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

	<b>October 2, 2010</b>	<b>January 2, 2010</b>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 509,035	\$ 569,115
Short-term investments	2,641	2,184
Receivables, net of allowances of \$10,833 and \$14,020, respectively	202,237	200,628
Inventories	28,486	24,165
Prepaid expenses and other	79,910	54,655
Total current assets	822,309	850,747
Property, plant and equipment, net of accumulated depreciation of \$641,805 and \$637,107, respectively	290,103	311,502
Goodwill	158,893	-
Acquired intangibles, net of accumulated amortization of \$98,173 and \$124,507, respectively	185,866	28,841
Installment contract receivables, net of allowances of \$0 and \$9,724, respectively	28,231	58,448
Other assets	220,546	161,049
<b>Total Assets</b>	<b>\$ 1,705,948</b>	<b>\$ 1,410,587</b>
<b>Current Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 152,436	\$ 150,207
Current portion of deferred revenue	308,591	247,691
Total current liabilities	461,027	397,898
<b>Long-Term Liabilities:</b>		
Long-term portion of deferred revenue	96,439	92,298
Convertible notes	548,093	436,012
Other long-term liabilities	304,402	376,006
Total long-term liabilities	948,934	904,316
Stockholders' Equity	295,987	108,373
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 1,705,948</b>	<b>\$ 1,410,587</b>

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

	October 3, 2009	January 2, 2010	April 3, 2010	July 3, 2010	October 2, 2010
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 570,617	\$ 569,115	\$ 619,303	\$ 475,603	\$ 509,035
Short-term investments	4,756	2,184	3,188	2,860	2,641
Receivables, net	195,468	200,628	181,155	191,291	202,237
Inventories	25,626	24,165	19,323	23,874	28,486
Prepaid expenses and other	64,694	54,655	56,617	71,448	79,910
Total current assets	<u>861,161</u>	<u>850,747</u>	<u>879,586</u>	<u>765,076</u>	<u>822,309</u>
Property, plant and equipment, net	313,398	311,502	302,499	295,073	290,103
Goodwill	-	-	5,605	158,227	158,893
Acquired intangibles, net	33,438	28,841	26,566	192,422	185,866
Installment contract receivables, net	64,859	58,448	41,510	40,296	28,231
Other assets	141,361	161,049	159,220	244,661	220,546
Total assets	<u>\$ 1,414,217</u>	<u>\$ 1,410,587</u>	<u>\$ 1,414,986</u>	<u>\$ 1,695,755</u>	<u>\$ 1,705,948</u>
<b>Current Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 159,728	\$ 150,207	\$ 147,782	\$ 153,982	\$ 152,436
Current portion of deferred revenue	245,528	247,691	253,947	290,105	308,591
Total current liabilities	<u>405,256</u>	<u>397,898</u>	<u>401,729</u>	<u>444,087</u>	<u>461,027</u>
<b>Long-Term Liabilities:</b>					
Long-term portion of deferred revenue	108,941	92,298	85,498	92,477	96,439
Convertible notes	431,072	436,012	441,107	541,767	548,093
Other long-term liabilities	372,756	376,006	367,617	454,744	304,402
Total long-term liabilities	<u>912,769</u>	<u>904,316</u>	<u>894,222</u>	<u>1,088,988</u>	<u>948,934</u>
<b>Stockholders' Equity:</b>					
Common stock and capital in excess of par value	1,664,029	1,674,396	1,684,538	1,708,610	1,706,590
Treasury stock, at cost	(433,505)	(431,310)	(386,433)	(370,700)	(353,289)
Accumulated deficit	(1,175,535)	(1,177,983)	(1,224,619)	(1,215,391)	(1,100,111)
Accumulated other comprehensive income	41,203	43,270	45,549	40,161	42,797
Total stockholders' equity	<u>96,192</u>	<u>108,373</u>	<u>119,035</u>	<u>162,680</u>	<u>295,987</u>
Total liabilities and stockholders' equity	<u>\$ 1,414,217</u>	<u>\$ 1,410,587</u>	<u>\$ 1,414,986</u>	<u>\$ 1,695,755</u>	<u>\$ 1,705,948</u>

