,605)	-	(766)	68,859
Research and development	81,309	(5,193)	-	(1,485)	74,631
General and administrative	21,337	(2,196)	-	(1,088)	18,053
Amortization of acquired intangibles	2,726	-	(2,726)	-	-
		<u>(11,016)</u>	<u>(4,391)</u>	<u>(3,389)</u>	

	<u>For the year ended January 2, 2010</u>				
	Operating expenses on a GAAP basis	Stock-based compensation	Amortization of acquired intangibles	Non-qualified deferred compensation (expenses) credits	Operating expenses on a non-GAAP basis
Cost of product	32,114	(151)	(4,341)	3	27,625
Cost of services	90,536	(3,321)	-	31	87,246
Cost of maintenance	46,593	(2,126)	(4,180)	20	40,307
Marketing and sales	286,833	(12,285)	-	226	274,774
Research and development	354,703	(26,364)	-	(319)	328,020
General and administrative	122,648	(10,459)	-	683	112,872
Amortization of acquired intangibles	11,420	-	(11,420)	-	-
		<u>(54,706)</u>	<u>(19,941)</u>	<u>644</u>	

**Cadence Design Systems, Inc.**  
**(Unaudited)**

**Revenue Mix by Geography (% of Total Revenue)**

<b>GEOGRAPHY</b>	<b>2007</b>					<b>2008</b>					<b>2009</b>				
	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Year</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Year</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Year</b>
Americas	48%	52%	41%	50%	<b>49%</b>	43%	48%	43%	45%	<b>45%</b>	42%	48%	43%	51%	<b>46%</b>
Europe	15%	17%	25%	17%	<b>18%</b>	24%	21%	23%	22%	<b>22%</b>	24%	21%	20%	24%	<b>22%</b>
Japan	27%	14%	22%	22%	<b>21%</b>	21%	19%	20%	18%	<b>20%</b>	19%	17%	23%	12%	<b>18%</b>
Asia	10%	17%	12%	11%	<b>12%</b>	12%	12%	14%	15%	<b>13%</b>	15%	14%	14%	13%	<b>14%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Revenue Mix by Product Group (% of Total Revenue)**

<b>PRODUCT GROUP</b>	<b>2007</b>					<b>2008</b>					<b>2009</b>				
	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Year</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Year</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Year</b>
Functional Verification	24%	24%	20%	26%	<b>24%</b>	22%	25%	22%	17%	<b>22%</b>	20%	23%	21%	22%	<b>22%</b>
Digital IC Design	26%	29%	27%	27%	<b>27%</b>	24%	24%	20%	26%	<b>24%</b>	19%	24%	19%	22%	<b>21%</b>
Custom IC Design	24%	24%	32%	25%	<b>27%</b>	26%	23%	26%	23%	<b>24%</b>	26%	25%	28%	28%	<b>27%</b>
Design for Manufacturing	7%	7%	6%	6%	<b>6%</b>	5%	7%	7%	7%	<b>6%</b>	9%	5%	9%	7%	<b>7%</b>
System Interconnect	10%	8%	7%	9%	<b>8%</b>	11%	10%	11%	12%	<b>11%</b>	12%	10%	11%	11%	<b>11%</b>
Services & Other	9%	8%	8%	7%	<b>8%</b>	12%	11%	14%	15%	<b>13%</b>	14%	13%	12%	10%	<b>12%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Note: Product Group total revenue includes Product + Maintenance

**Cadence Design Systems, Inc.**  
**Impact of Retrospective Adoption of the "Debt with Conversion and Other Options"**  
**Subtopic of the FASB Accounting Standards Codification**  
**On Previously Reported Condensed Consolidated Balance Sheets as of January 3, 2009**  
(In thousands)  
(Unaudited)

