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**Cadence Design Systems, Inc.**  
**Condensed Consolidated Balance Sheets**  
**July 2, 2011 and January 1, 2011**  
(In thousands)  
(Unaudited)

|  | <u>July 2, 2011</u> | <u>January 1, 2011</u> |
|--|---------------------|------------------------|
| <b>Current Assets:</b>   |                     |                        |
| Cash and cash equivalents  | \$ 665,317          | \$ 557,409             |
| Short-term investments   | 3,255               | 12,715                 |
| Receivables, net of allowances of \$747 and<br>\$7,604, respectively                                       | 150,241             | 191,893                |
| Inventories  | 44,391              | 39,034                 |
| 2015 notes hedges  | 222,085             | -                      |
| Prepaid expenses and other   | 79,966              | 78,355                 |
| Total current assets   | 1,165,255           | 879,406                |
| <br>   |                     |                        |
| Property, plant and equipment, net of accumulated<br>depreciation of \$640,380 and \$648,676, respectively | 267,758             | 285,115                |
| Goodwill   | 173,752             | 158,893                |
| Acquired intangibles, net of accumulated amortization of<br>\$77,436 and \$105,158, respectively           | 178,566             | 179,198                |
| Installment contract receivables   | 10,622              | 23,380                 |
| 2015 notes hedges  | -                   | 130,211                |
| Other assets   | 78,672              | 75,913                 |
| Total Assets   | \$ 1,874,625        | \$ 1,732,116           |
| <br>   |                     |                        |
| <b>Current Liabilities:</b>  |                     |                        |
| Convertible notes  | \$ 433,857          | \$ 143,258             |
| 2015 notes embedded conversion derivative  | 222,085             | -                      |
| Accounts payable and accrued liabilities   | 165,698             | 216,864                |
| Current portion of deferred revenue  | 362,762             | 337,426                |
| Total current liabilities  | 1,184,402           | 697,548                |
| <br>   |                     |                        |
| <b>Long-Term Liabilities:</b>  |                     |                        |
| Long-term portion of deferred revenue  | 91,360              | 85,400                 |
| Convertible notes  | 128,928             | 406,404                |
| 2015 notes embedded conversion derivative  | -                   | 130,211                |
| Other long-term liabilities  | 138,619             | 135,899                |
| Total long-term liabilities  | 358,907             | 757,914                |
| <br>   |                     |                        |
| Stockholders' Equity   | 331,316             | 276,654                |
| Total Liabilities and Stockholders' Equity   | \$ 1,874,625        | \$ 1,732,116           |

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

|   | July 3,<br>2010     | October 2,<br>2010  | January 1,<br>2011  | April 2,<br>2011    | July 2,<br>2011     |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Current Assets:</b>                          |                     |                     |                     |                     |                     |
| Cash and cash equivalents                       | \$ 475,603          | \$ 509,035          | \$ 557,409          | \$ 612,208          | \$ 665,317          |
| Short-term investments                          | 2,860               | 2,641               | 12,715              | 10,917              | 3,255               |
| Receivables, net                                | 191,291             | 202,237             | 191,893             | 172,543             | 150,241             |
| Inventories                                     | 23,874              | 28,486              | 39,034              | 43,050              | 44,391              |
| 2015 notes hedges                               | -                   | -                   | -                   | -                   | 222,085             |
| Prepaid expenses and other                      | 71,448              | 79,910              | 78,355              | 83,920              | 79,966              |
| Total current assets                            | <u>765,076</u>      | <u>822,309</u>      | <u>879,406</u>      | <u>922,638</u>      | <u>1,165,255</u>    |
| Property, plant and equipment, net              | 295,073             | 290,103             | 285,115             | 273,161             | 267,758             |
| Goodwill  | 158,227             | 158,893             | 158,893             | 159,081             | 173,752             |
| Acquired intangibles, net                       | 192,422             | 185,866             | 179,198             | 172,345             | 178,566             |
| Installment contract receivables                | 40,296              | 28,231              | 23,380              | 11,452              | 10,622              |
| 2015 notes hedges                               | 74,282              | 114,254             | 130,211             | 201,047             | -                   |
| Other assets                                    | 170,379             | 106,292             | 75,913              | 75,980              | 78,672              |
| Total assets                                    | <u>\$ 1,695,755</u> | <u>\$ 1,705,948</u> | <u>\$ 1,732,116</u> | <u>\$ 1,815,704</u> | <u>\$ 1,874,625</u> |
| <b>Current Liabilities:</b>                     |                     |                     |                     |                     |                     |
| Convertible notes                               | \$ -                | \$ -                | \$ 143,258          | \$ 144,999          | \$ 433,857          |
| 2015 notes embedded conversion derivative       | -                   | -                   | -                   | -                   | 222,085             |
| Accounts payable and accrued liabilities        | 153,982             | 152,436             | 216,864             | 188,648             | 165,698             |
| Current portion of deferred revenue             | 290,105             | 308,591             | 337,426             | 340,015             | 362,762             |
| Total current liabilities                       | <u>444,087</u>      | <u>461,027</u>      | <u>697,548</u>      | <u>673,662</u>      | <u>1,184,402</u>    |
| <b>Long-Term Liabilities:</b>                   |                     |                     |                     |                     |                     |
| Long-term portion of deferred revenue           | 92,477              | 96,439              | 85,400              | 100,064             | 91,360              |
| Convertible notes                               | 541,767             | 548,093             | 406,404             | 411,198             | 128,928             |
| 2015 notes embedded conversion derivative       | 74,282              | 114,254             | 130,211             | 201,047             | -                   |
| Other long-term liabilities                     | 380,462             | 190,148             | 135,899             | 132,027             | 138,619             |
| Total long-term liabilities                     | <u>1,088,988</u>    | <u>948,934</u>      | <u>757,914</u>      | <u>844,336</u>      | <u>358,907</u>      |
| <b>Stockholders' Equity:</b>                    |                     |                     |                     |                     |                     |
| Common stock and capital in excess of par value | 1,708,610           | 1,706,590           | 1,715,541           | 1,716,254           | 1,725,660           |
| Treasury stock, at cost                         | (370,700)           | (353,289)           | (353,090)           | (332,065)           | (330,093)           |
| Accumulated deficit                             | (1,215,391)         | (1,100,111)         | (1,138,853)         | (1,139,018)         | (1,114,847)         |
| Accumulated other comprehensive income          | 40,161              | 42,797              | 53,056              | 52,535              | 50,596              |
| Total stockholders' equity                      | <u>162,680</u>      | <u>295,987</u>      | <u>276,654</u>      | <u>297,706</u>      | <u>331,316</u>      |
| Total liabilities and stockholders' equity      | <u>\$ 1,695,755</u> | <u>\$ 1,705,948</u> | <u>\$ 1,732,116</u> | <u>\$ 1,815,704</u> | <u>\$ 1,874,625</u> |