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

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>October 2, 2010</u>	<u>October 3, 2009</u>	<u>October 2, 2010</u>	<u>October 3, 2009</u>
Revenue:				
Product	\$ 118,221	\$ 96,932	\$ 338,053	\$ 286,295
Services	23,945	26,669	75,123	83,684
Maintenance	95,768	92,521	273,760	262,374
Total revenue	<u>237,934</u>	<u>216,122</u>	<u>686,936</u>	<u>632,353</u>
Costs and Expenses:				
Cost of product	10,757	6,405	23,172	23,828
Cost of services	19,102	21,139	62,583	69,602
Cost of maintenance	9,960	11,105	31,839	35,423
Marketing and sales	76,065	68,282	222,340	214,603
Research and development	97,275	88,049	278,585	273,394
General and administrative	25,081	28,732	64,973	101,311
Amortization of acquired intangibles	4,459	2,726	9,701	8,694
Restructuring and other charges (credits)	(1,682)	(175)	(3,073)	17,833
Total costs and expenses	<u>241,017</u>	<u>226,263</u>	<u>690,120</u>	<u>744,688</u>
Loss from operations	(3,083)	(10,141)	(3,184)	(112,335)
Interest expense	(10,476)	(7,278)	(25,879)	(21,592)
Other income (expense), net	(2,907)	2,917	(33)	(5,765)
Loss before provision (benefit) for income taxes	(16,466)	(14,502)	(29,096)	(139,692)
Provision (benefit) for income taxes	(143,219)	(455)	(192,671)	11,969
Net income (loss)	<u>\$ 126,753</u>	<u>\$ (14,047)</u>	<u>\$ 163,575</u>	<u>\$ (151,661)</u>
Basic net income (loss) per share	<u>\$ 0.49</u>	<u>\$ (0.05)</u>	<u>\$ 0.63</u>	<u>\$ (0.59)</u>
Diluted net income (loss) per share	<u>\$ 0.48</u>	<u>\$ (0.05)</u>	<u>\$ 0.62</u>	<u>\$ (0.59)</u>
Weighted average common shares outstanding - basic	<u>258,606</u>	<u>259,193</u>	<u>261,122</u>	<u>256,792</u>
Weighted average common shares outstanding - diluted	<u>263,302</u>	<u>259,193</u>	<u>265,383</u>	<u>256,792</u>

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

	Three Months Ended				
	October 3, 2009	January 2, 2010	April 3, 2010	July 3, 2010	October 2, 2010
Revenue:					
Product	\$ 96,932	\$ 114,478	\$ 102,766	\$ 117,066	\$ 118,221
Services	26,669	22,871	25,920	25,258	23,945
Maintenance	92,521	82,930	93,252	84,740	95,768
Total revenue	<u>216,122</u>	<u>220,279</u>	<u>221,938</u>	<u>227,064</u>	<u>237,934</u>
Costs and Expenses:					
Cost of product	6,405	8,286	5,292	7,123	10,757
Cost of services	21,139	20,934	21,925	21,556	19,102
Cost of maintenance	11,105	11,170	11,398	10,481	9,960
Marketing and sales	68,282	72,230	74,762	71,513	76,065
Research and development	88,049	81,309	89,430	91,880	97,275
General and administrative	28,732	21,337	22,834	17,058	25,081
Amortization of acquired intangibles	2,726	2,726	2,691	2,551	4,459
Restructuring and other charges (credits)	(175)	13,543	(1,074)	(317)	(1,682)
Total costs and expenses	<u>226,263</u>	<u>231,535</u>	<u>227,258</u>	<u>221,845</u>	<u>241,017</u>
Income (loss) from operations	(10,141)	(11,256)	(5,320)	5,219	(3,083)
Interest expense	(7,278)	(7,280)	(7,431)	(7,972)	(10,476)
Other income (expense), net	2,917	4,723	5,974	(3,100)	(2,907)
Loss before provision (benefit) for income taxes	(14,502)	(13,813)	(6,777)	(5,853)	(16,466)
Provision (benefit) for income taxes	(455)	(15,603)	5,008	(54,460)	(143,219)
Net income (loss)	<u>\$ (14,047)</u>	<u>\$ 1,790</u>	<u>\$ (11,785)</u>	<u>\$ 48,607</u>	<u>\$ 126,753</u>
Basic net income (loss) per share	<u>\$ (0.05)</u>	<u>\$ 0.01</u>	<u>\$ (0.04)</u>	<u>\$ 0.19</u>	<u>\$ 0.49</u>
Diluted net income (loss) per share	<u>\$ (0.05)</u>	<u>\$ 0.01</u>	<u>\$ (0.04)</u>	<u>\$ 0.18</u>	<u>\$ 0.48</u>
Weighted average common shares outstanding - basic	<u>259,193</u>	<u>260,752</u>	<u>262,597</u>	<u>262,163</u>	<u>258,606</u>
Weighted average common shares outstanding - diluted	<u>259,193</u>	<u>265,093</u>	<u>262,597</u>	<u>266,423</u>	<u>263,302</u>

