

Cadence Design Systems, Inc.
Financial Supplement - Condensed Consolidated Statements of Operations (Unaudited)
Fiscal Years 2010 and 2011
(\$ in millions except where noted)

	Fiscal 2010					Fiscal 2011				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
STATEMENTS OF OPERATIONS (GAAP)										
REVENUE										
Product	\$ 102.8	\$ 117.1	\$ 118.2	\$ 133.5	\$ 471.6	\$ 141.8	\$ 157.9	\$ 164.0	\$ 177.1	\$ 640.8
Services	25.9	25.3	23.9	25.8	100.9	27.8	29.5	29.1	30.3	116.7
Maintenance	93.2	84.7	95.8	89.7	363.5	96.5	95.9	99.4	100.6	392.3
Total revenue	\$ 221.9	\$ 227.1	\$ 237.9	\$ 249.0	\$ 936.0	\$ 266.1	\$ 283.3	\$ 292.5	\$ 308.0	\$ 1,149.8
COSTS AND EXPENSES										
Cost of product	\$ 5.3	\$ 7.1	\$ 10.7	\$ 8.3	31.4	\$ 14.2	\$ 20.0	\$ 18.2	\$ 17.2	69.7
Cost of services	21.9	21.5	19.1	20.4	82.9	20.1	20.6	20.4	20.4	81.5
Cost of maintenance	11.4	10.5	9.9	10.2	42.0	10.9	10.7	11.2	11.2	44.0
Marketing and sales	74.8	71.5	76.1	83.2	305.6	78.3	77.0	79.9	88.5	323.8
Research and development	89.4	91.9	97.3	97.8	376.4	101.3	99.3	103.2	97.0	400.7
General and administrative	22.9	17.1	25.1	21.4	86.4	19.3	25.4	24.0	24.1	92.9
Amortization of acquired intangibles	2.7	2.6	4.5	4.5	14.2	4.5	4.5	3.8	3.8	16.5
Restructuring and other charges (credits)	(1.1)	(0.3)	(1.7)	13.2	10.2	-	0.8	(0.4)	0.1	0.4
Litigation charges	-	-	-	15.8	15.8	-	-	-	-	-
Total costs and expenses	\$ 227.3	\$ 221.9	\$ 241.0	\$ 274.8	\$ 964.9	\$ 248.6	\$ 258.3	\$ 260.3	\$ 262.3	\$ 1,029.5
INCOME (LOSS) FROM OPERATIONS	\$ (5.4)	\$ 5.2	\$ (3.1)	\$ (25.8)	\$ (28.9)	\$ 17.5	\$ 25.0	\$ 32.2	\$ 45.7	\$ 120.3
Operating Margin %	-2%	2%	-1%	-10%	-3%	7%	9%	11%	15%	10%
Interest expense	(7.4)	(8.0)	(10.5)	(10.5)	(36.4)	(11.0)	(10.8)	(10.8)	(10.5)	(43.0)
Other income (expense), net	6.0	(3.1)	(2.9)	2.6	2.5	4.5	8.4	7.2	(2.0)	18.1
INCOME (LOSS) BEFORE PROVISION (BENEFIT) FOR INCOME TAXES	\$ (6.8)	\$ (5.9)	\$ (16.5)	\$ (33.7)	\$ (62.8)	\$ 11.0	\$ 22.6	\$ 28.6	\$ 33.2	\$ 95.4
Provision (benefit) for income taxes	5.0	(54.5)	(143.3)	3.3	(189.3)	4.7	(4.3)	0.5	22.3	23.2
NET INCOME (LOSS)	\$ (11.8)	\$ 48.6	\$ 126.8	\$ (37.0)	\$ 126.5	\$ 6.3	\$ 26.9	\$ 28.1	\$ 10.9	\$ 72.2
DILUTED NET INCOME (LOSS) PER SHARE	(0.04)	0.18	0.48	(0.14)	0.48	0.02	0.10	0.10	0.04	0.27
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - DILUTED (millions)	262.6	266.4	263.3	259.8	265.9	268.6	270.9	270.7	273.1	270.8
NON-GAAP METRICS (1)										
Total costs and expenses	\$ 212.4	\$ 202.1	\$ 217.6	\$ 221.8	\$ 854.0	\$ 230.3	\$ 235.0	\$ 239.6	\$ 243.6	\$ 948.6
Operating margin %	4%	11%	9%	11%	9%	13%	17%	18%	21%	18%
Net income per share - diluted	\$ 0.02	\$ 0.07	\$ 0.04	\$ 0.07	\$ 0.20	\$ 0.09	\$ 0.12	\$ 0.14	\$ 0.17	\$ 0.51
Shares outstanding -- diluted (non-GAAP) (millions) (2)	266.1	266.4	263.3	266.3	265.9	268.6	270.9	270.7	273.1	270.8

FOOTNOTES:

(1) For reconciliation to GAAP financials see attached Regulation G GAAP to Non-GAAP Reconciliation exhibit.

