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**Cadence Design Systems, Inc.**  
**Condensed Consolidated Balance Sheets**  
**December 31, 2011 and January 1, 2011**  
(In thousands)  
(Unaudited)

	<b>December 31, 2011</b>	<b>January 1, 2011</b>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 601,602	\$ 557,409
Short-term investments	3,037	12,715
Receivables, net of allowances of \$0 and \$7,604, respectively	136,772	191,893
Inventories	43,243	39,034
2015 notes hedges	215,113	-
Prepaid expenses and other	64,216	78,355
Total current assets	1,063,983	879,406
Property, plant and equipment, net of accumulated depreciation of \$658,990 and \$648,676, respectively	262,517	285,115
Goodwill	192,125	158,893
Acquired intangibles, net of accumulated amortization of \$91,542 and \$105,158, respectively	173,234	179,198
Installment contract receivables	11,371	23,380
2015 notes hedges	-	130,211
Other assets	58,039	75,913
<b>Total Assets</b>	<b>\$ 1,761,269</b>	<b>\$ 1,732,116</b>
<b>Current Liabilities:</b>		
Convertible notes	\$ 294,061	\$ 143,258
2015 notes embedded conversion derivative	215,113	-
Accounts payable and accrued liabilities	165,791	216,864
Current portion of deferred revenue	340,401	337,426
Total current liabilities	1,015,366	697,548
<b>Long-Term Liabilities:</b>		
Long-term portion of deferred revenue	73,959	85,400
Convertible notes	131,920	406,404
2015 notes embedded conversion derivative	-	130,211
Other long-term liabilities	128,894	135,899
Total long-term liabilities	334,773	757,914
Stockholders' Equity	411,130	276,654
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 1,761,269</b>	<b>\$ 1,732,116</b>

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

	January 1, 2011	April 2, 2011	July 2, 2011	October 1, 2011	December 31, 2011
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 557,409	\$ 612,208	\$ 665,317	\$ 696,101	\$ 601,602
Short-term investments	12,715	10,917	3,255	2,959	3,037
Receivables, net	191,893	172,543	150,241	152,433	136,772
Inventories	39,034	43,050	44,391	47,056	43,243
2015 notes hedges	-	-	222,085	-	215,113
Prepaid expenses and other	78,355	83,920	79,966	59,910	64,216
Total current assets	<u>879,406</u>	<u>922,638</u>	<u>1,165,255</u>	<u>958,459</u>	<u>1,063,983</u>
Property, plant and equipment, net	285,115	273,161	267,758	259,940	262,517
Goodwill	158,893	159,081	173,752	192,153	192,125
Acquired intangibles, net	179,198	172,345	178,566	180,045	173,234
Installment contract receivables	23,380	11,452	10,622	9,178	11,371
2015 notes hedges	130,211	201,047	-	179,658	-
Other assets	75,913	75,980	78,672	81,244	58,039
Total assets	<u>\$ 1,732,116</u>	<u>\$ 1,815,704</u>	<u>\$ 1,874,625</u>	<u>\$ 1,860,677</u>	<u>\$ 1,761,269</u>
<b>Current Liabilities:</b>					
Convertible notes	\$ 143,258	\$ 144,999	\$ 433,857	\$ 148,530	\$ 294,061
2015 notes embedded conversion derivative	-	-	222,085	-	215,113
Accounts payable and accrued liabilities	216,864	188,648	165,698	140,422	165,791
Current portion of deferred revenue	337,426	340,015	362,762	360,580	340,401
Total current liabilities	<u>697,548</u>	<u>673,662</u>	<u>1,184,402</u>	<u>649,532</u>	<u>1,015,366</u>
<b>Long-Term Liabilities:</b>					
Long-term portion of deferred revenue	85,400	100,064	91,360	88,039	73,959
Convertible notes	406,404	411,198	128,928	420,982	131,920
2015 notes embedded conversion derivative	130,211	201,047	-	179,658	-
Other long-term liabilities	135,899	132,027	138,619	145,870	128,894
Total long-term liabilities	<u>757,914</u>	<u>844,336</u>	<u>358,907</u>	<u>834,549</u>	<u>334,773</u>
<b>Stockholders' Equity:</b>					
Common stock and capital in excess of par value	1,715,541	1,716,254	1,725,660	1,713,151	1,733,884
Treasury stock, at cost	(353,090)	(332,065)	(330,093)	(294,285)	(290,462)
Accumulated deficit	(1,138,853)	(1,139,018)	(1,114,847)	(1,092,468)	(1,083,245)
Accumulated other comprehensive income	53,056	52,535	50,596	50,198	50,953
Total stockholders' equity	<u>276,654</u>	<u>297,706</u>	<u>331,316</u>	<u>376,596</u>	<u>411,130</u>
Total liabilities and stockholders' equity	<u>\$ 1,732,116</u>	<u>\$ 1,815,704</u>	<u>\$ 1,874,625</u>	<u>\$ 1,860,677</u>	<u>\$ 1,761,269</u>