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

	Nine Months Ended	
	October 2, 2010	October 3, 2009
Cash and Cash Equivalents at Beginning of Period	\$ 569,115	\$ 568,255
Cash Flows from Operating Activities:		
Net income (loss)	163,575	(151,661)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	64,795	71,334
Amortization of debt discounts and fees	18,331	15,557
Loss on extinguishment of debt	5,321	-
Stock-based compensation	32,817	43,690
Loss from equity method investments	105	369
(Gain) loss on investments, net	(5,133)	4,307
Gain on sale of property, plant and equipment	(799)	-
Write-down of investment securities	1,500	5,207
Impairment of property, plant and equipment	491	6,603
Deferred income taxes	(70,617)	(6,520)
Proceeds from the sale of receivables, net	-	5,827
Provisions (recoveries) for losses (gains) on trade and installment contract receivables	(13,339)	18,668
Other non-cash items	2,259	(4,084)
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	(44,422)	56,444
Installment contract receivables	97,818	122,302
Inventories	(16,005)	2,846
Prepaid expenses and other	(23,828)	(4,041)
Other assets	(32,223)	11,809
Accounts payable and accrued liabilities	3,308	(79,395)
Deferred revenue	45,229	(83,760)
Other long-term liabilities	(87,054)	(10,773)
Net cash provided by operating activities	<u>142,129</u>	<u>24,729</u>
Cash Flows from Investing Activities:		
Proceeds from the sale of available-for-sale securities	-	139
Proceeds from the sale of long-term investments	10,276	-
Proceeds from the sale of property, plant and equipment	900	-
Purchases of property, plant and equipment	(28,940)	(30,504)
Purchases of software licenses	(2,706)	(774)
Investment in venture capital partnerships and equity investments	(3,000)	(2,300)
Cash paid in business combinations and asset acquisitions, net of cash acquired	(256,117)	(14,126)
Net cash used for investing activities	<u>(279,587)</u>	<u>(47,565)</u>
Cash Flows from Financing Activities:		
Principal payments on receivable sale financing	(3,540)	(2,467)
Proceeds from issuance of 2015 Notes	350,000	-
Payment of Convertible Senior Notes	(187,150)	-
Payment of 2015 Notes issuance costs	(10,419)	-
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	(9,624)	-
Proceeds from issuance of common stock	13,269	27,862
Stock received for payment of employee taxes on vesting of restricted stock	(5,875)	(4,055)
Purchases of treasury stock	(39,997)	-
Net cash provided by financing activities	<u>67,759</u>	<u>21,340</u>
Effect of exchange rate changes on cash and cash equivalents	<u>9,619</u>	<u>3,858</u>
Increase (decrease) in cash and cash equivalents	<u>(60,080)</u>	<u>2,362</u>
Cash and Cash Equivalents at End of Period	<u>\$ 509,035</u>	<u>\$ 570,617</u>

