

TABLE OF CONTENTS

Condensed Consolidated Balance Sheets, October 1, 2011 and January 1, 2011.....	1
Trended Condensed Consolidated Balance Sheets.....	2
Condensed Consolidated Income Statements for the Three and Nine Months Ended October 1, 2011 and October 2, 2010.....	3
Trended Condensed Consolidated Statements of Operations.....	4
Condensed Consolidated Statements of Cash Flows for the Nine Months Ended October 1, 2011 and October 2, 2010.....	5
Trended Condensed Consolidated Statements of Cash Flows.....	6
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share, as of October 26, 2011.....	7
Impact of Non-GAAP Adjustments on Forward Looking Net Income, as of October 26, 2011.....	7
Reconciliation of GAAP Net Income to Non-GAAP Net Income, for the Three and Nine Months Ended October 1, 2011 and October 2, 2010.....	8
Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share, for the Three and Nine Months Ended October 1, 2011 and October 2, 2010.....	9
Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures.....	10
Revenue Mix by Geography.....	11
Revenue Mix by Product Group.....	11

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

	October 1, 2011	January 1, 2011
Current Assets:		
Cash and cash equivalents	\$ 696,101	\$ 557,409
Short-term investments	2,959	12,715
Receivables, net of allowances of \$65 and \$7,604, respectively	152,433	191,893
Inventories	47,056	39,034
Prepaid expenses and other	59,910	78,355
Total current assets	958,459	879,406
Property, plant and equipment, net of accumulated depreciation of \$650,786 and \$648,676, respectively	259,940	285,115
Goodwill	192,153	158,893
Acquired intangibles, net of accumulated amortization of \$84,725 and \$105,158, respectively	180,045	179,198
Installment contract receivables	9,178	23,380
2015 notes hedges	179,658	130,211
Other assets	81,244	75,913
Total Assets	\$ 1,860,677	\$ 1,732,116
Current Liabilities:		
Convertible notes	\$ 148,530	\$ 143,258
Accounts payable and accrued liabilities	140,422	216,864
Current portion of deferred revenue	360,580	337,426
Total current liabilities	649,532	697,548
Long-Term Liabilities:		
Long-term portion of deferred revenue	88,039	85,400
Convertible notes	420,982	406,404
2015 notes embedded conversion derivative	179,658	130,211
Other long-term liabilities	145,870	135,899
Total long-term liabilities	834,549	757,914
Stockholders' Equity	376,596	276,654
Total Liabilities and Stockholders' Equity	\$ 1,860,677	\$ 1,732,116

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

	October 2, 2010	January 1, 2011	April 2, 2011	July 2, 2011	October 1, 2011
Current Assets:					
Cash and cash equivalents	\$ 509,035	\$ 557,409	\$ 612,208	\$ 665,317	\$ 696,101
Short-term investments	2,641	12,715	10,917	3,255	2,959
Receivables, net	202,237	191,893	172,543	150,241	152,433
Inventories	28,486	39,034	43,050	44,391	47,056
2015 notes hedges	-	-	-	222,085	-
Prepaid expenses and other	79,910	78,355	83,920	79,966	59,910
Total current assets	<u>822,309</u>	<u>879,406</u>	<u>922,638</u>	<u>1,165,255</u>	<u>958,459</u>
Property, plant and equipment, net	290,103	285,115	273,161	267,758	259,940
Goodwill	158,893	158,893	159,081	173,752	192,153
Acquired intangibles, net	185,866	179,198	172,345	178,566	180,045
Installment contract receivables	28,231	23,380	11,452	10,622	9,178
2015 notes hedges	114,254	130,211	201,047	-	179,658
Other assets	106,292	75,913	75,980	78,672	81,244
Total assets	<u>\$ 1,705,948</u>	<u>\$ 1,732,116</u>	<u>\$ 1,815,704</u>	<u>\$ 1,874,625</u>	<u>\$ 1,860,677</u>
Current Liabilities:					
Convertible notes	\$ -	\$ 143,258	\$ 144,999	\$ 433,857	\$ 148,530
2015 notes embedded conversion derivative	-	-	-	222,085	-
Accounts payable and accrued liabilities	152,436	216,864	188,648	165,698	140,422
Current portion of deferred revenue	308,591	337,426	340,015	362,762	360,580
Total current liabilities	<u>461,027</u>	<u>697,548</u>	<u>673,662</u>	<u>1,184,402</u>	<u>649,532</u>
Long-Term Liabilities:					
Long-term portion of deferred revenue	96,439	85,400	100,064	91,360	88,039
Convertible notes	548,093	406,404	411,198	128,928	420,982
2015 notes embedded conversion derivative	114,254	130,211	201,047	-	179,658
Other long-term liabilities	190,148	135,899	132,027	138,619	145,870
Total long-term liabilities	<u>948,934</u>	<u>757,914</u>	<u>844,336</u>	<u>358,907</u>	<u>834,549</u>
Stockholders' Equity:					
Common stock and capital in excess of par value	1,706,590	1,715,541	1,716,254	1,725,660	1,713,151
Treasury stock, at cost	(353,289)	(353,090)	(332,065)	(330,093)	(294,285)
Accumulated deficit	(1,100,111)	(1,138,853)	(1,139,018)	(1,114,847)	(1,092,468)
Accumulated other comprehensive income	42,797	53,056	52,535	50,596	50,198
Total stockholders' equity	<u>295,987</u>	<u>276,654</u>	<u>297,706</u>	<u>331,316</u>	<u>376,596</u>
Total liabilities and stockholders' equity	<u>\$ 1,705,948</u>	<u>\$ 1,732,116</u>	<u>\$ 1,815,704</u>	<u>\$ 1,874,625</u>	<u>\$ 1,860,677</u>