**Cadence Design Systems, Inc.**  
**Condensed Consolidated Income Statements**  
**For the Three and Six Months Ended July 2, 2011 and July 3, 2010**  
(In thousands, except per share amounts)  
(Unaudited)

|   | <u>Three Months Ended</u> |                     | <u>Six Months Ended</u> |                     |
|---|---------------------------|---------------------|-------------------------|---------------------|
|   | <u>July 2, 2011</u>       | <u>July 3, 2010</u> | <u>July 2, 2011</u>     | <u>July 3, 2010</u> |
| Revenue:  |                           |                     |                         |                     |
| Product   | \$ 157,938                | \$ 117,066          | \$ 299,757              | \$ 219,832          |
| Services  | 29,477                    | 25,258              | 57,282                  | 51,178              |
| Maintenance   | 95,855                    | 84,740              | 192,333                 | 177,992             |
| Total revenue   | <u>283,270</u>            | <u>227,064</u>      | <u>549,372</u>          | <u>449,002</u>      |
| Costs and Expenses:                                       |                           |                     |                         |                     |
| Cost of product   | 20,074                    | 7,123               | 34,268                  | 12,415              |
| Cost of services  | 20,616                    | 21,556              | 40,691                  | 43,481              |
| Cost of maintenance                                       | 10,716                    | 10,481              | 21,614                  | 21,879              |
| Marketing and sales                                       | 77,006                    | 71,513              | 155,378                 | 146,275             |
| Research and development                                  | 99,268                    | 91,880              | 200,567                 | 181,310             |
| General and administrative                                | 25,377                    | 17,058              | 44,679                  | 39,892              |
| Amortization of acquired intangibles                      | 4,505                     | 2,551               | 8,964                   | 5,242               |
| Restructuring and other charges (credits)                 | 751                       | (317)               | 710                     | (1,391)             |
| Total costs and expenses                                  | <u>258,313</u>            | <u>221,845</u>      | <u>506,871</u>          | <u>449,103</u>      |
| Income (loss) from operations                             | 24,957                    | 5,219               | 42,501                  | (101)               |
| Interest expense  | (10,768)                  | (7,972)             | (21,754)                | (15,403)            |
| Other income (expense), net                               | 8,394                     | (3,100)             | 12,863                  | 2,874               |
| Income (loss) before provision (benefit) for income taxes | 22,583                    | (5,853)             | 33,610                  | (12,630)            |
| Provision (benefit) for income taxes                      | (4,325)                   | (54,460)            | 379                     | (49,452)            |
| Net income  | <u>\$ 26,908</u>          | <u>\$ 48,607</u>    | <u>\$ 33,231</u>        | <u>\$ 36,822</u>    |
| Basic net income per share                                | <u>\$ 0.10</u>            | <u>\$ 0.19</u>      | <u>\$ 0.13</u>          | <u>\$ 0.14</u>      |
| Diluted net income per share                              | <u>\$ 0.10</u>            | <u>\$ 0.18</u>      | <u>\$ 0.12</u>          | <u>\$ 0.14</u>      |
| Weighted average common shares outstanding - basic        | <u>263,191</u>            | <u>262,163</u>      | <u>262,362</u>          | <u>262,380</u>      |
| Weighted average common shares outstanding - diluted      | <u>270,885</u>            | <u>266,423</u>      | <u>269,732</u>          | <u>266,539</u>      |