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

	<u>Q3 2009</u>	<u>Q4 2009</u>	<u>Q1 2010</u>	<u>Q2 2010</u>	<u>Q3 2010</u>
Cash and Cash Equivalents at Beginning of Period	\$ 556,925	\$ 570,617	\$ 569,115	\$ 619,303	\$ 475,603
Cash Flows from Operating Activities:					
Net income (loss)	(14,047)	1,790	(11,785)	48,607	126,753
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	21,311	21,805	21,465	19,868	23,462
Amortization of debt discounts and fees	5,313	5,355	5,523	5,778	7,030
Loss on extinguishment of debt	-	-	-	5,321	-
Stock-based compensation	14,455	11,016	10,372	10,435	12,010
Loss on equity method investments	138	112	27	46	32
(Gain) loss on investments, net	(3,684)	(5,599)	(5,591)	(1,344)	1,802
Gain on sale of property, plant and equipment	-	-	-	-	(799)
Write-down of investment securities	601	-	-	1,500	-
Impairment of property, plant and equipment	2,908	127	164	263	64
Deferred income taxes	(1,476)	3,082	(1,706)	(67,560)	(1,351)
Provisions (recoveries) for losses (gains) on trade and installment contract receivables	307	2,279	(2,593)	(10,385)	(361)
Other non-cash items	4,954	2,967	940	2,400	(1,081)
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	13,310	5,522	(23,989)	(1,395)	(19,038)
Installment contract receivables	32,345	(7,956)	57,769	12,710	27,339
Inventories	(3,001)	1,050	(6,047)	(4,876)	(5,082)
Prepaid expenses and other	(3,916)	2,648	(1,518)	(12,260)	(10,050)
Other assets	5,040	235	5,538	(1,788)	(35,973)
Accounts payable and accrued liabilities	(13,148)	(15,456)	925	5,101	(2,718)
Deferred revenue	(25,396)	(11,375)	3,813	28,069	13,347
Other long-term liabilities	(14,291)	(16,694)	(6,604)	8,508	(88,958)
Net cash provided by operating activities	<u>21,723</u>	<u>908</u>	<u>46,703</u>	<u>48,998</u>	<u>46,428</u>
Cash Flows from Investing Activities:					
Proceeds from the sale of available-for-sale securities	139	3,996	-	-	-
Proceeds from the sale of long-term investments	-	-	8,964	1,169	143
Proceeds from the sale of property, plant and equipment	-	3,864	-	-	900
Purchases of property, plant and equipment	(8,222)	(10,804)	(9,899)	(8,866)	(10,175)
Purchases of software licenses	(380)	-	(487)	(2,030)	(189)
Investment in venture capital partnerships and equity investments	(750)	-	-	(500)	(2,500)
Cash paid in business combinations and asset acquisitions, net of cash acquired	(9,230)	-	-	(253,951)	(2,166)
Net cash used for investing activities	<u>(18,443)</u>	<u>(2,944)</u>	<u>(1,422)</u>	<u>(264,178)</u>	<u>(13,987)</u>
Cash Flows from Financing Activities:					
Principal payments on receivable sale financing	(1,671)	-	(1,719)	-	(1,821)
Proceeds from issuance of 2015 Notes	-	-	-	350,000	-
Payment of Convertible Senior Notes	-	-	-	(187,150)	-
Payment of 2015 Notes issuance costs	-	-	-	(9,800)	(619)
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	-	1,383	30	29	(9,683)
Proceeds from issuance of common stock	8,261	148	8,044	75	5,150
Stock received for payment of employee taxes on vesting of restricted stock	(1,616)	(1,904)	(2,079)	(2,035)	(1,761)
Purchases of treasury stock	-	-	-	(39,997)	-
Net cash provided by (used for) financing activities	<u>4,974</u>	<u>(373)</u>	<u>4,276</u>	<u>72,217</u>	<u>(8,734)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>5,438</u>	<u>907</u>	<u>631</u>	<u>(737)</u>	<u>9,725</u>
Increase (decrease) in cash and cash equivalents	<u>13,692</u>	<u>(1,502)</u>	<u>50,188</u>	<u>(143,700)</u>	<u>33,432</u>
Cash and Cash Equivalents at End of Period	<u>\$ 570,617</u>	<u>\$ 569,115</u>	<u>\$ 619,303</u>	<u>\$ 475,603</u>	<u>\$ 509,035</u>

**Cadence Design Systems, Inc.**  
**As of October 27, 2010**  
**Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income (Loss) Per Share**  
**(Unaudited)**