(2) Shares used in the calculation of GAAP net income (loss) per share are expected to be the same as the 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.
Financial Supplement - Metrics (Unaudited)
Fiscal Years 2010 and 2011

	Fiscal 2010					Fiscal 2011				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
REVENUE SEGMENTATION										
Revenue by Geography (% of total revenue)										
Americas	40%	46%	43%	45%	43%	44%	47%	44%	44%	45%
Europe	22%	23%	20%	23%	22%	21%	20%	21%	20%	20%
Japan	23%	14%	20%	14%	18%	19%	17%	18%	17%	18%
Asia	15%	17%	17%	18%	17%	16%	16%	17%	19%	17%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Revenue by Product Group (% of total revenue)										
Functional Verification & Design IP	22%	26%	25%	22%	24%	28%	33%	30%	32%	30%
Digital IC Design	21%	21%	23%	26%	23%	24%	21%	22%	21%	22%
Custom IC Design	27%	26%	24%	27%	26%	20%	22%	23%	23%	22%
Design for Manufacturing	9%	6%	8%	7%	7%	8%	6%	6%	6%	7%
System Interconnect Design	9%	10%	10%	8%	9%	10%	8%	9%	8%	9%
Services & Other	12%	11%	10%	10%	11%	10%	10%	10%	10%	10%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

OTHER METRICS										
Total DSO (days, short-term + long-term)	90	92	87	78		62	51	50	43	
Headcount	4,400	4,500	4,600	4,600		4,600	4,600	4,700	4,700	

BACKLOG:	
End of year, \$ in billions	
2010	\$1.7
2011	\$1.7

Cadence Design Systems, Inc.
Financial Supplement - Condensed Consolidated Balance Sheets (Unaudited)
As of December 31, 2011
(\$ in millions except where noted)

	Fiscal 2010				Fiscal 2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
CURRENT ASSETS								
Cash and cash equivalents	\$ 619.3	\$ 475.6	\$ 509.0	\$ 557.4	\$ 612.2	\$ 665.3	\$ 696.1	\$ 601.6
Short-term investments	3.2	2.8	2.6	12.7	10.9	3.3	3.0	3.0
Receivables, net	181.2	191.3	202.3	191.9	172.5	150.2	152.4	136.8
Inventories	19.3	23.9	28.5	39.0	43.1	44.4	47.1	43.2
2015 notes hedges	-	-	-	-	-	222.1	-	215.1
Prepaid expenses and other	56.6	71.5	79.9	78.4	83.9	80.0	59.9	64.3
Total current assets	\$ 879.6	\$ 765.1	\$ 822.3	\$ 879.4	\$ 922.6	\$ 1,165.3	\$ 958.5	\$ 1,064.0
LONG-TERM ASSETS								
Property, plant and equipment, net	302.5	295.1	290.1	285.1	273.2	267.7	259.9	262.5
Goodwill	5.6	158.2	158.9	158.9	159.1	173.7	192.2	192.1
Acquired intangibles, net	26.6	192.4	185.9	179.2	172.3	178.6	180.0	173.2
Installment contract receivables, net	41.5	40.3	28.2	23.4	11.5	10.6	9.2	11.4
2015 notes hedges	-	74.3	114.2	130.2	201.0	-	179.7	-
Other assets	159.2	170.4	106.3	75.9	76.0	78.7	81.2	58.1
TOTAL ASSETS	\$ 1,415.0	\$ 1,695.8	\$ 1,705.9	\$ 1,732.1	\$ 1,815.7	\$ 1,874.6	\$ 1,860.7	\$ 1,761.3
CURRENT LIABILITIES								
Convertible notes	\$ -	\$ -	\$ -	\$ 143.2	\$ 145.0	\$ 433.8	\$ 148.5	\$ 294.1
2015 notes embedded conversion derivative	-	-	-	-	-	222.1	-	215.1
Accounts payable and accrued liabilities	147.8	154.0	152.4	216.9	188.7	165.7	140.4	165.8
Current portion of deferred revenue	253.9	290.1	308.6	337.4	340.0	362.8	360.6	340.4
Total current liabilities	\$ 401.7	\$ 444.1	\$ 461.0	\$ 697.5	\$ 673.7	\$ 1,184.4	\$ 649.5	\$ 1,015.4
LONG-TERM LIABILITIES								
Long-term portion of deferred revenue	85.5	92.5	96.4	85.4	100.0	91.4	88.0	74.0
Convertible notes	441.1	541.8	548.1	406.4	411.2	128.9	421.0	131.9
2015 notes embedded conversion derivative	-	74.3	114.2	130.2	201.0	-	179.7	-
Other long-term liabilities	367.6	380.4	190.2	135.9	132.1	138.6	145.9	128.9
Total long-term liabilities	\$ 894.2	\$ 1,089.0	\$ 948.9	\$ 757.9	\$ 844.3	\$ 358.9	\$ 834.6	\$ 334.8
STOCKHOLDERS' EQUITY	119.1	162.7	296.0	276.7	297.7	331.3	376.6	411.1
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,415.0	\$ 1,695.8	\$ 1,705.9	\$ 1,732.1	\$ 1,815.7	\$ 1,874.6	\$ 1,860.7	\$ 1,761.3