	As of January 3, 2009		
	As Previously Reported	Adjustments	As Adjusted
Current assets	\$ 954,548	\$ (558) (A)	\$ 953,990
Property, plant and equipment, net	351,961	2,891 (B)	354,852
Acquired intangibles, net	49,082	-	49,082
Installment contract receivables	160,742	-	160,742
Other assets	162,381	(1,194) (C)	161,187
Total Assets	<u>\$ 1,678,714</u>	<u>\$ 1,139</u>	<u>\$ 1,679,853</u>
Current liabilities	\$ 564,210	\$ -	\$ 564,210
Long-Term Liabilities:			
Long-term portion of deferred revenue	130,354	-	130,354
Convertible notes	500,178	(83,606) (D)	416,572
Other long-term liabilities	382,004	-	382,004
Total long-term liabilities	<u>1,012,536</u>	<u>(83,606)</u>	<u>928,930</u>
Stockholders' Equity:			
Common stock and capital in excess of par value	1,562,079	97,223 (E)	1,659,302
Treasury stock, at cost	(695,152)	-	(695,152)
Accumulated deficit	(802,201)	(12,478) (F)	(814,679)
Accumulated other comprehensive income	37,242	-	37,242
Total stockholders' equity	<u>101,968</u>	<u>84,745</u>	<u>186,713</u>
Total Liabilities and Stockholders' Equity	<u>\$ 1,678,714</u>	<u>\$ 1,139</u>	<u>\$ 1,679,853</u>

- (A) This amount represents the cumulative adjustments to the current portion of debt issuance costs associated with Cadence's Convertible Senior Notes.
- (B) This amount represents the cumulative capitalized interest related to the amortization of debt discount.
- (C) This amount represents the cumulative adjustments to the long-term portion of debt issuance costs associated with Cadence's Convertible Senior Notes and the cumulative impact on the net deferred tax assets related to the amortization of debt discount.
- (D) This amount represents the remaining unamortized debt discount on Cadence's Convertible Senior Notes as of January 3, 2009.
- (E) This amount represents the equity component of Cadence's Convertible Senior Notes, net of tax adjustments to the tax benefit of call options, due to the amortization of debt discount.
- (F) This amount represents the cumulative Net loss impact of the amortization of debt discount and the associated tax adjustments since inception of Cadence's Convertible Senior Notes.

**Cadence Design Systems, Inc.**  
**Impact of Retrospective Adoption of the "Debt with Conversion and Other Options"**  
**Subtopic of the FASB Accounting Standards Codification**  
**On Previously Reported Condensed Consolidated Statements of Operations**  
**For the Three Months and Year Ended January 3, 2009**  
(In thousands, except per share amounts)  
(Unaudited)

	Three Months Ended January 3, 2009		
	As Previously Reported	Adjustments	As Adjusted
Revenue	\$ 227,335	\$ -	\$ 227,335
Costs and expenses	1,648,545	-	1,648,545
Loss from operations	<u>(1,421,210)</u>	<u>-</u>	<u>(1,421,210)</u>
Interest expense	(2,559)	(4,147) (G)	(6,706)
Other expense, net	(13,142)	-	(13,142)
Loss before provision for income taxes	<u>(1,436,911)</u>	<u>(4,147)</u>	<u>(1,441,058)</u>
Provision for income taxes	202,044	(8,997) (H)	193,047
Net loss	<u>\$ (1,638,955)</u>	<u>\$ 4,850</u>	<u>\$ (1,634,105)</u>
Basic and diluted net loss per share	<u>\$ (6.57)</u>		<u>\$ (6.55)</u>

	Year Ended January 3, 2009		
	As Previously Reported	Adjustments	As Adjusted
Revenue	\$ 1,038,614	\$ -	\$ 1,038,614
Costs and expenses	2,611,882	-	2,611,882
Loss from operations	<u>(1,573,268)</u>	<u>-</u>	<u>(1,573,268)</u>
Interest expense	(11,614)	(15,788) (G)	(27,402)
Other expense, net	(16,843)	-	(16,843)
Loss before provision for income taxes	<u>(1,601,725)</u>	<u>(15,788)</u>	<u>(1,617,513)</u>
Provision for income taxes	252,313	(13,111) (H)	239,202
Net loss	<u>\$ (1,854,038)</u>	<u>\$ (2,677)</u>	<u>\$ (1,856,715)</u>
Basic and diluted net loss per share	<u>\$ (7.29)</u>		<u>\$ (7.30)</u>

- (G) This amount represents the amortization of debt discount, net of the decrease in interest expense associated with the debt issuance costs.
- (H) This amount represents the tax adjustments associated with the increased expense during the period.