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three and Nine Months Ended October 1, 2011 and October 2, 2010
(In thousands, except per share amounts)
(Unaudited)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>October 1, 2011</u>	<u>October 2, 2010</u>	<u>October 1, 2011</u>	<u>October 2, 2010</u>
Revenue:				
Product	\$ 163,966	\$ 118,221	\$ 463,723	\$ 338,053
Services	29,102	23,945	86,384	75,123
Maintenance	99,389	95,768	291,722	273,760
Total revenue	<u>292,457</u>	<u>237,934</u>	<u>841,829</u>	<u>686,936</u>
Costs and Expenses:				
Cost of product	18,185	10,757	52,453	23,172
Cost of services	20,410	19,102	61,101	62,583
Cost of maintenance	11,223	9,960	32,837	31,839
Marketing and sales	79,914	76,065	235,292	222,340
Research and development	103,154	97,275	303,721	278,585
General and administrative	24,041	25,081	68,720	64,973
Amortization of acquired intangibles	3,786	4,459	12,750	9,701
Restructuring and other charges (credits)	(433)	(1,682)	277	(3,073)
Total costs and expenses	<u>260,280</u>	<u>241,017</u>	<u>767,151</u>	<u>690,120</u>
Income (loss) from operations	32,177	(3,083)	74,678	(3,184)
Interest expense	(10,830)	(10,476)	(32,584)	(25,879)
Other income (expense), net	7,244	(2,907)	20,107	(33)
Income (loss) before provision (benefit) for income taxes	28,591	(16,466)	62,201	(29,096)
Provision (benefit) for income taxes	485	(143,219)	864	(192,671)
Net income	<u>\$ 28,106</u>	<u>\$ 126,753</u>	<u>\$ 61,337</u>	<u>\$ 163,575</u>
Basic net income per share	<u>\$ 0.11</u>	<u>\$ 0.49</u>	<u>\$ 0.23</u>	<u>\$ 0.63</u>
Diluted net income per share	<u>\$ 0.10</u>	<u>\$ 0.48</u>	<u>\$ 0.23</u>	<u>\$ 0.62</u>
Weighted average common shares outstanding - basic	<u>264,723</u>	<u>258,606</u>	<u>263,149</u>	<u>261,122</u>
Weighted average common shares outstanding - diluted	<u>270,741</u>	<u>263,302</u>	<u>270,068</u>	<u>265,383</u>