Cadence Design Systems, Inc.
Financial Supplement - Condensed Consolidated Statements of Cash Flows (Unaudited)
Fiscal Years 2010 and 2011
(\$ in millions except where noted)

	Fiscal 2010					Fiscal 2011				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
CASH & CASH EQUIVALENTS										
AT BEGINNING OF PERIOD	\$ 569.1	\$ 619.3	\$ 475.6	\$ 509.0	\$ 569.1	\$ 557.4	\$ 612.2	\$ 665.3	\$ 696.1	\$ 557.4
CASH FLOWS FROM OPERATING ACTIVITIES:										
Net income (loss)	\$ (11.8)	\$ 48.6	\$ 126.8	\$ (37.0)	\$ 126.5	\$ 6.3	\$ 26.9	\$ 28.1	\$ 10.9	\$ 72.2
Adjustments to reconcile net income (loss) to net cash provided by operating activities:										
Depreciation and amortization	21.5	19.9	23.5	23.5	88.3	22.9	23.4	22.7	22.7	91.6
Amortization of debt discount and fees	5.5	5.8	7.0	7.0	25.4	7.3	7.3	7.5	7.2	29.3
Loss on extinguishment of debt	-	5.3	-	0.4	5.7	-	-	-	-	-
Stock-based compensation	10.4	10.4	12.0	10.6	43.5	9.4	10.3	11.9	12.0	43.6
(Gain) loss on investments, net	(5.6)	0.2	1.8	(2.5)	(6.0)	(4.5)	(9.2)	(5.6)	3.5	(15.7)
Non-cash restructuring and other charges	0.1	0.1	-	3.8	4.1	0.1	0.1	0.1	-	0.2
Tax impact of convertible notes	-	-	-	-	-	-	-	-	8.5	8.5
Impairment of property, plant and equipment	0.2	0.3	0.1	-	0.5	-	-	-	-	-
Deferred income taxes	(1.7)	(67.6)	(1.3)	6.4	(64.2)	0.1	(4.9)	0.1	(3.1)	(7.8)
Provisions (recoveries) for losses (gains) on trade and installment contract receivables	(2.6)	(10.4)	(0.4)	(3.8)	(17.1)	(5.2)	(0.7)	(0.7)	-	(6.6)
Other non-cash items	0.8	2.3	(1.9)	(0.1)	1.0	0.5	2.0	1.2	(0.5)	3.2
Changes in operating assets and liabilities, net of effect of acquired businesses:										
Receivables	(24.0)	(1.4)	(19.0)	11.0	(33.4)	(7.9)	10.4	(11.4)	23.3	14.4
Installment contract receivables	57.8	12.7	27.3	7.0	104.8	45.6	16.5	10.5	(10.2)	62.4
Inventories	(6.0)	(4.9)	(5.1)	(10.5)	(26.5)	(4.0)	(3.0)	(2.8)	2.9	(6.8)
Prepaid expenses and other	(1.5)	(12.2)	(10.0)	1.4	(22.4)	(5.5)	7.4	17.7	0.3	20.0
Other assets	5.5	(4.1)	4.0	3.2	8.6	1.6	(0.2)	2.2	(5.9)	(2.2)
Accounts payable and accrued liabilities	0.9	5.1	(2.7)	57.0	60.3	(20.7)	(27.9)	(23.2)	24.9	(47.0)
Deferred revenue	3.8	28.1	13.3	17.3	62.5	15.6	10.4	(5.7)	(33.7)	(13.4)
Other long-term liabilities	(6.6)	10.8	(129.0)	(37.7)	(162.5)	(5.2)	0.6	(0.2)	(0.7)	(5.6)
Net cash provided by operating activities	\$ 46.7	\$ 49.0	\$ 46.4	\$ 57.0	\$ 199.1	\$ 56.4	\$ 69.4	\$ 52.4	\$ 62.1	\$ 240.3
CASH FLOWS FROM INVESTING ACTIVITIES:										