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

|   | Three Months Ended |                    |                    |                  |                  |
|---|--------------------|--------------------|--------------------|------------------|------------------|
|   | July 3,<br>2010    | October 2,<br>2010 | January 1,<br>2011 | April 2,<br>2011 | July 2,<br>2011  |
| Revenue:  |                    |                    |                    |                  |                  |
| Product   | \$ 117,066         | \$ 118,221         | \$ 133,545         | \$ 141,819       | \$ 157,938       |
| Services  | 25,258             | 23,945             | 25,768             | 27,805           | 29,477           |
| Maintenance   | 84,740             | 95,768             | 89,705             | 96,478           | 95,855           |
| Total revenue   | <u>227,064</u>     | <u>237,934</u>     | <u>249,018</u>     | <u>266,102</u>   | <u>283,270</u>   |
| Costs and Expenses:                                       |                    |                    |                    |                  |                  |
| Cost of product   | 7,123              | 10,757             | 8,249              | 14,194           | 20,074           |
| Cost of services  | 21,556             | 19,102             | 20,385             | 20,075           | 20,616           |
| Cost of maintenance                                       | 10,481             | 9,960              | 10,215             | 10,898           | 10,716           |
| Marketing and sales                                       | 71,513             | 76,065             | 83,218             | 78,372           | 77,006           |
| Research and development                                  | 91,880             | 97,275             | 97,828             | 101,299          | 99,268           |
| General and administrative                                | 17,058             | 25,081             | 21,421             | 19,302           | 25,377           |
| Amortization of acquired intangibles                      | 2,551              | 4,459              | 4,459              | 4,459            | 4,505            |
| Restructuring and other charges (credits)                 | (317)              | (1,682)            | 13,225             | (41)             | 751              |
| Litigation charges  | -                  | -                  | 15,800             | -                | -                |
| Total costs and expenses                                  | <u>221,845</u>     | <u>241,017</u>     | <u>274,800</u>     | <u>248,558</u>   | <u>258,313</u>   |
| Income (loss) from operations                             | 5,219              | (3,083)            | (25,782)           | 17,544           | 24,957           |
| Interest expense  | (7,972)            | (10,476)           | (10,464)           | (10,986)         | (10,768)         |
| Other income (expense), net                               | (3,100)            | (2,907)            | 2,574              | 4,469            | 8,394            |
| Income (loss) before provision (benefit) for income taxes | (5,853)            | (16,466)           | (33,672)           | 11,027           | 22,583           |
| Provision (benefit) for income taxes                      | (54,460)           | (143,219)          | 3,365              | 4,704            | (4,325)          |
| Net income (loss)   | <u>\$ 48,607</u>   | <u>\$ 126,753</u>  | <u>\$ (37,037)</u> | <u>\$ 6,323</u>  | <u>\$ 26,908</u> |
| Basic net income (loss) per share                         | <u>\$ 0.19</u>     | <u>\$ 0.49</u>     | <u>\$ (0.14)</u>   | <u>\$ 0.02</u>   | <u>\$ 0.10</u>   |
| Diluted net income (loss) per share                       | <u>\$ 0.18</u>     | <u>\$ 0.48</u>     | <u>\$ (0.14)</u>   | <u>\$ 0.02</u>   | <u>\$ 0.10</u>   |
| Weighted average common shares outstanding - basic        | <u>262,163</u>     | <u>258,606</u>     | <u>259,781</u>     | <u>261,533</u>   | <u>263,191</u>   |
| Weighted average common shares outstanding - diluted      | <u>266,423</u>     | <u>263,302</u>     | <u>259,781</u>     | <u>268,578</u>   | <u>270,885</u>   |

**Cadence Design Systems, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**For the Six Months Ended July 2, 2011 and July 3, 2010**  
(In thousands)  
(Unaudited)

|  | <b>Six Months Ended</b> |                         |
|--|-------------------------|-------------------------|
|  | <b>July 2,<br/>2011</b> | <b>July 3,<br/>2010</b> |
| Cash and Cash Equivalents at Beginning of Period   | \$ 557,409              | \$ 569,115              |
| Cash Flows from Operating Activities:  |                         |                         |
| Net income   | 33,231                  | 36,822                  |
| Adjustments to reconcile net income to net cash provided by operating activities:        |                         |                         |
| Depreciation and amortization  | 46,283                  | 41,333                  |
| Amortization of debt discount and fees   | 14,587                  | 11,301                  |
| Loss on extinguishment of debt   | -                       | 5,321                   |
| Stock-based compensation   | 19,698                  | 20,807                  |
| Loss from equity method investments  | 65                      | 73                      |
| Gain on investments, net   | (13,741)                | (6,935)                 |
| Write-down of investment securities  | -                       | 1,500                   |
| Non-cash restructuring and other charges   | 136                     | 216                     |
| Impairment of property, plant and equipment  | -                       | 427                     |
| Deferred income taxes  | (4,811)                 | (69,266)                |
| Provisions (recoveries) for losses (gains) on trade and installment contract receivables | (5,885)                 | (12,978)                |
| Other non-cash items   | 2,518                   | 3,124                   |
| Changes in operating assets and liabilities, net of effect of acquired businesses:       |                         |                         |
| Receivables  | 2,455                   | (25,384)                |
| Installment contract receivables   | 62,080                  | 70,479                  |
| Inventories  | (6,987)                 | (10,923)                |
| Prepaid expenses and other   | 1,969                   | (13,778)                |
| Other assets   | 1,479                   | 1,397                   |
| Accounts payable and accrued liabilities   | (48,650)                | 6,026                   |
| Deferred revenue   | 25,979                  | 31,882                  |
| Other long-term liabilities  | (4,628)                 | 4,257                   |
| Net cash provided by operating activities  | <u>125,778</u>          | <u>95,701</u>           |
| Cash Flows from Investing Activities:  |                         |                         |
| Proceeds from the sale of available-for-sale securities                                  | 9,588                   | -                       |
| Proceeds from the sale of long-term investments  | 2,785                   | 10,133                  |
| Purchases of property, plant and equipment   | (11,312)                | (18,765)                |
| Purchases of software licenses   | -                       | (2,517)                 |
| Investment in venture capital partnerships and equity investments                        | (608)                   | (500)                   |
| Cash paid in business combinations and asset acquisitions, net of cash acquired          | (22,865)                | (253,951)               |
| Net cash used for investing activities   | <u>(22,412)</u>         | <u>(265,600)</u>        |
| Cash Flows from Financing Activities:  |                         |                         |
| Principal payments on receivable sale financing  | (2,829)                 | (1,719)                 |
| Proceeds from issuance of 2015 Notes   | -                       | 350,000                 |
| Payment of Convertible Senior Notes  | -                       | (187,150)               |
| Payment of 2015 Notes issuance costs   | -                       | (9,800)                 |
| Purchase of 2015 Notes Hedges  | -                       | (76,635)                |
| Proceeds from termination of Convertible Senior Notes Hedges                             | -                       | 280                     |
| Proceeds from sale of 2015 Warrants  | -                       | 37,450                  |
| Tax effect related to employee stock transactions allocated to equity                    | 967                     | 59                      |
| Proceeds from issuance of common stock   | 10,302                  | 8,119                   |
| Stock received for payment of employee taxes on vesting of restricted stock              | (7,389)                 | (4,114)                 |
| Purchases of treasury stock  | -                       | (39,997)                |
| Net cash provided by financing activities  | <u>1,051</u>            | <u>76,493</u>           |
| Effect of exchange rate changes on cash and cash equivalents                             | <u>3,491</u>            | <u>(106)</u>            |
| Increase (decrease) in cash and cash equivalents   | <u>107,908</u>          | <u>(93,512)</u>         |
| Cash and Cash Equivalents at End of Period   | <u>\$ 665,317</u>       | <u>\$ 475,603</u>       |