**Cadence Design Systems, Inc.**  
**Condensed Consolidated Statements of Operations**  
**For the Three Months and Years Ended December 31, 2011 and January 1, 2011**  
(In thousands, except per share amounts)  
(Unaudited)

	<u>Three Months Ended</u>		<u>Years Ended</u>	
	<u>December 31,</u> <u>2011</u>	<u>January 1,</u> <u>2011</u>	<u>December 31,</u> <u>2011</u>	<u>January 1,</u> <u>2011</u>
Revenue:				
Product	\$ 177,113	\$ 133,545	\$ 640,836	\$ 471,598
Services	30,308	25,768	116,692	100,891
Maintenance	100,585	89,705	392,307	363,465
Total revenue	<u>308,006</u>	<u>249,018</u>	<u>1,149,835</u>	<u>935,954</u>
Costs and Expenses:				
Cost of product	17,204	8,249	69,657	31,421
Cost of services	20,397	20,385	81,498	82,968
Cost of maintenance	11,164	10,215	44,001	42,054
Marketing and sales	88,506	83,218	323,798	305,558
Research and development	97,024	97,828	400,745	376,413
General and administrative	24,143	21,421	92,863	86,394
Amortization of acquired intangibles	3,786	4,459	16,536	14,160
Restructuring and other charges	83	13,225	360	10,152
Litigation charges	-	15,800	-	15,800
Total costs and expenses	<u>262,307</u>	<u>274,800</u>	<u>1,029,458</u>	<u>964,920</u>
Income (loss) from operations	45,699	(25,782)	120,377	(28,966)
Interest expense	(10,441)	(10,464)	(43,025)	(36,343)
Other income (expense), net	(2,033)	2,574	18,074	2,541
Income (loss) before provision (benefit) for income taxes	33,225	(33,672)	95,426	(62,768)
Provision (benefit) for income taxes	22,333	3,365	23,197	(189,306)
Net income (loss)	<u>\$ 10,892</u>	<u>\$ (37,037)</u>	<u>\$ 72,229</u>	<u>\$ 126,538</u>
Basic net income (loss) per share	<u>\$ 0.04</u>	<u>\$ (0.14)</u>	<u>\$ 0.27</u>	<u>\$ 0.49</u>
Diluted net income (loss) per share	<u>\$ 0.04</u>	<u>\$ (0.14)</u>	<u>\$ 0.27</u>	<u>\$ 0.48</u>
Weighted average common shares outstanding - basic	<u>266,120</u>	<u>259,781</u>	<u>263,892</u>	<u>260,787</u>
Weighted average common shares outstanding - diluted	<u>273,057</u>	<u>259,781</u>	<u>270,816</u>	<u>265,871</u>