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

	Three Months Ended				
	October 2, 2010	January 1, 2011	April 2, 2011	July 2, 2011	October 1, 2011
Revenue:					
Product	\$ 118,221	\$ 133,545	\$ 141,819	\$ 157,938	\$ 163,966
Services	23,945	25,768	27,805	29,477	29,102
Maintenance	95,768	89,705	96,478	95,855	99,389
Total revenue	<u>237,934</u>	<u>249,018</u>	<u>266,102</u>	<u>283,270</u>	<u>292,457</u>
Costs and Expenses:					
Cost of product	10,757	8,249	14,194	20,074	18,185
Cost of services	19,102	20,385	20,075	20,616	20,410
Cost of maintenance	9,960	10,215	10,898	10,716	11,223
Marketing and sales	76,065	83,218	78,372	77,006	79,914
Research and development	97,275	97,828	101,299	99,268	103,154
General and administrative	25,081	21,421	19,302	25,377	24,041
Amortization of acquired intangibles	4,459	4,459	4,459	4,505	3,786
Restructuring and other charges (credits)	(1,682)	13,225	(41)	751	(433)
Litigation charges	-	15,800	-	-	-
Total costs and expenses	<u>241,017</u>	<u>274,800</u>	<u>248,558</u>	<u>258,313</u>	<u>260,280</u>
Income (loss) from operations	(3,083)	(25,782)	17,544	24,957	32,177
Interest expense	(10,476)	(10,464)	(10,986)	(10,768)	(10,830)
Other income (expense), net	(2,907)	2,574	4,469	8,394	7,244
Income (loss) before provision (benefit) for income taxes	(16,466)	(33,672)	11,027	22,583	28,591
Provision (benefit) for income taxes	(143,219)	3,365	4,704	(4,325)	485
Net income (loss)	<u>\$ 126,753</u>	<u>\$ (37,037)</u>	<u>\$ 6,323</u>	<u>\$ 26,908</u>	<u>\$ 28,106</u>
Basic net income (loss) per share	<u>\$ 0.49</u>	<u>\$ (0.14)</u>	<u>\$ 0.02</u>	<u>\$ 0.10</u>	<u>\$ 0.11</u>
Diluted net income (loss) per share	<u>\$ 0.48</u>	<u>\$ (0.14)</u>	<u>\$ 0.02</u>	<u>\$ 0.10</u>	<u>\$ 0.10</u>
Weighted average common shares outstanding - basic	<u>258,606</u>	<u>259,781</u>	<u>261,533</u>	<u>263,191</u>	<u>264,723</u>
Weighted average common shares outstanding - diluted	<u>263,302</u>	<u>259,781</u>	<u>268,578</u>	<u>270,885</u>	<u>270,741</u>

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended October 1, 2011 and October 2, 2010
(In thousands)
(Unaudited)

	Nine Months Ended	
	October 1, 2011	October 2, 2010
Cash and Cash Equivalents at Beginning of Period	\$ 557,409	\$ 569,115
Cash Flows from Operating Activities:		
Net income	61,337	163,575
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	68,934	64,795
Amortization of debt discount and fees	22,068	18,331
Loss on extinguishment of debt	-	5,321
Stock-based compensation	31,589	32,817
Loss from equity method investments	104	105
Gain on investments, net	(19,324)	(5,133)
Gain on sale of property, plant and equipment	-	(799)
Write-down of investment securities	-	1,500
Non-cash restructuring and other charges	202	272
Impairment of property, plant and equipment	-	491
Deferred income taxes	(4,741)	(70,617)
Provisions (recoveries) for losses (gains) on trade and installment contract receivables	(6,596)	(13,339)
Other non-cash items	3,689	1,987
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	(8,906)	(44,422)
Installment contract receivables	72,635	97,818
Inventories	(9,767)	(16,005)
Prepaid expenses and other	19,718	(23,828)
Other assets	3,718	5,396
Accounts payable and accrued liabilities	(71,832)	3,308
Deferred revenue	20,245	45,229
Other long-term liabilities	(4,868)	(124,673)
Net cash provided by operating activities	<u>178,205</u>	<u>142,129</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	4,824	10,276
Proceeds from the sale of property, plant and equipment	-	900
Purchases of property, plant and equipment	(17,703)	(28,940)
Purchases of software licenses	-	(2,706)
Investment in venture capital partnerships and equity investments	(608)	(3,000)
Cash paid in business combinations and asset acquisitions, net of cash acquired	(44,052)	(256,117)
Net cash used for investing activities	<u>(47,951)</u>	<u>(279,587)</u>
Cash Flows from Financing Activities:		
Principal payments on receivable sale financing	(2,829)	(3,540)
Proceeds from issuance of 2015 Notes	-	350,000
Payment of 2011 Notes and 2013 Notes	-	(187,150)
Payment of 2015 Notes issuance costs	-	(10,419)
Purchase of 2015 Notes Hedges	-	(76,635)
Proceeds from termination of 2011 and 2013 Notes Hedges	-	280
Proceeds from sale of 2015 Warrants	-	37,450
Tax effect related to employee stock transactions allocated to equity	2,897	(9,624)
Proceeds from issuance of common stock	16,994	13,269
Stock received for payment of employee taxes on vesting of restricted stock	(9,926)	(5,875)
Purchases of treasury stock	-	(39,997)
Net cash provided by financing activities	<u>7,136</u>	<u>67,759</u>
Effect of exchange rate changes on cash and cash equivalents	<u>1,302</u>	<u>9,619</u>
Increase (decrease) in cash and cash equivalents	<u>138,692</u>	<u>(60,080)</u>
Cash and Cash Equivalents at End of Period	<u>\$ 696,101</u>	<u>\$ 509,035</u>