	<u>Three Months Ending January 1, 2011 Forecast</u>	<u>Year Ending January 1, 2011 Forecast</u>
Diluted net income (loss) per share on a GAAP basis	\$(0.06) to \$(0.04)	\$0.55 to \$0.57
Amortization of acquired intangibles	0.03	0.08
Stock-based compensation expense	0.04	0.16
Non-qualified deferred compensation expenses	-	-
Restructuring and other charges (credits)	-	(0.01)
Shareholder litigation costs	-	0.02
Executive severance costs	-	0.01
Integration and acquisition-related costs	0.02	0.05
Amortization of debt discount	0.02	0.08
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	(0.01)
Loss on extinguishment of debt	-	0.02
Acquisition-related income tax benefit	-	(0.25)
Income tax benefit of IRS settlement	-	(0.56)
Income tax effect of non-GAAP adjustments	(0.02)	0.02
Diluted net income per share on a non-GAAP basis	<u>\$0.03 to \$0.05</u>	<u>\$0.16 to \$0.18</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 October 27, 2010**  
**Impact of Non-GAAP Adjustments on Forward Looking Net Income (Loss)**  
**(Unaudited)**

(\$ in Millions)	<u>Three Months Ending January 1, 2011 Forecast</u>	<u>Year Ending January 1, 2011 Forecast</u>
Net income (loss) on a GAAP basis	\$(15) to \$(10)	\$148 to \$153
Amortization of acquired intangibles	7	21
Stock-based compensation expense	11	44
Non-qualified deferred compensation expenses	-	1
Restructuring and other charges (credits)	-	(3)
Shareholder litigation costs	-	4
Executive severance costs	-	2
Integration and acquisition-related costs	4	12
Amortization of debt discount	6	23
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	(4)
Loss on extinguishment of debt	-	5
Acquisition-related income tax benefit	-	(67)
Income tax benefit of IRS settlement	-	(148)
Income tax effect of non-GAAP adjustments	(5)	5
Net income on a non-GAAP basis	<u>\$8 to \$13</u>	<u>\$43 to \$48</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 (Loss) to Non-GAAP Net Income (Loss)**  
**For the Three and Nine Months Ended October 2, 2010 and October 3, 2009**  
**(Unaudited)**

(In thousands)	Three Months Ended		Nine Months Ended	
	October 2, 2010	October 3, 2009	October 2, 2010	October 3, 2009
Net income (loss) on a GAAP basis	\$ 126,753	\$ (14,047)	\$ 163,575	\$ (151,661)
Amortization of acquired intangibles*	6,655	4,391	14,153	15,550
Stock-based compensation expense**	12,010	14,455	32,817	43,690
Non-qualified deferred compensation expenses (credits)***	(1,873)	3,752	490	(4,033)
Restructuring and other charges (credits)	(1,682)	(175)	(3,073)	17,833
Shareholder litigation costs	1,452	-	4,314	-
Executive severance costs****	1,627	-	1,627	-
Integration and acquisition-related costs*****	5,322	155	7,905	530
Amortization of debt discount	6,291	4,837	16,584	14,234
Other income or expense related to investments and non-qualified deferred compensation plan assets †	1,834	(2,913)	(3,528)	9,915
Loss on extinguishment of debt	-	-	5,321	-
Acquisition-related income tax benefit	-	-	(66,707)	-
Income tax benefit of IRS settlement	(148,302)	-	(148,302)	-
Income tax effect of non-GAAP adjustments	1,139	(3,055)	9,985	22,882
Net income (loss) on a non-GAAP basis	\$ 11,226	\$ 7,400	\$ 35,161	\$ (31,060)

† 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		Nine Months Ended	
	October 2, 2010	October 3, 2009	October 2, 2010	October 3, 2009
Cost of product	\$ 2,196	\$ 620	\$ 3,407	\$ 3,721
Cost of maintenance	-	1,045	1,045	3,135
Amortization of acquired intangibles	4,459	2,726	9,701	8,694
Total amortization of acquired intangibles	\$ 6,655	\$ 4,391	\$ 14,153	\$ 15,550

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

(In thousands)	Three Months Ended		Nine Months Ended	
	October 2, 2010	October 3, 2009	October 2, 2010	October 3, 2009
Cost of product	\$ 31	\$ 41	\$ 85	\$ 123
Cost of services	582	917	1,626	2,715
Cost of maintenance	375	587	1,048	1,738
Marketing and sales	2,690	3,301	7,298	9,680
Research and development	4,848	6,735	13,731	21,171
General and administrative	3,484	2,874	9,029	8,263
Total stock-based compensation expense	\$ 12,010	\$ 14,455	\$ 32,817	\$ 43,690