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

	Three Months Ended				
	January 1, 2011	April 2, 2011	July 2, 2011	October 1, 2011	December 31, 2011
Revenue:					
Product	\$ 133,545	\$ 141,819	\$ 157,938	\$ 163,966	\$ 177,113
Services	25,768	27,805	29,477	29,102	30,308
Maintenance	89,705	96,478	95,855	99,389	100,585
Total revenue	<u>249,018</u>	<u>266,102</u>	<u>283,270</u>	<u>292,457</u>	<u>308,006</u>
Costs and Expenses:					
Cost of product	8,249	14,194	20,074	18,185	17,204
Cost of services	20,385	20,075	20,616	20,410	20,397
Cost of maintenance	10,215	10,898	10,716	11,223	11,164
Marketing and sales	83,218	78,372	77,006	79,914	88,506
Research and development	97,828	101,299	99,268	103,154	97,024
General and administrative	21,421	19,302	25,377	24,041	24,143
Amortization of acquired intangibles	4,459	4,459	4,505	3,786	3,786
Restructuring and other charges (credits)	13,225	(41)	751	(433)	83
Litigation charges	15,800	-	-	-	-
Total costs and expenses	<u>274,800</u>	<u>248,558</u>	<u>258,313</u>	<u>260,280</u>	<u>262,307</u>
Income (loss) from operations	(25,782)	17,544	24,957	32,177	45,699
Interest expense	(10,464)	(10,986)	(10,768)	(10,830)	(10,441)
Other income (expense), net	2,574	4,469	8,394	7,244	(2,033)
Income (loss) before provision (benefit) for income taxes	(33,672)	11,027	22,583	28,591	33,225
Provision (benefit) for income taxes	3,365	4,704	(4,325)	485	22,333
Net income (loss)	<u>\$ (37,037)</u>	<u>\$ 6,323</u>	<u>\$ 26,908</u>	<u>\$ 28,106</u>	<u>\$ 10,892</u>
Basic net income (loss) per share	<u>\$ (0.14)</u>	<u>\$ 0.02</u>	<u>\$ 0.10</u>	<u>\$ 0.11</u>	<u>\$ 0.04</u>
Diluted net income (loss) per share	<u>\$ (0.14)</u>	<u>\$ 0.02</u>	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ 0.04</u>
Weighted average common shares outstanding - basic	<u>259,781</u>	<u>261,533</u>	<u>263,191</u>	<u>264,723</u>	<u>266,120</u>
Weighted average common shares outstanding - diluted	<u>259,781</u>	<u>268,578</u>	<u>270,885</u>	<u>270,741</u>	<u>273,057</u>

**Cadence Design Systems, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**For the Years Ended December 31, 2011 and January 1, 2011**  
(In thousands)  
(Unaudited)

	Years Ended	
	December 31, 2011	January 1, 2011
Cash and Cash Equivalents at Beginning of Period	\$ 557,409	\$ 569,115
Cash Flows from Operating Activities:		
Net income	72,229	126,538
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	91,648	88,335
Amortization of debt discount and fees	29,266	25,352
Loss on extinguishment of debt	-	5,705
Stock-based compensation	43,588	43,460
Gain on investments, net	(15,737)	(5,984)
Non-cash restructuring and other charges	240	4,086
Tax impact of convertible notes	8,486	-
Impairment of property, plant and equipment	-	491
Deferred income taxes	(7,811)	(64,191)
Provisions (recoveries) for losses (gains) on trade and installment contract receivables	(6,596)	(17,098)
Other non-cash items	3,196	1,039
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	14,388	(33,459)
Installment contract receivables	62,397	104,834
Inventories	(6,820)	(26,528)
Prepaid expenses and other	20,053	(22,392)
Other assets	(2,220)	8,604
Accounts payable and accrued liabilities	(46,950)	60,281
Deferred revenue	(13,408)	62,531
Other long-term liabilities	(5,607)	(162,461)
Net cash provided by operating activities	<u>240,342</u>	<u>199,143</u>
Cash Flows from Investing Activities:		
Proceeds from the sale of available-for-sale securities	9,793	-
Proceeds from the sale of short-term investments	-	317
Proceeds from the sale of long-term investments	9,791	10,276
Proceeds from the sale of property, plant and equipment	-	900
Purchases of property, plant and equipment	(31,421)	(34,782)
Purchases of software licenses	-	(2,706)
Investment in venture capital partnerships and equity investments	(608)	(3,000)
Cash paid in business combinations and asset acquisitions, net of cash acquired	(44,052)	(256,117)
Net cash used for investing activities	<u>(56,497)</u>	<u>(285,112)</u>
Cash Flows from Financing Activities:		
Principal payments on receivable sale financing	(5,842)	(3,540)
Proceeds from issuance of 2015 Notes	-	350,000
Payment of 2011 Notes and 2013 Notes	(150,000)	(192,364)
Payment of 2015 Notes issuance costs	-	(10,532)
Purchase of 2015 Notes Hedges	-	(76,635)
Proceeds from termination of 2011 and 2013 Notes Hedges	-	311
Proceeds from sale of 2015 Warrants	-	37,450
Tax effect related to employee stock transactions allocated to equity	5,549	(9,458)
Proceeds from issuance of common stock	19,714	13,643
Stock received for payment of employee taxes on vesting of restricted stock	(14,225)	(8,940)
Purchases of treasury stock	-	(39,997)
Net cash provided by (used for) financing activities	<u>(144,804)</u>	<u>59,938</u>
Effect of exchange rate changes on cash and cash equivalents	<u>5,152</u>	<u>14,325</u>
Increase (decrease) in cash and cash equivalents	<u>44,193</u>	<u>(11,706)</u>
Cash and Cash Equivalents at End of Period	<u>\$ 601,602</u>	<u>\$ 557,409</u>