**Cadence Design Systems, Inc.**  
**Trended Condensed Consolidated Statements of Cash Flows**  
**For the Five Quarters Ended July 2, 2011**  
(In thousands)  
(Unaudited)

|  | <u>Q2 2010</u>    | <u>Q3 2010</u>    | <u>Q4 2010</u>    | <u>Q1 2011</u>    | <u>Q2 2011</u>    |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Cash and Cash Equivalents at Beginning of Period   | \$ 619,303        | \$ 475,603        | \$ 509,035        | \$ 557,409        | \$ 612,208        |
| Cash Flows from Operating Activities:  |                   |                   |                   |                   |                   |
| Net income (loss)  | 48,607            | 126,753           | (37,037)          | 6,323             | 26,908            |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: |                   |                   |                   |                   |                   |
| Depreciation and amortization  | 19,868            | 23,462            | 23,540            | 22,907            | 23,376            |
| Amortization of debt discount and fees   | 5,778             | 7,030             | 7,021             | 7,263             | 7,324             |
| Loss on extinguishment of debt   | 5,321             | -                 | 384               | -                 | -                 |
| Stock-based compensation   | 10,435            | 12,010            | 10,643            | 9,357             | 10,341            |
| Loss from equity method investments  | 46                | 32                | 28                | 30                | 35                |
| (Gain) loss on investments, net  | (1,344)           | 1,802             | (2,484)           | (4,477)           | (9,264)           |
| Gain on sale of property, plant and equipment  | -                 | (799)             | -                 | -                 | -                 |
| Write-down of investment securities  | 1,500             | -                 | -                 | -                 | -                 |
| Non-cash restructuring and other charges   | 91                | 56                | 3,814             | 65                | 71                |
| Impairment of property, plant and equipment  | 263               | 64                | -                 | -                 | -                 |
| Deferred income taxes  | (67,560)          | (1,351)           | 6,426             | 65                | (4,876)           |
| Provisions (recoveries) for losses (gains) on trade and installment contract receivables | (10,385)          | (361)             | (3,759)           | (5,197)           | (688)             |
| Other non-cash items   | 2,309             | (1,137)           | (149)             | 488               | 2,030             |
| Changes in operating assets and liabilities, net of effect of acquired businesses:       |                   |                   |                   |                   |                   |
| Receivables  | (1,395)           | (19,038)          | 10,963            | (7,928)           | 10,383            |
| Installment contract receivables   | 12,710            | 27,339            | 7,016             | 45,570            | 16,510            |
| Inventories  | (4,876)           | (5,082)           | (10,523)          | (4,016)           | (2,971)           |
| Prepaid expenses and other   | (12,260)          | (10,050)          | 1,436             | (5,456)           | 7,425             |
| Other assets   | (4,141)           | 3,999             | 3,208             | 1,662             | (183)             |
| Accounts payable and accrued liabilities   | 5,101             | (2,718)           | 56,973            | (20,681)          | (27,969)          |
| Deferred revenue   | 28,069            | 13,347            | 17,302            | 15,607            | 10,372            |
| Other long-term liabilities  | 10,861            | (128,930)         | (37,788)          | (5,217)           | 589               |
| Net cash provided by operating activities  | <u>48,998</u>     | <u>46,428</u>     | <u>57,014</u>     | <u>56,365</u>     | <u>69,413</u>     |
| Cash Flows from Investing Activities:  |                   |                   |                   |                   |                   |
| Proceeds from the sale of available-for-sale securities                                  | -                 | -                 | -                 | 1,497             | 8,091             |
| Proceeds from the sale of short-term investments   | -                 | -                 | 317               | -                 | -                 |
| Proceeds from the sale of long-term investments  | 1,169             | 143               | -                 | 2,677             | 108               |
| Proceeds from the sale of property, plant and equipment                                  | -                 | 900               | -                 | -                 | -                 |
| Purchases of property, plant and equipment   | (8,866)           | (10,175)          | (5,842)           | (5,181)           | (6,131)           |
| Purchases of software licenses   | (2,030)           | (189)             | -                 | -                 | -                 |
| Investment in venture capital partnerships and equity investments                        | (500)             | (2,500)           | -                 | (608)             | -                 |
| Cash paid in business combinations and asset acquisitions, net of cash acquired          | (253,951)         | (2,166)           | -                 | (2,538)           | (20,327)          |
| Net cash used for investing activities   | <u>(264,178)</u>  | <u>(13,987)</u>   | <u>(5,525)</u>    | <u>(4,153)</u>    | <u>(18,259)</u>   |
| Cash Flows from Financing Activities:  |                   |                   |                   |                   |                   |
| Principal payments on receivable sale financing  | -                 | (1,821)           | -                 | (2,829)           | -                 |
| Proceeds from issuance of 2015 Notes   | 350,000           | -                 | -                 | -                 | -                 |
| Payment of Convertible Senior Notes  | (187,150)         | -                 | (5,214)           | -                 | -                 |
| Payment of 2015 Notes issuance costs   | (9,800)           | (619)             | (113)             | -                 | -                 |
| Purchase of 2015 Notes Hedges  | (76,635)          | -                 | -                 | -                 | -                 |
| Proceeds from termination of Convertible Senior Notes Hedges                             | 280               | -                 | 31                | -                 | -                 |
| Proceeds from sale of 2015 Warrants  | 37,450            | -                 | -                 | -                 | -                 |
| Tax effect related to employee stock transactions allocated to equity                    | 29                | (9,683)           | 166               | 160               | 807               |
| Proceeds from issuance of common stock   | 75                | 5,150             | 374               | 8,897             | 1,405             |
| Stock received for payment of employee taxes on vesting of restricted stock              | (2,035)           | (1,761)           | (3,065)           | (2,854)           | (4,535)           |
| Purchases of treasury stock  | (39,997)          | -                 | -                 | -                 | -                 |
| Net cash provided by (used for) financing activities                                     | <u>72,217</u>     | <u>(8,734)</u>    | <u>(7,821)</u>    | <u>3,374</u>      | <u>(2,323)</u>    |
| Effect of exchange rate changes on cash and cash equivalents                             | <u>(737)</u>      | <u>9,725</u>      | <u>4,706</u>      | <u>(787)</u>      | <u>4,278</u>      |
| Increase (decrease) in cash and cash equivalents   | <u>(143,700)</u>  | <u>33,432</u>     | <u>48,374</u>     | <u>54,799</u>     | <u>53,109</u>     |
| Cash and Cash Equivalents at End of Period   | <u>\$ 475,603</u> | <u>\$ 509,035</u> | <u>\$ 557,409</u> | <u>\$ 612,208</u> | <u>\$ 665,317</u> |