Cadence Design Systems, Inc.
Trended Condensed Consolidated Statements of Cash Flows
For the Five Quarters Ended October 1, 2011
(In thousands)
(Unaudited)

	<u>Q3 2010</u>	<u>Q4 2010</u>	<u>Q1 2011</u>	<u>Q2 2011</u>	<u>Q3 2011</u>
Cash and Cash Equivalents at Beginning of Period	\$ 475,603	\$ 509,035	\$ 557,409	\$ 612,208	\$ 665,317
Cash Flows from Operating Activities:					
Net income (loss)	126,753	(37,037)	6,323	26,908	28,106
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	23,462	23,540	22,907	23,376	22,651
Amortization of debt discount and fees	7,030	7,021	7,263	7,324	7,481
Loss on extinguishment of debt	-	384	-	-	-
Stock-based compensation	12,010	10,643	9,357	10,341	11,891
Loss from equity method investments	32	28	30	35	39
(Gain) loss on investments, net	1,802	(2,484)	(4,477)	(9,264)	(5,583)
Gain on sale of property, plant and equipment	(799)	-	-	-	-
Non-cash restructuring and other charges	56	3,814	65	71	66
Impairment of property, plant and equipment	64	-	-	-	-
Deferred income taxes	(1,351)	6,426	65	(4,876)	70
Provisions (recoveries) for losses (gains) on trade and installment contract receivables	(361)	(3,759)	(5,197)	(688)	(711)
Other non-cash items	(1,137)	(149)	488	2,030	1,171
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	(19,038)	10,963	(7,928)	10,383	(11,361)
Installment contract receivables	27,339	7,016	45,570	16,510	10,555
Inventories	(5,082)	(10,523)	(4,016)	(2,971)	(2,780)
Prepaid expenses and other	(10,050)	1,436	(5,456)	7,425	17,749
Other assets	3,999	3,208	1,662	(183)	2,239
Accounts payable and accrued liabilities	(2,718)	56,973	(20,681)	(27,969)	(23,182)
Deferred revenue	13,347	17,302	15,607	10,372	(5,734)
Other long-term liabilities	(128,930)	(37,788)	(5,217)	589	(240)
Net cash provided by operating activities	<u>46,428</u>	<u>57,014</u>	<u>56,365</u>	<u>69,413</u>	<u>52,427</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	143	-	2,677	108	2,039
Proceeds from the sale of property, plant and equipment	900	-	-	-	-
Purchases of property, plant and equipment	(10,175)	(5,842)	(5,181)	(6,131)	(6,391)
Purchases of software licenses	(189)	-	-	-	-
Investment in venture capital partnerships and equity investments	(2,500)	-	(608)	-	-
Cash paid in business combinations and asset acquisitions, net of cash acquired	(2,166)	-	(2,538)	(20,327)	(21,187)
Net cash used for investing activities	<u>(13,987)</u>	<u>(5,525)</u>	<u>(4,153)</u>	<u>(18,259)</u>	<u>(25,539)</u>
Cash Flows from Financing Activities:					
Principal payments on receivable sale financing	(1,821)	-	(2,829)	-	-
Payment of 2011 Notes and 2013 Notes	-	(5,214)	-	-	-
Payment of 2015 Notes issuance costs	(619)	(113)	-	-	-
Proceeds from termination of 2011 and 2013 Notes Hedges	-	31	-	-	-
Tax effect related to employee stock transactions allocated to equity	(9,683)	166	160	807	1,930
Proceeds from issuance of common stock	5,150	374	8,897	1,405	6,692
Stock received for payment of employee taxes on vesting of restricted stock	(1,761)	(3,065)	(2,854)	(4,535)	(2,537)
Net cash provided by (used for) financing activities	<u>(8,734)</u>	<u>(7,821)</u>	<u>3,374</u>	<u>(2,323)</u>	<u>6,085</u>
Effect of exchange rate changes on cash and cash equivalents	<u>9,725</u>	<u>4,706</u>	<u>(787)</u>	<u>4,278</u>	<u>(2,189)</u>
Increase in cash and cash equivalents	<u>33,432</u>	<u>48,374</u>	<u>54,799</u>	<u>53,109</u>	<u>30,784</u>
Cash and Cash Equivalents at End of Period	<u>\$ 509,035</u>	<u>\$ 557,409</u>	<u>\$ 612,208</u>	<u>\$ 665,317</u>	<u>\$ 696,101</u>