Proceeds from the sale of available-for-sale securities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1.5	\$ 8.0	\$ -	\$ 0.2	\$ 9.8
Proceeds from the sale of short-term investments	-	-	-	0.3	0.3	-	-	-	-	-
Proceeds from the sale of long-term investments	9.0	1.2	0.1	-	10.3	2.6	0.1	2.0	5.0	9.8
Proceeds from the sale of property, plant and equipment	-	-	0.9	-	0.9	-	-	-	-	-
Purchases of property, plant and equipment	(9.9)	(8.9)	(10.2)	(5.8)	(34.8)	(5.2)	(6.1)	(6.3)	(13.7)	(31.4)
Purchases of software licenses	(0.5)	(2.0)	(0.2)	-	(2.7)	-	-	-	-	-
Investment in venture capital partnerships and equity investments	-	(0.5)	(2.5)	-	(3.0)	(0.6)	-	-	-	(0.6)
Cash paid in business combinations and asset acquisitions, net of cash acquired	-	(254.0)	(2.1)	-	(256.1)	(2.5)	(20.3)	(21.2)	-	(44.1)
Net cash used for investing activities	\$ (1.4)	\$ (264.2)	\$ (14.0)	\$ (5.5)	\$ (285.1)	\$ (4.2)	\$ (18.3)	\$ (25.5)	\$ (8.5)	\$ (56.5)
CASH FLOWS FROM FINANCING ACTIVITIES:										
Principal payments on receivable sale financing	\$ (1.7)	-	(1.8)	-	(3.5)	\$ (2.8)	-	-	(3.0)	(5.8)
Proceeds from issuance of 2015 Notes	-	350.0	-	-	350.0	-	-	-	-	-
Payment of 2011 Notes and 2013 Notes	-	(187.2)	-	(5.2)	(192.4)	-	-	-	(150.0)	(150.0)
Payment of 2015 Notes issuance costs	-	(9.8)	(0.6)	(0.1)	(10.5)	-	-	-	-	-
Purchase of 2015 Notes Hedges	-	(76.6)	-	-	(76.6)	-	-	-	-	-
Proceeds from termination of 2011 Notes and 2013 Notes Hedges	-	0.3	-	-	0.3	-	-	-	-	-
Proceeds from sale of 2015 Warrants	-	37.5	-	-	37.5	-	-	-	-	-
Tax effect related to employee stock transactions allocated to equity	-	-	(9.7)	0.2	(9.5)	0.2	0.8	1.9	2.7	5.5
Proceeds from issuance of common stock	8.1	-	5.2	0.4	13.6	8.9	1.4	6.7	2.7	19.7
Stock received for payment of employee taxes on vesting of restricted stock	(2.1)	(2.0)	(1.8)	(3.1)	(8.9)	(2.9)	(4.5)	(2.5)	(4.3)	(14.2)
Purchases of treasury stock	-	(40.0)	-	-	(40.0)	-	-	-	-	-
Net cash provided by (used for) financing activities	\$ 4.3	\$ 72.2	\$ (8.7)	\$ (7.8)	\$ 60.0	\$ 3.4	\$ (2.3)	\$ 6.1	\$ (151.9)	\$ (144.8)
Effect of exchange rate changes on cash and cash equivalents	0.6	(0.7)	9.7	4.7	14.3	(0.8)	4.3	(2.2)	3.8	5.2
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 50.2	\$ (143.7)	\$ 33.4	\$ 48.4	\$ (11.7)	\$ 54.8	\$ 53.1	\$ 30.8	\$ (94.5)	\$ 44.2
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 619.3	\$ 475.6	\$ 509.0	\$ 557.4	\$ 557.4	\$ 612.2	\$ 665.3	\$ 696.1	\$ 601.6	\$ 601.6