**Cadence Design Systems, Inc.**  
**As of July 28, 2011**  
**Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share**  
**(Unaudited)**

|   | <b>Three Months Ending<br/>October 1, 2011<br/>Forecast</b> | <b>Year Ending<br/>December 31, 2011<br/>Forecast</b> |
|---|---|---|
| Diluted net income per share on a GAAP basis  | \$0.04 to \$0.06  | \$0.20 to \$0.26                                      |
| Amortization of acquired intangibles  | 0.03  | 0.10  |
| Stock-based compensation expense  | 0.04  | 0.16  |
| Non-qualified deferred compensation expenses  | -   | 0.01  |
| Restructuring and other charges   | -   | -   |
| Shareholder litigation costs  | -   | -   |
| Executive and other employee severance costs  | -   | 0.01  |
| Integration and acquisition-related costs   | -   | 0.01  |
| Amortization of debt discount   | 0.03  | 0.10  |
| Other income or expense related to investments and non-qualified deferred compensation plan assets* | -   | (0.05)  |
| Acquisition-related income tax benefit  | -   | (0.02)  |
| Income tax benefit of IRS settlement  | -   | (0.02)  |
| Income tax effect of non-GAAP adjustments   | (0.03)  | (0.09)  |
| Diluted net income per share on a non-GAAP basis  | <u>\$0.11 to \$0.13</u>                                     | <u>\$0.41 to \$0.47</u>                               |

\* 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.

**Cadence Design Systems, Inc.**  
**As of July 28, 2011**  
**Impact of Non-GAAP Adjustments on Forward Looking Net Income**  
**(Unaudited)**

| <b>(\$ in Millions)</b>   | <b>Three Months Ending<br/>October 1, 2011<br/>Forecast</b> | <b>Year Ending<br/>December 31, 2011<br/>Forecast</b> |
|---|---|---|
| Net income on a GAAP basis  | \$12 to \$18  | \$55 to \$71  |
| Amortization of acquired intangibles  | 7   | 27  |
| Stock-based compensation expense  | 12  | 44  |
| Non-qualified deferred compensation expenses  | -   | 3   |
| Restructuring and other charges   | -   | 1   |
| Shareholder litigation costs  | -   | 1   |
| Executive and other employee severance costs  | -   | 2   |
| Integration and acquisition-related costs   | -   | 2   |
| Amortization of debt discount   | 7   | 26  |
| Other income or expense related to investments and non-qualified deferred compensation plan assets* | -   | (14)  |
| Acquisition-related income tax benefit  | -   | (5)   |
| Income tax benefit of IRS settlement  | -   | (6)   |
| Income tax effect of non-GAAP adjustments   | (8)   | (24)  |
| Net income on a non-GAAP basis  | <u>\$30 to \$36</u>   | <u>\$112 to \$128</u>                                 |

\* 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.