Cadence Design Systems, Inc.
As of October 26, 2011
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share
(Unaudited)

	<u>Three Months Ending December 31, 2011</u> Forecast	<u>Year Ending December 31, 2011</u> Forecast
Diluted net income per share on a GAAP basis	\$0.08 to \$0.10	\$0.31 to \$0.33
Amortization of acquired intangibles	0.03	0.10
Stock-based compensation expense	0.04	0.16
Non-qualified deferred compensation expenses	-	0.01
Shareholder litigation costs	-	-
Executive and other employee severance costs	-	0.01
Integration and acquisition-related costs	-	0.01
Amortization of debt discount	0.02	0.10
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	(0.07)
Acquisition-related income tax benefit	-	(0.02)
Income tax benefit of IRS settlement	-	(0.02)
Income tax effect of non-GAAP adjustments	(0.03)	(0.11)
Diluted net income per share on a non-GAAP basis	<u>\$0.14 to \$0.16</u>	<u>\$0.48 to \$0.50</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 26, 2011
Impact of Non-GAAP Adjustments on Forward Looking Net Income
(Unaudited)

(\$ in Millions)	<u>Three Months Ending December 31, 2011</u> Forecast	<u>Year Ending December 31, 2011</u> Forecast
Net income on a GAAP basis	\$21 to \$27	\$83 to \$89
Amortization of acquired intangibles	7	27
Stock-based compensation expense	12	43
Non-qualified deferred compensation expenses	-	3
Shareholder litigation costs	-	1
Executive and other employee severance costs	-	3
Integration and acquisition-related costs	-	3
Amortization of debt discount	6	26
Other income or expense related to investments and non-qualified deferred compensation plan assets*	-	(19)
Acquisition-related income tax benefit	-	(5)
Income tax benefit of IRS settlement	-	(6)
Income tax effect of non-GAAP adjustments	(8)	(29)
Net income on a non-GAAP basis	<u>\$38 to \$44</u>	<u>\$130 to \$136</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 Nine Months Ended October 1, 2011 and October 2, 2010
(Unaudited)

(In thousands)	Three Months Ended		Nine Months Ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Net income on a GAAP basis	\$ 28,106	\$ 126,753	\$ 61,337	\$ 163,575
Amortization of acquired intangibles*	6,692	6,655	20,335	14,153
Stock-based compensation expense**	11,891	12,010	31,589	32,817
Non-qualified deferred compensation expenses (credits)***	229	(1,873)	3,177	490
Restructuring and other charges (credits)	(433)	(1,682)	277	(3,073)
Shareholder litigation costs	179	1,452	1,353	4,314
Executive and other employee severance costs****	1,331	1,627	3,247	1,627
Integration and acquisition-related costs*****	766	5,322	2,245	7,905
Amortization of debt discount	6,697	6,291	19,782	16,584
Other income or expense related to investments and non-qualified deferred compensation plan assets †	(5,544)	1,834	(19,164)	(3,528)
Loss on extinguishment of debt	-	-	-	5,321
Acquisition-related income tax benefit	-	-	(5,021)	(66,707)
Income tax benefit of IRS settlement	-	(148,302)	(5,680)	(148,302)
Income tax effect of non-GAAP adjustments	(12,619)	1,139	(20,946)	9,985
Net income on a non-GAAP basis	<u>\$ 37,295</u>	<u>\$ 11,226</u>	<u>\$ 92,531</u>	<u>\$ 35,161</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.