Cadence Design Systems, Inc.
Financial Supplement - Regulation G GAAP to Non-GAAP Reconciliations (Unaudited)
Fiscal Years 2010 and 2011
(\$ in millions except where noted)

	Fiscal 2010					Fiscal 2011				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
NET INCOME (LOSS) RECONCILIATION										
Net income (loss) on a GAAP basis	\$ (11.8)	\$ 48.6	\$ 126.8	\$ (37.0)	\$ 126.5	\$ 6.3	\$ 26.9	\$ 28.1	\$ 10.9	\$ 72.2
Amortization of acquired intangibles (1)	4.4	3.1	6.7	6.7	20.8	6.7	7.0	6.7	6.7	27.0
Stock-based compensation expense (1)	10.4	10.4	12.0	10.6	43.5	9.4	10.3	11.9	12.0	43.6
Non-qualified deferred compensation expenses (credits) (1)	1.2	1.2	(1.9)	2.4	2.9	1.7	1.2	0.2	(3.6)	(0.4)
Restructuring and other charges (credits)	(1.1)	(0.3)	(1.7)	13.2	10.2	-	0.8	(0.4)	0.1	0.4
Shareholder litigation costs	-	2.9	1.5	-	4.3	0.1	1.1	0.2	0.2	1.5
Litigation charges	-	-	-	15.8	-	-	-	-	-	-
Executive and other employee severance costs (1)	-	-	1.6	-	1.6	-	1.9	1.3	2.9	6.2
Integration and acquisition-related costs (1)	0.1	2.5	5.3	4.3	12.2	0.5	1.0	0.8	0.4	2.6
Amortization of debt discount	5.0	5.2	6.3	6.4	22.9	6.5	6.6	6.7	6.4	26.2
Other income or expense related to investments and non-qualified deferred compensation plan assets (2)	(5.5)	0.2	1.8	(2.4)	(5.9)	(4.4)	(9.2)	(5.6)	3.5	(15.6)
Loss on extinguishment of debt	-	5.3	-	0.4	5.7	-	-	-	-	-
Acquisition-related income tax benefit	-	(66.7)	-	-	(66.7)	-	(5.0)	-	-	(5.0)
Income tax expense (benefit) of IRS settlement	-	-	(148.3)	-	(148.3)	-	(5.7)	-	3.9	(1.8)
Income tax effect of non-GAAP adjustments	3.0	5.9	1.1	(2.8)	7.2	(3.5)	(4.9)	(12.6)	2.3	(18.6)
Net income on a non-GAAP basis	\$ 5.7	\$ 18.3	\$ 11.2	\$ 17.6	\$ 52.7	\$ 23.3	\$ 32.0	\$ 37.3	\$ 45.7	\$ 138.3

DILUTED NET INCOME (LOSS) PER SHARE RECONCILIATION (3)										
Diluted net income (loss) per share on a GAAP basis	\$ (0.04)	\$ 0.18	\$ 0.48	\$ (0.14)	\$ 0.48	\$ 0.02	\$ 0.10	\$ 0.10	\$ 0.04	\$ 0.27
Amortization of acquired intangibles	0.01	0.01	0.03	0.03	0.08	0.03	0.03	0.03	0.03	0.10
Stock-based compensation expense	0.04	0.04	0.04	0.04	0.16	0.04	0.04	0.04	0.05	0.16
Non-qualified deferred compensation expenses (credits)	-	0.01	(0.01)	0.01	0.01	0.01	0.01	-	(0.01)	-
Restructuring and other charges (credits)	-	-	(0.01)	0.05	0.04	-	-	-	-	-
Shareholder litigation costs	-	0.01	0.01	-	0.02	-	-	-	-	0.01
Litigation charges	-	-	-	0.06	0.06	-	-	-	-	-
Executive and other employee severance costs	-	-	0.01	-	0.01	-	0.01	0.01	0.01	0.02
Integration and acquisition-related costs	-	0.01	0.02	0.02	0.05	-	-	-	-	0.01
Amortization of debt discount	0.02	0.02	0.02	0.02	0.08	0.02	0.02	0.02	0.02	0.10
Other income or expense related to investments and non-qualified deferred compensation plan assets (2)	(0.02)	-	0.01	(0.01)	(0.02)	(0.02)	(0.03)	(0.02)	0.01	(0.06)
Loss on extinguishment of debt	-	0.02	-	-	0.02	-	-	-	-	-
Acquisition-related income tax benefit	-	(0.25)	-	-	(0.25)	-	(0.02)	-	-	(0.02)
Income tax expense (benefit) of IRS settlement	-	-	(0.56)	-	(0.56)	-	(0.02)	-	0.01	(0.01)
Income tax effect of non-GAAP adjustments	0.01	0.02	-	(0.01)	0.02	(0.01)	(0.02)	(0.04)	0.01	(0.07)
Diluted net income per share on a non-GAAP basis	\$ 0.02	\$ 0.07	\$ 0.04	\$ 0.07	\$ 0.20	\$ 0.09	\$ 0.12	\$ 0.14	\$ 0.17	\$ 0.51
Shares used in calculation of diluted net income (loss) per share										
GAAP (millions) (3)	262.6	266.4	263.3	259.8	265.9	268.6	270.9	270.7	273.1	270.8
Non-GAAP (millions) (3)	266.1	266.4	263.3	266.3	265.9	268.6	270.9	270.7	273.1	270.8