**Cadence Design Systems, Inc.**  
**Trended Condensed Consolidated Statements of Cash Flows**  
**For the Five Quarters Ended December 31, 2011**  
(In thousands)  
(Unaudited)

	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Cash and Cash Equivalents at Beginning of Period	\$ 509,035	\$ 557,409	\$ 612,208	\$ 665,317	\$ 696,101
Cash Flows from Operating Activities:					
Net income (loss)	(37,037)	6,323	26,908	28,106	10,892
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	23,540	22,907	23,376	22,651	22,714
Amortization of debt discount and fees	7,021	7,263	7,324	7,481	7,198
Loss on extinguishment of debt	384	-	-	-	-
Stock-based compensation	10,643	9,357	10,341	11,891	11,999
(Gain) loss on investments, net	(2,456)	(4,447)	(9,229)	(5,544)	3,483
Non-cash restructuring and other charges	3,814	65	71	66	38
Tax impact of convertible notes	-	-	-	-	8,486
Deferred income taxes	6,426	65	(4,876)	70	(3,070)
Provisions (recoveries) for losses (gains) on trade and installment contract receivables	(3,759)	(5,197)	(688)	(711)	-
Other non-cash items	(149)	488	2,030	1,171	(493)
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	10,963	(7,928)	10,383	(11,361)	23,294
Installment contract receivables	7,016	45,570	16,510	10,555	(10,238)
Inventories	(10,523)	(4,016)	(2,971)	(2,780)	2,947
Prepaid expenses and other	1,436	(5,456)	7,425	17,749	335
Other assets	3,208	1,662	(183)	2,239	(5,938)
Accounts payable and accrued liabilities	56,973	(20,681)	(27,969)	(23,182)	24,882
Deferred revenue	17,302	15,607	10,372	(5,734)	(33,653)
Other long-term liabilities	(37,788)	(5,217)	589	(240)	(739)
Net cash provided by operating activities	<u>57,014</u>	<u>56,365</u>	<u>69,413</u>	<u>52,427</u>	<u>62,137</u>
Cash Flows from Investing Activities:					
Proceeds from the sale of available-for-sale securities	-	1,497	8,091	-	205
Proceeds from the sale of short-term investments	317	-	-	-	-
Proceeds from the sale of long-term investments	-	2,677	108	2,039	4,967
Purchases of property, plant and equipment	(5,842)	(5,181)	(6,131)	(6,391)	(13,718)
Investment in venture capital partnerships and equity investments	-	(608)	-	-	-
Cash paid in business combinations and asset acquisitions, net of cash acquired	-	(2,538)	(20,327)	(21,187)	-
Net cash used for investing activities	<u>(5,525)</u>	<u>(4,153)</u>	<u>(18,259)</u>	<u>(25,539)</u>	<u>(8,546)</u>
Cash Flows from Financing Activities:					
Principal payments on receivable sale financing	-	(2,829)	-	-	(3,013)
Payment of 2011 Notes and 2013 Notes	(5,214)	-	-	-	(150,000)
Payment of 2015 Notes issuance costs	(113)	-	-	-	-
Proceeds from termination of 2011 and 2013 Notes Hedges	31	-	-	-	-
Tax effect related to employee stock transactions allocated to equity	166	160	807	1,930	2,652
Proceeds from issuance of common stock	374	8,897	1,405	6,692	2,720
Stock received for payment of employee taxes on vesting of restricted stock	(3,065)	(2,854)	(4,535)	(2,537)	(4,299)
Net cash provided by (used for) financing activities	<u>(7,821)</u>	<u>3,374</u>	<u>(2,323)</u>	<u>6,085</u>	<u>(151,940)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>4,706</u>	<u>(787)</u>	<u>4,278</u>	<u>(2,189)</u>	<u>3,850</u>
Increase (decrease) in cash and cash equivalents	<u>48,374</u>	<u>54,799</u>	<u>53,109</u>	<u>30,784</u>	<u>(94,499)</u>
Cash and Cash Equivalents at End of Period	<u>\$ 557,409</u>	<u>\$ 612,208</u>	<u>\$ 665,317</u>	<u>\$ 696,101</u>	<u>\$ 601,602</u>