\*\*\*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		Nine Months Ended	
	October 2, 2010	October 3, 2009	October 2, 2010	October 3, 2009
Cost of product	\$ (1)	\$ 1	\$ (1)	\$ (4)
Cost of services	(15)	28	4	(61)
Cost of maintenance	(10)	18	2	(39)
Marketing and sales	(379)	800	74	(992)
Research and development	(758)	1,506	346	(1,166)
General and administrative	(710)	1,399	65	(1,771)
Total non-qualified deferred compensation expenses (credits)	\$ (1,873)	\$ 3,752	\$ 490	\$ (4,033)

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

(In thousands)	Three Months Ended		Nine Months Ended	
	October 2, 2010	October 3, 2009	October 2, 2010	October 3, 2009
Marketing and sales	\$ 572	\$ -	\$ 572	\$ -
General and administrative	1,055	-	1,055	-
Total executive severance costs	\$ 1,627	\$ -	\$ 1,627	\$ -

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

(In thousands)	Three Months Ended		Nine Months Ended	
	October 2, 2010	October 3, 2009	October 2, 2010	October 3, 2009
Marketing and sales	\$ 152	\$ -	\$ 152	\$ -
Research and development	5,075	-	5,837	-
General and administrative	20	-	1,630	-
Interest expense	75	155	286	530
Total integration and acquisition-related costs	\$ 5,322	\$ 155	\$ 7,905	\$ 530

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

(In thousands, except per share data)	Three Months Ended		Nine Months Ended	
	October 2, 2010	October 3, 2009	October 2, 2010	October 3, 2009
Diluted net income (loss) per share on a GAAP basis	\$ 0.48	\$ (0.05)	\$ 0.62	\$ (0.59)
Amortization of acquired intangibles	0.03	0.02	0.05	0.06
Stock-based compensation expense	0.04	0.05	0.12	0.17
Non-qualified deferred compensation expenses (credits)	(0.01)	0.01	-	(0.02)
Restructuring and other charges (credits)	(0.01)	-	(0.01)	0.07
Shareholder litigation costs	0.01	-	0.02	-
Executive severance costs	0.01	-	0.01	-
Integration and acquisition-related costs	0.02	-	0.03	-
Amortization of debt discount	0.02	0.02	0.06	0.06
Other income or expense related to investments and non-qualified deferred compensation plan assets *	0.01	(0.01)	(0.01)	0.04
Loss on extinguishment of debt	-	-	0.02	-
Acquisition-related income tax benefit	-	-	(0.25)	-
Income tax benefit of IRS settlement	(0.56)	-	(0.56)	-
Income tax effect of non-GAAP adjustments	-	(0.01)	0.03	0.09
Diluted net income (loss) per share on a non-GAAP basis	\$ 0.04	\$ 0.03	\$ 0.13	\$ (0.12)

Shares used in calculation of diluted net income (loss) per share - GAAP **	263,302	259,193	265,383	256,792
Shares used in calculation of diluted net income (loss) per share - non-GAAP **	263,302	262,553	265,383	256,792

\* 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 (loss) per share, except when the company reports a GAAP net loss and non-GAAP net income, or GAAP net income and a non-GAAP net loss.

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

	Three Months Ended October 2, 2010	Three Months Ended October 3, 2009
	Actual (In thousands)	Actual (In thousands)
GAAP total costs and expenses	\$ 241,017	\$ 226,263
Reconciling items to non-GAAP total costs and expenses		
Amortization of acquired intangibles	(6,655)	(4,391)
Stock-based compensation expense	(12,010)	(14,455)
Non-qualified deferred compensation (expenses) credits	1,873	(3,752)
Restructuring and other (charges) credits	1,682	175
Shareholder litigation costs	(1,452)	-
Integration and acquisition-related costs	(5,247)	-
Executive severance costs	(1,627)	-
Non-GAAP total costs and expenses	<u>\$ 217,581</u>	<u>\$ 203,840</u>