**Cadence Design Systems, Inc.**  
**Reconciliation of GAAP Net Income to Non-GAAP Net Income**  
**For the Three and Six Months Ended July 2, 2011 and July 3, 2010**  
**(Unaudited)**

| (In thousands)   | Three Months Ended |              | Six Months Ended |              |
|--|--------------------|--------------|------------------|--------------|
|  | July 2, 2011       | July 3, 2010 | July 2, 2011     | July 3, 2010 |
| Net income on a GAAP basis   | \$ 26,908          | \$ 48,607    | \$ 33,231        | \$ 36,822    |
| Amortization of acquired intangibles*  | 6,988              | 3,142        | 13,643           | 7,498        |
| Stock-based compensation expense**   | 10,341             | 10,435       | 19,698           | 20,807       |
| Non-qualified deferred compensation expenses***  | 1,186              | 1,192        | 2,948            | 2,363        |
| Restructuring and other charges (credits)  | 751                | (317)        | 710              | (1,391)      |
| Shareholder litigation costs   | 1,106              | 2,862        | 1,174            | 2,862        |
| Executive and other employee severance costs****   | 1,916              | -            | 1,916            | -            |
| Integration and acquisition-related costs*****   | 1,005              | 2,469        | 1,479            | 2,583        |
| Amortization of debt discount  | 6,566              | 5,248        | 13,085           | 10,293       |
| Other income or expense related to investments and non-qualified deferred compensation plan assets † | (9,229)            | 202          | (13,620)         | (5,362)      |
| Loss on extinguishment of debt   | -                  | 5,321        | -                | 5,321        |
| Acquisition-related income tax benefit   | (5,021)            | (66,707)     | (5,021)          | (66,707)     |
| Income tax benefit of IRS settlement   | (5,680)            | -            | (5,680)          | -            |
| Income tax effect of non-GAAP adjustments  | (4,859)            | 5,825        | (8,327)          | 8,846        |
| Net income on a non-GAAP basis   | \$ 31,978          | \$ 18,279    | \$ 55,236        | \$ 23,935    |

† 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 Income Statements as follows:

| (In thousands)                             | Three Months Ended |              | Six Months Ended |              |
|--|--------------------|--------------|------------------|--------------|
|  | July 2, 2011       | July 3, 2010 | July 2, 2011     | July 3, 2010 |
| Cost of product                            | \$ 2,483           | \$ 591       | \$ 4,679         | \$ 1,211     |
| Cost of maintenance                        | -                  | -            | -                | 1,045        |
| Amortization of acquired intangibles       | 4,505              | 2,551        | 8,964            | 5,242        |
| Total amortization of acquired intangibles | \$ 6,988           | \$ 3,142     | \$ 13,643        | \$ 7,498     |

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

| (In thousands)                         | Three Months Ended |              | Six Months Ended |              |
|--|--------------------|--------------|------------------|--------------|
|  | July 2, 2011       | July 3, 2010 | July 2, 2011     | July 3, 2010 |
| Cost of product                        | \$ 25              | \$ 28        | \$ 49            | \$ 54        |
| Cost of services                       | 474                | 536          | 932              | 1,044        |
| Cost of maintenance                    | 305                | 346          | 600              | 673          |
| Marketing and sales                    | 2,740              | 2,362        | 4,757            | 4,608        |
| Research and development               | 4,075              | 4,470        | 7,940            | 8,883        |
| General and administrative             | 2,722              | 2,693        | 5,420            | 5,545        |
| Total stock-based compensation expense | \$ 10,341          | \$ 10,435    | \$ 19,698        | \$ 20,807    |

\*\*\*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 is not significant. The operating expenses (credit) are reported in the Condensed Consolidated Income Statements as follows:

| (In thousands)                                     | Three Months Ended |              | Six Months Ended |              |
|--|--------------------|--------------|------------------|--------------|
|  | July 2, 2011       | July 3, 2010 | July 2, 2011     | July 3, 2010 |
| Cost of product                                    | \$ -               | \$ -         | \$ 1             | \$ -         |
| Cost of services                                   | 5                  | 8            | 20               | 19           |
| Cost of maintenance                                | 3                  | 5            | 13               | 12           |
| Marketing and sales                                | 158                | 174          | 479              | 453          |
| Research and development                           | 551                | 659          | 1,313            | 1,104        |
| General and administrative                         | 469                | 346          | 1,122            | 775          |
| Total non-qualified deferred compensation expenses | \$ 1,186           | \$ 1,192     | \$ 2,948         | \$ 2,363     |

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

| (In thousands)                                     | Three Months Ended |              | Six Months Ended |              |
|--|--------------------|--------------|------------------|--------------|
|  | July 2, 2011       | July 3, 2010 | July 2, 2011     | July 3, 2010 |
| Cost of services                                   | \$ 210             | \$ -         | \$ 210           | \$ -         |
| Marketing and sales                                | 980                | -            | 980              | -            |
| Research and development                           | 454                | -            | 454              | -            |
| General and administrative                         | 272                | -            | 272              | -            |
| Total executive and other employee severance costs | \$ 1,916           | \$ -         | \$ 1,916         | \$ -         |

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

| (In thousands)                                  | Three Months Ended |              | Six Months Ended |              |
|---|--------------------|--------------|------------------|--------------|
|   | July 2, 2011       | July 3, 2010 | July 2, 2011     | July 3, 2010 |
| Marketing and sales                             | \$ 133             | \$ -         | \$ 233           | \$ -         |
| Research and development                        | 241                | 762          | 548              | 762          |
| General and administrative                      | 631                | 1,610        | 655              | 1,610        |
| Interest expense                                | -                  | 97           | 43               | 211          |
| Total integration and acquisition-related costs | \$ 1,005           | \$ 2,469     | \$ 1,479         | \$ 2,583     |