**Cadence Design Systems, Inc.**  
**As of February 1, 2012**  
**Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share**  
**(Unaudited)**

	<b>Three Months Ending March 31, 2012 Forecast</b>	<b>Year Ending December 29, 2012 Forecast</b>
Diluted net income per share on a GAAP basis	\$0.08 to \$0.10	\$0.39 to \$0.49
Amortization of acquired intangibles	0.03	0.10
Stock-based compensation expense	0.04	0.18
Integration and acquisition-related costs	-	-
Amortization of debt discount	0.02	0.08
Income tax effect of non-GAAP adjustments	(0.03)	(0.15)
Diluted net income per share on a non-GAAP basis	<u>\$0.14 to \$0.16</u>	<u>\$0.60 to \$0.70</u>

**Cadence Design Systems, Inc.**  
**As of February 1, 2012**  
**Impact of Non-GAAP Adjustments on Forward Looking Net Income**  
**(Unaudited)**

<b>(\$ in Millions)</b>	<b>Three Months Ending March 31, 2012 Forecast</b>	<b>Year Ending December 29, 2012 Forecast</b>
Net income on a GAAP basis	\$23 to \$29	\$109 to \$135
Amortization of acquired intangibles	7	27
Stock-based compensation expense	12	50
Integration and acquisition-related costs	-	1
Amortization of debt discount	5	21
Income tax effect of non-GAAP adjustments	(9)	(41)
Net income on a non-GAAP basis	<u>\$38 to \$44</u>	<u>\$167 to \$193</u>

**Cadence Design Systems, Inc.**  
**Reconciliation of GAAP Net Income (Loss) to Non-GAAP Net Income**  
**For the Three Months and Years Ended December 31, 2011 and January 1, 2011**  
**(Unaudited)**

(In thousands)	Three Months Ended		Years Ended	
	December 31, 2011	January 1, 2011	December 31, 2011	January 1, 2011
Net income (loss) on a GAAP basis	\$ 10,892	\$ (37,037)	\$ 72,229	\$ 126,538
Amortization of acquired intangibles*	6,681	6,655	27,016	20,808
Stock-based compensation expense**	11,999	10,643	43,588	43,460
Non-qualified deferred compensation expenses (credits)***	(3,560)	2,416	(383)	2,906
Restructuring and other charges	83	13,225	360	10,152
Shareholder litigation costs	192	14	1,545	4,328
Litigation charges	-	15,800	-	15,800
Executive and other employee severance costs****	2,931	-	6,178	1,627
Integration and acquisition-related costs*****	353	4,265	2,598	12,170
Amortization of debt discount	6,432	6,352	26,214	22,936
Other income or expense related to investments and non-qualified deferred compensation plan assets †	3,482	(2,347)	(15,682)	(5,875)
Loss on extinguishment of debt	-	384	-	5,705
Acquisition-related income tax benefit	-	-	(5,021)	(66,707)
Income tax expense (benefit) of IRS settlements	3,893	-	(1,787)	(148,302)
Income tax effect of non-GAAP adjustments	2,367	(2,806)	(18,579)	7,179
Net income on a non-GAAP basis	\$ 45,745	\$ 17,564	\$ 138,276	\$ 52,725

† 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 (expense), net.

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

(In thousands)	Three Months Ended		Years Ended	
	December 31, 2011	January 1, 2011	December 31, 2011	January 1, 2011
Cost of product	\$ 2,895	\$ 2,196	\$ 10,480	\$ 5,603
Cost of maintenance	-	-	-	1,045
Amortization of acquired intangibles	3,786	4,459	16,536	14,160
Total amortization of acquired intangibles	\$ 6,681	\$ 6,655	\$ 27,016	\$ 20,808

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

(In thousands)	Three Months Ended		Years Ended	
	December 31, 2011	January 1, 2011	December 31, 2011	January 1, 2011
Cost of product	\$ 31	\$ 32	\$ 111	\$ 117
Cost of services	583	599	2,105	2,225
Cost of maintenance	376	387	1,357	1,435
Marketing and sales	2,616	2,467	10,356	9,765
Research and development	5,551	4,593	18,561	18,324
General and administrative	2,842	2,565	11,098	11,594
Total stock-based compensation expense	\$ 11,999	\$ 10,643	\$ 43,588	\$ 43,460