TOTAL COSTS AND EXPENSES RECONCILIATION										
GAAP total costs and expenses	\$ 227.3	\$ 221.9	\$ 241.0	\$ 274.8	\$ 964.9	\$ 248.6	\$ 258.3	\$ 260.3	\$ 262.3	\$ 1,029.5
Reconciling items to non-GAAP total costs and expenses										
Amortization of acquired intangibles	(4.4)	(3.1)	(6.7)	(6.7)	(20.8)	(6.7)	(7.0)	(6.7)	(6.7)	(27.0)
Stock-based compensation expense	(10.4)	(10.4)	(12.0)	(10.6)	(43.5)	(9.4)	(10.3)	(11.9)	(12.0)	(43.6)
Non-qualified deferred compensation (expenses) credits	(1.2)	(1.2)	1.9	(2.4)	(2.9)	(1.7)	(1.2)	(0.2)	3.6	0.4
Restructuring and other (charges) credits	1.1	0.3	1.7	(13.2)	(10.2)	-	(0.8)	0.4	(0.1)	(0.4)
Shareholder litigation costs	-	(2.9)	(1.5)	-	(4.3)	(0.1)	(1.1)	(0.2)	(0.2)	(1.5)
Litigation charges	-	-	-	(15.8)	(15.8)	-	-	-	-	-
Integration and acquisition-related costs	-	(2.5)	(5.2)	(4.3)	(11.8)	(0.4)	(1.0)	(0.8)	(0.4)	(2.6)
Executive and other employee severance costs	-	-	(1.6)	-	(1.6)	-	(1.9)	(1.3)	(2.9)	(6.2)
Non-GAAP total costs and expenses	\$ 212.4	\$ 202.1	\$ 217.6	\$ 221.8	\$ 854.0	\$ 230.3	\$ 235.0	\$ 239.6	\$ 243.6	\$ 948.6

OPERATING MARGIN RECONCILIATION										
GAAP operating margin as a percent of total revenue	-2%	2%	-1%	-10%	-3%	7%	9%	11%	15%	10%
Reconciling items to non-GAAP operating margin as a percent of total revenue										
Amortization of acquired intangibles	2%	1%	3%	3%	2%	2%	3%	2%	2%	3%
Stock-based compensation expense	4%	5%	5%	4%	5%	3%	4%	4%	4%	4%
Non-qualified deferred compensation expenses (credits)	1%	1%	-1%	1%	0%	1%	0%	0%	-1%	0%
Restructuring and other charges (credits)	-1%	0%	-1%	5%	1%	0%	0%	0%	0%	0%
Shareholder litigation costs	0%	1%	1%	0%	1%	0%	0%	0%	0%	0%
Litigation charges	0%	0%	0%	6%	2%	0%	0%	0%	0%	0%
Integration and acquisition-related costs	0%	1%	2%	2%	1%	0%	0%	0%	0%	0%
Executive and other employee severance costs	0%	0%	1%	0%	0%	0%	1%	1%	1%	1%
Non-GAAP operating margin as a percent of total revenue	4%	11%	9%	11%	9%	13%	17%	18%	21%	18%

(1) Please refer to the exhibit titled "Detail of Items Excluded from Non-GAAP Expenses" for an allocation of these items to the Statement of Operations line items where the expenses were recorded.
(2) 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 nonqualified deferred compensation plan assets recorded in Other income (expense), net.
(3) Shares used in the calculation of GAAP net income (loss) per share are expected to be the same as the 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.
Financial Supplement - Regulation G GAAP to Non-GAAP Reconciliations (Unaudited)
Detail of Selected Items Excluded from Non-GAAP Expenses
Fiscal Years 2010 and 2011
(\$ in millions except where noted)