**Cadence Design Systems, Inc.**  
**Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share**  
**For the Three and Six Months Ended July 2, 2011 and July 3, 2010**  
**(Unaudited)**

| (In thousands, except per share data)  | Three Months Ended |              | Six Months Ended |              |
|--|--------------------|--------------|------------------|--------------|
|  | July 2, 2011       | July 3, 2010 | July 2, 2011     | July 3, 2010 |
| Diluted net income per share on a GAAP basis   | \$ 0.10            | \$ 0.18      | \$ 0.12          | \$ 0.14      |
| Amortization of acquired intangibles   | 0.03               | 0.01         | 0.05             | 0.03         |
| Stock-based compensation expense   | 0.04               | 0.04         | 0.07             | 0.08         |
| Non-qualified deferred compensation expenses   | 0.01               | 0.01         | 0.01             | 0.01         |
| Restructuring and other charges (credits)  | -                  | -            | -                | (0.01)       |
| Shareholder litigation costs   | -                  | 0.01         | -                | 0.01         |
| Executive and other employee severance costs   | 0.01               | -            | 0.01             | -            |
| Integration and acquisition-related costs  | -                  | 0.01         | 0.01             | 0.01         |
| Amortization of debt discount  | 0.02               | 0.02         | 0.05             | 0.04         |
| Other income or expense related to investments and non-qualified deferred compensation plan assets * | (0.03)             | -            | (0.05)           | (0.02)       |
| Loss on extinguishment of debt   | -                  | 0.02         | -                | 0.02         |
| Acquisition-related income tax benefit   | (0.02)             | (0.25)       | (0.02)           | (0.25)       |
| Income tax benefit of IRS settlement   | (0.02)             | -            | (0.02)           | -            |
| Income tax effect of non-GAAP adjustments  | (0.02)             | 0.02         | (0.03)           | 0.03         |
| Diluted net income per share on a non-GAAP basis   | \$ 0.12            | \$ 0.07      | \$ 0.20          | \$ 0.09      |

|  |         |         |         |         |
|--|---------|---------|---------|---------|
| Shares used in calculation of diluted net income per share - GAAP **     | 270,885 | 266,423 | 269,732 | 266,539 |
| Shares used in calculation of diluted net income per share - non-GAAP ** | 270,885 | 266,423 | 269,732 | 266,539 |

\* 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 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<br>July 2, 2011 | Three Months Ended<br>April 2, 2011 |
|--|------------------------------------|-------------------------------------|
|  | Actual<br>(In thousands)           | Actual<br>(In thousands)            |
| GAAP total costs and expenses                          | \$ 258,313                         | \$ 248,558                          |
| Reconciling items to non-GAAP total costs and expenses |                                    |                                     |
| Amortization of acquired intangibles                   | (6,988)                            | (6,655)                             |
| Stock-based compensation expense                       | (10,341)                           | (9,357)                             |
| Non-qualified deferred compensation expenses           | (1,186)                            | (1,762)                             |
| Restructuring and other (charges) credits              | (751)                              | 41                                  |
| Shareholder litigation costs                           | (1,106)                            | (68)                                |
| Integration and acquisition-related costs              | (1,005)                            | (431)                               |
| Executive and other employee severance costs           | (1,916)                            | -                                   |
| Non-GAAP total costs and expenses                      | <u>\$ 235,020</u>                  | <u>\$ 230,326</u>                   |

|  | Three Months Ended<br>July 2, 2011 | Three Months Ended<br>July 3, 2010 | Three Months Ending<br>October 1, 2011 | Year Ending<br>December 31, 2011 |
|--|------------------------------------|------------------------------------|--|----------------------------------|
|  | Actual                             | Actual                             | Forecast                               | Forecast                         |
| GAAP operating margin as a percent of total revenue                          | 9%                                 | 2%                                 | 9% to 11%                              | 8% to 10%                        |
| Reconciling items to non-GAAP operating margin as a percent of total revenue |                                    |                                    |  |                                  |
| Amortization of acquired intangibles   | 3%                                 | 1%                                 | 3%                                     | 3%                               |
| Stock-based compensation expense   | 4%                                 | 5%                                 | 4%                                     | 4%                               |
| Non-qualified deferred compensation expenses                                 | 0%                                 | 1%                                 | 0%                                     | 0%                               |
| Restructuring and other charges (credits)                                    | 0%                                 | 0%                                 | 0%                                     | 0%                               |
| Shareholder litigation costs   | 0%                                 | 1%                                 | 0%                                     | 0%                               |
| Integration and acquisition-related costs                                    | 0%                                 | 1%                                 | 0%                                     | 0%                               |
| Executive and other employee severance costs                                 | 1%                                 | 0%                                 | 0%                                     | 0%                               |
| Non-GAAP operating margin as a percent of total revenue                      | <u>17%</u>                         | <u>11%</u>                         | <u>16% to 18%</u>                      | <u>15% to 17%</u>                |

|   | Year Ending<br>December 31, 2011 |
|---|----------------------------------|
|   | Forecast                         |
| (In millions)   |                                  |
| GAAP total other income (expense), net  | \$(31) to \$(27)                 |
| Reconciling items to non-GAAP total other income (expense), net                                     |                                  |
| Other income or expense related to investments and non-qualified deferred compensation plan assets* | (14)                             |
| Amortization of debt discount   | 26                               |
| Non-GAAP total other income (expense), net  | <u>\$(19) to \$(15)</u>          |

\* 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.