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

(In thousands)	Three Months Ended		Nine Months Ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Cost of product	\$ 2,906	\$ 2,196	\$ 7,585	\$ 3,407
Cost of maintenance	-	-	-	1,045
Amortization of acquired intangibles	3,786	4,459	12,750	9,701
Total amortization of acquired intangibles	<u>\$ 6,692</u>	<u>\$ 6,655</u>	<u>\$ 20,335</u>	<u>\$ 14,153</u>

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

(In thousands)	Three Months Ended		Nine Months Ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Cost of product	\$ 31	\$ 31	\$ 80	\$ 85
Cost of services	590	582	1,522	1,626
Cost of maintenance	381	375	981	1,048
Marketing and sales	2,983	2,690	7,740	7,298
Research and development	5,070	4,848	13,010	13,731
General and administrative	2,836	3,484	8,256	9,029
Total stock-based compensation expense	<u>\$ 11,891</u>	<u>\$ 12,010</u>	<u>\$ 31,589</u>	<u>\$ 32,817</u>

***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		Nine Months Ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Cost of product	\$ 1	\$ (1)	\$ 2	\$ (1)
Cost of services	20	(15)	40	4
Cost of maintenance	13	(10)	26	2
Marketing and sales	19	(379)	498	74
Research and development	135	(758)	1,448	346
General and administrative	41	(710)	1,163	65
Total non-qualified deferred compensation expenses (credits)	<u>\$ 229</u>	<u>\$ (1,873)</u>	<u>\$ 3,177</u>	<u>\$ 490</u>

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

(In thousands)	Three Months Ended		Nine Months Ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Cost of services	\$ 49	\$ -	\$ 259	\$ -
Marketing and sales	1,193	572	2,173	572
Research and development	68	-	522	-
General and administrative	21	1,055	293	1,055
Total executive and other employee severance costs	<u>\$ 1,331</u>	<u>\$ 1,627</u>	<u>\$ 3,247</u>	<u>\$ 1,627</u>

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

(In thousands)	Three Months Ended		Nine Months Ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Marketing and sales	\$ 122	\$ 152	\$ 355	\$ 152
Research and development	231	5,075	779	5,837
General and administrative	413	20	1,068	1,630
Interest expense	-	75	43	286
Total integration and acquisition-related costs	<u>\$ 766</u>	<u>\$ 5,322</u>	<u>\$ 2,245</u>	<u>\$ 7,905</u>

Cadence Design Systems, Inc.
Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share
For the Three and Nine Months Ended October 1, 2011 and October 2, 2010
(Unaudited)

(In thousands, except per share data)	Three Months Ended		Nine Months Ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Diluted net income per share on a GAAP basis	\$ 0.10	\$ 0.48	\$ 0.23	\$ 0.62
Amortization of acquired intangibles	0.03	0.03	0.08	0.05
Stock-based compensation expense	0.04	0.04	0.12	0.12
Non-qualified deferred compensation expenses (credits)	-	(0.01)	0.01	-
Restructuring and other charges (credits)	-	(0.01)	-	(0.01)
Shareholder litigation costs	-	0.01	0.01	0.02
Executive and other employee severance costs	0.01	0.01	0.01	0.01
Integration and acquisition-related costs	-	0.02	0.01	0.03
Amortization of debt discount	0.02	0.02	0.07	0.06
Other income or expense related to investments and non-qualified deferred compensation plan assets *	(0.02)	0.01	(0.07)	(0.01)
Loss on extinguishment of debt	-	-	-	0.02
Acquisition-related income tax benefit	-	-	(0.02)	(0.25)
Income tax benefit of IRS settlement	-	(0.56)	(0.02)	(0.56)
Income tax effect of non-GAAP adjustments	(0.04)	-	(0.09)	0.03
Diluted net income per share on a non-GAAP basis	\$ 0.14	\$ 0.04	\$ 0.34	\$ 0.13

Shares used in calculation of diluted net income per share - GAAP **	270,741	263,302	270,068	265,383
Shares used in calculation of diluted net income per share - non-GAAP **	270,741	263,302	270,068	265,383

* 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 October 1, 2011	Three Months Ended July 2, 2011
	Actual (In thousands)	Actual (In thousands)
GAAP total costs and expenses	\$ 260,280	\$ 258,313
Reconciling items to non-GAAP total costs and expenses		
Amortization of acquired intangibles	(6,692)	(6,988)
Stock-based compensation expense	(11,891)	(10,341)
Non-qualified deferred compensation expenses	(229)	(1,186)
Restructuring and other (charges) credits	433	(751)
Shareholder litigation costs	(179)	(1,106)
Integration and acquisition-related costs	(766)	(1,005)
Executive and other employee severance costs	(1,331)	(1,916)
Non-GAAP total costs and expenses	<u>\$ 239,625</u>	<u>\$ 235,020</u>