	Fiscal 2010					Fiscal 2011				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
DETAIL OF ITEMS EXCLUDED FROM NON-GAAP										
OPERATING EXPENSES										
Amortization of acquired intangibles:										
Included in Cost of product	\$ 0.6	\$ 0.6	\$ 2.2	\$ 2.2	\$ 5.6	\$ 2.2	\$ 2.5	\$ 2.9	\$ 2.9	\$ 10.5
Included in Cost of maintenance	1.1	-	-	-	1.0	-	-	-	-	-
Included in Amortization of acquired intangibles	2.7	2.5	4.5	4.5	14.2	4.5	4.5	3.8	3.8	16.5
Total amortization of acquired intangibles	\$ 4.4	\$ 3.1	\$ 6.7	\$ 6.7	\$ 20.8	\$ 6.7	\$ 7.0	\$ 6.7	\$ 6.7	\$ 27.0
Stock-based compensation expense										
Included in Cost of product	\$ -	\$ -	\$ -	\$ -	\$ 0.1	\$ -	\$ -	\$ -	\$ -	\$ 0.1
Included in Cost of services	0.5	0.5	0.6	0.6	2.2	0.5	0.5	0.6	0.6	2.1
Included in Cost of maintenance	0.3	0.3	0.4	0.4	1.4	0.3	0.3	0.4	0.4	1.4
Included in Marketing and sales	2.3	2.4	2.7	2.5	9.8	2.0	2.7	3.0	2.6	10.3
Included in Research and development	4.4	4.5	4.8	4.6	18.4	3.9	4.1	5.1	5.6	18.6
Included in General and administrative	2.9	2.7	3.5	2.5	11.6	2.7	2.7	2.8	2.8	11.1
Total stock-based compensation expense	\$ 10.4	\$ 10.4	\$ 12.0	\$ 10.6	\$ 43.5	\$ 9.4	\$ 10.3	\$ 11.9	\$ 12.0	\$ 43.6
Non-qualified deferred compensation expenses (credits)										
Included in Cost of product	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Included in Cost of services	-	-	-	-	-	-	-	-	(0.1)	-
Included in Cost of maintenance	-	-	-	-	-	-	-	-	-	-
Included in Marketing and sales	0.3	0.2	(0.4)	0.4	0.5	0.3	0.2	-	(0.5)	-
Included in Research and development	0.5	0.7	(0.8)	1.1	1.5	0.8	0.5	0.1	(1.8)	(0.3)
Included in General and administrative	0.4	0.3	(0.7)	0.9	0.9	0.6	0.5	0.1	(1.2)	(0.1)
Total non-qualified deferred compensation expenses (credits)	\$ 1.2	\$ 1.2	\$ (1.9)	\$ 2.4	\$ 2.9	\$ 1.7	\$ 1.2	\$ 0.2	\$ (3.6)	\$ (0.4)
Executive and other employee severance costs										
Included in Cost of services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.2	\$ -	\$ -	\$ 0.2
Included in Cost of maintenance	-	-	-	-	-	-	-	-	0.2	0.2
Included in Marketing and sales	-	-	0.6	-	0.6	-	1.0	1.2	0.9	3.1
Included in Research and development	-	-	-	-	-	-	0.4	0.1	1.6	2.2
Included in General and administrative	-	-	1.0	-	1.0	-	0.3	-	0.2	0.5
Total executive and other employee severance costs	\$ -	\$ -	\$ 1.6	\$ -	\$ 1.6	\$ -	\$ 1.9	\$ 1.3	\$ 2.9	\$ 6.2
Integration and acquisition-related costs										
Included in Marketing and sales	\$ -	\$ -	\$ 0.1	\$ 0.1	\$ 0.3	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.5
Included in Research and development	-	0.8	5.1	4.1	9.9	0.3	0.3	0.2	0.2	1.0
Included in General and administrative	-	1.6	-	-	1.6	-	0.6	0.5	0.1	1.1
Included in Interest expense	0.1	0.1	0.1	0.1	0.4	0.1	-	-	-	-
Total integration and acquisition-related costs	\$ 0.1	\$ 2.5	\$ 5.3	\$ 4.3	\$ 12.2	\$ 0.5	\$ 1.0	\$ 0.8	\$ 0.4	\$ 2.6

GAAP to non-GAAP Reconciliations

Cadence management evaluates and makes operating decisions using various operating measures. These measures are generally based on the revenues of its product, maintenance and services business operations and certain costs of those operations, such as cost of revenues, research and development, sales and marketing and general and administrative expenses. One such measure is non-GAAP net income, which is a non-GAAP financial measure under Section 101 of Regulation G under the Securities Exchange Act of 1934, as amended, and is GAAP net income or net loss excluding, as applicable, amortization of intangible assets, stock-based compensation expense, integration and acquisition-related costs, including changes in the fair value of contingent consideration related to prior acquisitions, acquisition-related income tax benefits, income tax expense or benefits related to the settlement of IRS examinations, shareholder litigation costs and charges, gains or losses and expenses or credits related to non-qualified deferred compensation plan assets, executive and other employee severance costs, restructuring charges and credits, amortization of discount on convertible notes, losses on extinguishment of debt, equity in losses or income from investments, write-down of investments and gains or losses on the sale of investments. Intangible assets consist primarily of purchased or licensed technology, backlog, patents, trademarks, distribution rights, customer contracts and related relationships and non-compete agreements. Non-GAAP net income is adjusted by the amount of additional taxes or tax benefit that the company would accrue if it used non-GAAP results instead of GAAP results to calculate the company's tax liability.

Other non-GAAP financial measures presented in this supplement are non-GAAP total costs and expenses and non-GAAP operating margin. Non-GAAP total costs and expenses are GAAP total costs and expenses excluding, as applicable, amortization of intangible assets, stock-based compensation expense, integration and acquisition-related costs, including changes in the fair value of contingent consideration related to prior acquisitions, shareholder litigation costs and charges, expenses or credits related to non-qualified deferred compensation plan assets, executive and other employee severance costs and restructuring charges and credits. Non-GAAP operating margin is GAAP operating margin excluding, as applicable, amortization of intangible assets, stock-based compensation expense, integration and acquisition-related costs, including changes in the fair value of contingent consideration related to prior acquisitions, shareholder litigation costs and charges, expenses or credits related to non-qualified deferred compensation plan assets, executive and other employee severance costs and restructuring charges and credits.