\*\*\*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 (credit) are reported in the Condensed Consolidated Statements of Operations as follows:

(In thousands)	Three Months Ended		Years Ended	
	December 31, 2011	January 1, 2011	December 31, 2011	January 1, 2011
Cost of product	\$ (2)	\$ 1	\$ -	\$ -
Cost of services	(54)	18	(14)	22
Cost of maintenance	(34)	11	(8)	13
Marketing and sales	(493)	440	5	514
Research and development	(1,771)	1,102	(323)	1,448
General and administrative	(1,206)	844	(43)	909
Total non-qualified deferred compensation expenses (credits)	\$ (3,560)	\$ 2,416	\$ (383)	\$ 2,906

\*\*\*\* Total executive and other employee severance costs are reported in the Condensed Consolidated Statements of Operations as follows:

(In thousands)	Three Months Ended		Years Ended	
	December 31, 2011	January 1, 2011	December 31, 2011	January 1, 2011
Cost of services	\$ -	\$ -	\$ 259	\$ -
Cost of maintenance	192	-	192	-
Marketing and sales	897	-	3,070	572
Research and development	1,659	-	2,181	-
General and administrative	183	-	476	1,055
Total executive and other employee severance costs	\$ 2,931	\$ -	\$ 6,178	\$ 1,627

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

(In thousands)	Three Months Ended		Years Ended	
	December 31, 2011	January 1, 2011	December 31, 2011	January 1, 2011
Marketing and sales	\$ 114	\$ 114	\$ 469	\$ 266
Research and development	205	4,080	984	9,917
General and administrative	34	18	1,102	1,648
Interest expense	-	53	43	339
Total integration and acquisition-related costs	\$ 353	\$ 4,265	\$ 2,598	\$ 12,170

**Cadence Design Systems, Inc.**  
**Reconciliation of GAAP Diluted Net Income (Loss) Per Share to Non-GAAP Diluted Net Income Per Share**  
**For the Three Months and Years Ended December 31, 2011 and January 1, 2011**  
(Unaudited)

(In thousands, except per share data)	Three Months Ended		Years Ended	
	December 31, 2011	January 1, 2011	December 31, 2011	January 1, 2011
Diluted net income (loss) per share on a GAAP basis	\$ 0.04	\$ (0.14)	\$ 0.27	\$ 0.48
Amortization of acquired intangibles	0.03	0.03	0.10	0.08
Stock-based compensation expense	0.05	0.04	0.16	0.16
Non-qualified deferred compensation expenses (credits)	(0.01)	0.01	-	0.01
Restructuring and other charges	-	0.05	-	0.04
Shareholder litigation costs	-	-	0.01	0.02
Litigation charges	-	0.06	-	0.06
Executive and other employee severance costs	0.01	-	0.02	0.01
Integration and acquisition-related costs	-	0.02	0.01	0.05
Amortization of debt discount	0.02	0.02	0.10	0.08
Other income or expense related to investments and non-qualified deferred compensation plan assets *	0.01	(0.01)	(0.06)	(0.02)
Loss on extinguishment of debt	-	-	-	0.02
Acquisition-related income tax benefit	-	-	(0.02)	(0.25)
Income tax expense (benefit) of IRS settlements	0.01	-	(0.01)	(0.56)
Income tax effect of non-GAAP adjustments	0.01	(0.01)	(0.07)	0.02
Diluted net income per share on a non-GAAP basis	\$ 0.17	\$ 0.07	\$ 0.51	\$ 0.20

Shares used in calculation of diluted net income (loss) per share - GAAP **	273,057	259,781	270,816	265,871
Shares used in calculation of diluted net income per share - non-GAAP **	273,057	266,275	270,816	265,871

\* 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 (expense), net.

\*\* 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.