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

|                                      | For the three months ended July 2, 2011 |                             |  |  |  |                                    |   |  |
|--------------------------------------|---|-----------------------------|--|--|--|------------------------------------|---|--|
|                                      | Operating expenses<br>on a GAAP basis   | Stock-based<br>compensation | Amortization<br>of acquired<br>intangibles | Non-qualified<br>deferred compensation<br>expenses | Integration and<br>acquisition-<br>related costs | Shareholder<br>litigation<br>costs | Executive and<br>other employee<br>severance<br>costs | Operating<br>expenses on a<br>non-GAAP basis |
| Cost of product                      | 20,074                                  | (25)                        | (2,483)                                    | -  | -  | -                                  | -   | 17,566                                       |
| Cost of services                     | 20,616                                  | (474)                       | -  | (5)  | -  | -                                  | (210)   | 19,927                                       |
| Cost of maintenance                  | 10,716                                  | (305)                       | -  | (3)  | -  | -                                  | -   | 10,408                                       |
| Marketing and sales                  | 77,006                                  | (2,740)                     | -  | (158)  | (133)  | -                                  | (980)   | 72,995                                       |
| Research and development             | 99,268                                  | (4,075)                     | -  | (551)  | (241)  | -                                  | (454)   | 93,947                                       |
| General and administrative           | 25,377                                  | (2,722)                     | -  | (469)  | (631)  | (1,106)                            | (272)   | 20,177                                       |
| Amortization of acquired intangibles | 4,505                                   | -                           | (4,505)                                    | -  | -  | -                                  | -   | -  |
|                                      |   | <u>(10,341)</u>             | <u>(6,988)</u>                             | <u>(1,186)</u>                                     | <u>(1,005)</u>                                   | <u>(1,106)</u>                     | <u>(1,916)</u>  |  |
|                                      | For the six months ended July 2, 2011   |                             |  |  |  |                                    |   |  |
|                                      | Operating expenses<br>on a GAAP basis   | Stock-based<br>compensation | Amortization<br>of acquired<br>intangibles | Non-qualified<br>deferred compensation<br>expenses | Integration and<br>acquisition-<br>related costs | Shareholder<br>litigation<br>costs | Executive and<br>other employee<br>severance<br>costs | Operating<br>expenses on a<br>non-GAAP basis |
| Cost of product                      | 34,268                                  | (49)                        | (4,679)                                    | (1)  | -  | -                                  | -   | 29,539                                       |
| Cost of services                     | 40,691                                  | (932)                       | -  | (20)   | -  | -                                  | (210)   | 39,529                                       |
| Cost of maintenance                  | 21,614                                  | (600)                       | -  | (13)   | -  | -                                  | -   | 21,001                                       |
| Marketing and sales                  | 155,378                                 | (4,757)                     | -  | (479)  | (233)  | -                                  | (980)   | 148,929                                      |
| Research and development             | 200,567                                 | (7,940)                     | -  | (1,313)  | (548)  | -                                  | (454)   | 190,312                                      |
| General and administrative           | 44,679                                  | (5,420)                     | -  | (1,122)  | (655)  | (1,174)                            | (272)   | 36,036                                       |
| Amortization of acquired intangibles | 8,964                                   | -                           | (8,964)                                    | -  | -  | -                                  | -   | -  |
|                                      |   | <u>(19,698)</u>             | <u>(13,643)</u>                            | <u>(2,948)</u>                                     | <u>(1,436)</u>                                   | <u>(1,174)</u>                     | <u>(1,916)</u>  |  |

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

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

| <u>GEOGRAPHY</u> | <u>2010</u> |             |             |             |             | <u>2011</u> |             |
|------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                  | <u>Q1</u>   | <u>Q2</u>   | <u>Q3</u>   | <u>Q4</u>   | <u>Year</u> | <u>Q1</u>   | <u>Q2</u>   |
| Americas         | 40%         | 46%         | 43%         | 45%         | <b>43%</b>  | 44%         | 47%         |
| Europe           | 22%         | 23%         | 20%         | 23%         | <b>22%</b>  | 21%         | 20%         |
| Japan            | 23%         | 14%         | 20%         | 14%         | <b>18%</b>  | 19%         | 17%         |
| Asia             | 15%         | 17%         | 17%         | 18%         | <b>17%</b>  | 16%         | 16%         |
| <b>Total</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>                  | <u>2010</u> |             |             |             |             | <u>2011</u> |             |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                                       | <u>Q1</u>   | <u>Q2</u>   | <u>Q3</u>   | <u>Q4</u>   | <u>Year</u> | <u>Q1</u>   | <u>Q2</u>   |
| Functional Verification and Design IP | 22%         | 26%         | 25%         | 22%         | <b>24%</b>  | 28%         | 33%         |
| Digital IC Design                     | 21%         | 21%         | 23%         | 26%         | <b>23%</b>  | 24%         | 21%         |
| Custom IC Design                      | 27%         | 26%         | 24%         | 27%         | <b>26%</b>  | 20%         | 22%         |
| Design for Manufacturing              | 9%          | 6%          | 8%          | 7%          | <b>7%</b>   | 8%          | 6%          |
| System Interconnect                   | 9%          | 10%         | 10%         | 8%          | <b>9%</b>   | 10%         | 8%          |
| Services & Other                      | 12%         | 11%         | 10%         | 10%         | <b>11%</b>  | 10%         | 10%         |
| <b>Total</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