	Three Months Ended October 2, 2010	Three Months Ended October 3, 2009	Three Months Ending January 1, 2011	Year Ending January 1, 2011
	Actual	Actual	Forecast	Forecast
GAAP operating margin as a percent of total revenue	-1%	-5%	-2% to 0%	-1% to 1%
Reconciling items to non-GAAP operating margin as a percent of total revenue				
Amortization of acquired intangibles	3%	2%	3%	2%
Stock-based compensation expense	5%	7%	4%	5%
Non-qualified deferred compensation expenses (credits)	-1%	2%	0%	0%
Restructuring and other charges (credits)	-1%	0%	0%	0%
Shareholder litigation costs	1%	0%	0%	0%
Integration and acquisition-related costs	2%	0%	2%	1%
Executive severance costs	1%	0%	0%	0%
Non-GAAP operating margin as a percent of total revenue	<u>9%</u>	<u>6%</u>	<u>7% to 9%</u>	<u>7% to 9%</u>

	Year Ending January 1, 2011
	Forecast
(In millions)	
GAAP total other income (expense), net	\$(36) to \$(34)
Reconciling items to non-GAAP total other income (expense), net	
Other income or expense related to investments and non-qualified deferred compensation plan assets*	(4)
Loss on extinguishment of debt	5
Amortization of debt discount	23
Non-GAAP total other income (expense), net	<u>\$(12) to \$(10)</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 October 2, 2010							
	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 severance costs	Operating expenses on a non-GAAP basis
Cost of product	10,757	(31)	(2,196)	1	-	-	-	8,531
Cost of services	19,102	(582)	-	15	-	-	-	18,535
Cost of maintenance	9,960	(375)	-	10	-	-	-	9,595
Marketing and sales	76,065	(2,690)	-	379	(152)	-	(572)	73,030
Research and development	97,275	(4,848)	-	758	(5,075)	-	-	88,110
General and administrative	25,081	(3,484)	-	710	(20)	(1,452)	(1,055)	19,780
Amortization of acquired intangibles	4,459	-	(4,459)	-	-	-	-	-
		<u>(12,010)</u>	<u>(6,655)</u>	<u>1,873</u>	<u>(5,247)</u>	<u>(1,452)</u>	<u>(1,627)</u>	
	For the nine months ended October 2, 2010							
	Operating expenses on a GAAP basis	Stock-based compensation	Amortization of acquired intangibles	Non-qualified deferred compensation expenses (credits)	Integration and acquisition- related costs	Shareholder litigation costs	Executive severance costs	Operating expenses on a non-GAAP basis
Cost of product	23,172	(85)	(3,407)	1	-	-	-	19,681
Cost of services	62,583	(1,626)	-	(4)	-	-	-	60,953
Cost of maintenance	31,839	(1,048)	(1,045)	(2)	-	-	-	29,744
Marketing and sales	222,340	(7,298)	-	(74)	(152)	-	(572)	214,244
Research and development	278,585	(13,731)	-	(346)	(5,837)	-	-	258,671
General and administrative	64,973	(9,029)	-	(65)	(1,630)	(4,314)	(1,055)	48,880
Amortization of acquired intangibles	9,701	-	(9,701)	-	-	-	-	-
		<u>(32,817)</u>	<u>(14,153)</u>	<u>(490)</u>	<u>(7,619)</u>	<u>(4,314)</u>	<u>(1,627)</u>	

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

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

<u>GEOGRAPHY</u>	<b>2009</b>					<b>2010</b>		
	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Year</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>
Americas	42%	48%	43%	51%	<b>46%</b>	40%	46%	43%
Europe	24%	21%	20%	24%	<b>22%</b>	22%	23%	20%
Japan	19%	17%	23%	12%	<b>18%</b>	23%	14%	20%
Asia	15%	14%	14%	13%	<b>14%</b>	15%	17%	17%
<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>

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

<u>PRODUCT GROUP</u>	<b>2009</b>					<b>2010</b>		
	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Year</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>
Functional Verification	20%	23%	21%	22%	<b>22%</b>	22%	26%	25%
Digital IC Design	19%	24%	19%	22%	<b>21%</b>	21%	21%	23%
Custom IC Design	26%	25%	28%	28%	<b>27%</b>	27%	26%	24%
Design for Manufacturing	9%	5%	9%	7%	<b>7%</b>	9%	6%	8%
System Interconnect	12%	10%	11%	11%	<b>11%</b>	9%	10%	10%
Services & Other	14%	13%	12%	10%	<b>12%</b>	12%	11%	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>	<b>100%</b>

Note: Product Group total revenue includes Product + Maintenance