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

	Three Months Ended December 31, 2011 Actual (In thousands)	Three Months Ended October 1, 2011 Actual (In thousands)
GAAP total costs and expenses	\$ 262,307	\$ 260,280
Reconciling items to non-GAAP total costs and expenses		
Amortization of acquired intangibles	(6,681)	(6,692)
Stock-based compensation expense	(11,999)	(11,891)
Non-qualified deferred compensation (expenses) credits	3,560	(229)
Restructuring and other (charges) credits	(83)	433
Shareholder litigation costs	(192)	(179)
Integration and acquisition-related costs	(353)	(766)
Executive and other employee severance costs	(2,931)	(1,331)
Non-GAAP total costs and expenses	<u>\$ 243,628</u>	<u>\$ 239,625</u>

	Three Months Ended December 31, 2011 Actual	Three Months Ended January 1, 2011 Actual	Year Ended December 31, 2011 Actual	Year Ended January 1, 2011 Actual	Three Months Ending March 31, 2012 Forecast	Year Ending December 29, 2012 Forecast
GAAP operating margin as a percent of total revenue	15%	-10%	10%	-3%	13% to 15%	13% to 15%
Reconciling items to non-GAAP operating margin as a percent of total revenue						
Amortization of acquired intangibles	2%	3%	3%	2%	2%	2%
Stock-based compensation expense	4%	4%	4%	5%	4%	4%
Non-qualified deferred compensation expenses (credits)	-1%	1%	0%	0%	0%	0%
Restructuring and other charges (credits)	0%	5%	0%	1%	0%	0%
Litigation charges	0%	6%	0%	2%	0%	0%
Shareholder litigation costs	0%	0%	0%	1%	0%	0%
Integration and acquisition-related costs	0%	2%	0%	1%	0%	0%
Executive and other employee severance costs	1%	0%	1%	0%	0%	0%
Non-GAAP operating margin as a percent of total revenue	<u>21%</u>	<u>11%</u>	<u>18%</u>	<u>9%</u>	<u>19% to 21%</u>	<u>19% to 21%</u>

	Year Ending December 29, 2012 Forecast
(In millions)	
GAAP total other income (expense), net	\$(33) to \$(27)
Reconciling items to non-GAAP total other income (expense), net	
Amortization of debt discount	21
Non-GAAP total other income (expense), net	<u>\$(12) to \$(6)</u>

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

	For the three months ended December 31, 2011							
	Operating expenses on a GAAP basis	Stock-based compensation	Amortization of acquired intangibles	Non-qualified deferred compensation credits	Integration and acquisition- related costs	Shareholder litigation costs	Executive and other employee severance costs	Operating expenses on a non-GAAP basis
Cost of product	17,204	(31)	(2,895)	2	-	-	-	14,280
Cost of services	20,397	(583)	-	54	-	-	-	19,868
Cost of maintenance	11,164	(376)	-	34	-	-	(192)	10,630
Marketing and sales	88,506	(2,616)	-	493	(114)	-	(897)	85,372
Research and development	97,024	(5,551)	-	1,771	(205)	-	(1,659)	91,380
General and administrative	24,143	(2,842)	-	1,206	(34)	(192)	(183)	22,098
Amortization of acquired intangibles	3,786	-	(3,786)	-	-	-	-	-
	-	(11,999)	(6,681)	3,560	(353)	(192)	(2,931)	-
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**Cadence Design Systems, Inc.**  
**(Unaudited)**

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

<u>GEOGRAPHY</u>	2010					2011				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Americas	40%	46%	43%	45%	<b>43%</b>	44%	47%	44%	44%	<b>45%</b>
Europe	22%	23%	20%	23%	<b>22%</b>	21%	20%	21%	20%	<b>20%</b>
Japan	23%	14%	20%	14%	<b>18%</b>	19%	17%	18%	17%	<b>18%</b>
Asia	15%	17%	17%	18%	<b>17%</b>	16%	16%	17%	19%	<b>17%</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>

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

<u>PRODUCT GROUP</u>	2010					2011				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Functional Verification and Design IP	22%	26%	25%	22%	<b>24%</b>	28%	33%	30%	32%	<b>30%</b>
Digital IC Design	21%	21%	23%	26%	<b>23%</b>	24%	21%	22%	21%	<b>22%</b>
Custom IC Design	27%	26%	24%	27%	<b>26%</b>	20%	22%	23%	23%	<b>22%</b>
Design for Manufacturing	9%	6%	8%	7%	<b>7%</b>	8%	6%	6%	6%	<b>7%</b>
System Interconnect Design	9%	10%	10%	8%	<b>9%</b>	10%	8%	9%	8%	<b>9%</b>
Services & Other	12%	11%	10%	10%	<b>11%</b>	10%	10%	10%	10%	<b>10%</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>

Note: Product Group total revenue includes Product + Maintenance