Cadence's management believes it is useful in measuring Cadence's operations to exclude amortization of intangible assets and integration and acquisition-related costs, including changes in the fair value of contingent consideration related to prior acquisitions, because these costs are primarily fixed at the time of an acquisition and generally cannot be changed by Cadence's management in the short term. In addition, Cadence's management believes it is useful to exclude stock-based compensation expense, because it is based on many subjective inputs at a point in time and many of these inputs are not necessarily directly attributable to the underlying performance of Cadence's business operations, and such exclusion enhances investors' ability to review Cadence's business from the same perspective as Cadence's management. Cadence's management also believes it is useful to exclude costs and charges related to shareholder litigation because these costs and charges are not related to Cadence's core business operations. Cadence's management also believes that it is useful to exclude restructuring charges and credits. During the fourth quarter of 2010, Cadence commenced a restructuring program and has paid substantially all termination benefits and costs as of the fourth quarter of 2011. Cadence's management believes that in measuring the company's operations, it is useful to exclude any such restructuring charges and credits because exclusion of such charges and credits permits consistent evaluations of Cadence's performance before and after such actions are taken. Cadence's management also believes it is useful to exclude gains or losses and expenses or credits related to the non-qualified deferred compensation plan assets because these gains or losses and expenses or credits are not part of Cadence's direct costs of operations, but reflect changes in the value of assets held in the non-qualified deferred compensation plan. Cadence's management also believes it is useful to exclude executive and other employee severance costs because exclusion of such costs permits consistent evaluations of Cadence's performance. Cadence's management also believes it is useful to exclude the amortization of the discount on convertible notes because this incremental cost recorded as interest expense does not represent a cash obligation of the company and is not part of Cadence's direct cost of operations. Finally, Cadence's management believes it is useful to exclude the equity in losses or income from investments, write-down of investments and gains or losses on the sale of investments because these items are not part of Cadence's direct cost of operations. Rather, these are non-operating items that are included in other income or expense and are part of the company's investment activities.

During the fourth quarter of 2011, Cadence's non-GAAP net income also excluded the effect of an income tax expense associated with Cadence's effective settlement of an IRS examination of Cadence's federal income tax returns for the tax years 2006 through 2009. During the second quarter of 2011, Cadence's non-GAAP net income also excluded the effect of an income tax benefit associated with Cadence's effective settlement of an IRS examination of Cadence's federal income tax returns for the tax years 2003 through 2005. During the third quarter of 2010, Cadence's non-GAAP net income also excluded the effect of an income tax benefit associated with Cadence's effective settlement of an IRS examination of Cadence's federal income tax returns for the tax years 2000 through 2002. Cadence's management believes it is useful to exclude the income tax expense and benefits associated with these settlements because exclusion of such tax expenses and benefits permits consistent evaluations of Cadence's performance. Cadence does not expect settlements resulting in income tax expenses or benefits of the magnitude recorded during the third quarter of 2010 to occur frequently.

During the second and fourth quarters of 2010, Cadence's non-GAAP net income also excluded losses associated with its repurchase of a portion of its 1.375% Convertible Senior Notes Due December 15, 2011 and a portion of its 1.500% Convertible Senior Notes Due December 15, 2013. Cadence's management believes it is useful to exclude the losses on the extinguishment of debt as the losses are not directly related to Cadence's core business operations and similar transactions are not expected to occur frequently.

During the second quarter of 2011, Cadence's non-GAAP net income also excluded the effect of an income tax benefit associated with an acquisition Cadence completed during the second quarter of 2011. During the second quarter of 2010, Cadence's non-GAAP net income also excluded the effect of an income tax benefit associated with Cadence's acquisition of Denali Software, Inc. Cadence's management believes it is useful to exclude the tax benefit associated with these acquisitions because exclusion of such tax benefits permits consistent evaluation of Cadence's performance. Cadence does not expect an acquisition-related income tax benefit of the magnitude recorded in the second quarter of 2010 to be recorded frequently.

Cadence's management believes that non-GAAP net income, non-GAAP total costs and expenses and non-GAAP operating margin provide useful supplemental information to Cadence's management and investors regarding the performance of the company's business operations and facilitates comparisons to the company's historical operating results. Cadence's management also uses this information internally for forecasting and budgeting. Non-GAAP financial measures should not be considered as a substitute for or superior to measures of financial performance prepared in accordance with GAAP. Investors and potential investors are encouraged to review the reconciliation of non-GAAP financial measures contained within this supplement with their most directly comparable GAAP financial results.