	Three Months Ended October 1, 2011	Three Months Ended October 2, 2010	Three Months Ending December 31, 2011	Year Ending December 31, 2011
	Actual	Actual	Forecast	Forecast
GAAP operating margin as a percent of total revenue	11%	-1%	12% to 14%	9% to 11%
Reconciling items to non-GAAP operating margin as a percent of total revenue				
Amortization of acquired intangibles	2%	3%	2%	3%
Stock-based compensation expense	4%	5%	4%	4%
Non-qualified deferred compensation expenses (credits)	0%	-1%	0%	0%
Restructuring and other charges (credits)	0%	-1%	0%	0%
Shareholder litigation costs	0%	1%	0%	0%
Integration and acquisition-related costs	0%	2%	0%	0%
Executive and other employee severance costs	1%	1%	0%	0%
Non-GAAP operating margin as a percent of total revenue	<u>18%</u>	<u>9%</u>	<u>18% to 20%</u>	<u>16% to 18%</u>

	Year Ending December 31, 2011
	Forecast
(In millions)	
GAAP total other income (expense), net	\$(23) to \$(21)
Reconciling items to non-GAAP total other income (expense), net	
Other income or expense related to investments and non-qualified deferred compensation plan assets*	(19)
Amortization of debt discount	26
Non-GAAP total other income (expense), net	<u>\$(16) to \$(14)</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 1, 2011							
	Operating expenses on a GAAP basis	Stock-based compensation	Amortization of acquired intangibles	Non-qualified deferred compensation expenses	Integration and acquisition- related costs	Shareholder litigation costs	Executive and other employee severance costs	Operating expenses on a non-GAAP basis
Cost of product	18,185	(31)	(2,906)	(1)	-	-	-	15,247
Cost of services	20,410	(590)	-	(20)	-	-	(49)	19,751
Cost of maintenance	11,223	(381)	-	(13)	-	-	-	10,829
Marketing and sales	79,914	(2,983)	-	(19)	(122)	-	(1,193)	75,597
Research and development	103,154	(5,070)	-	(135)	(231)	-	(68)	97,650
General and administrative	24,041	(2,836)	-	(41)	(413)	(179)	(21)	20,551
Amortization of acquired intangibles	3,786	-	(3,786)	-	-	-	-	-
		<u>(11,891)</u>	<u>(6,692)</u>	<u>(229)</u>	<u>(766)</u>	<u>(179)</u>	<u>(1,331)</u>	

	For the nine months ended October 1, 2011							
	Operating expenses on a GAAP basis	Stock-based compensation	Amortization of acquired intangibles	Non-qualified deferred compensation expenses	Integration and acquisition- related costs	Shareholder litigation costs	Executive and other employee severance costs	Operating expenses on a non-GAAP basis
Cost of product	52,453	(80)	(7,585)	(2)	-	-	-	44,786
Cost of services	61,101	(1,522)	-	(40)	-	-	(259)	59,280
Cost of maintenance	32,837	(981)	-	(26)	-	-	-	31,830
Marketing and sales	235,292	(7,740)	-	(498)	(355)	-	(2,173)	224,526
Research and development	303,721	(13,010)	-	(1,448)	(779)	-	(522)	287,962
General and administrative	68,720	(8,256)	-	(1,163)	(1,068)	(1,353)	(293)	56,587
Amortization of acquired intangibles	12,750	-	(12,750)	-	-	-	-	-
		<u>(31,589)</u>	<u>(20,335)</u>	<u>(3,177)</u>	<u>(2,202)</u>	<u>(1,353)</u>	<u>(3,247)</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>	<u>Q3</u>
Americas	40%	46%	43%	45%	43%	44%	47%	44%
Europe	22%	23%	20%	23%	22%	21%	20%	21%
Japan	23%	14%	20%	14%	18%	19%	17%	18%
Asia	15%	17%	17%	18%	17%	16%	16%	17%
Total	100%	100%	100%	100%	100%	100%	100%	100%

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>	<u>Q3</u>
Functional Verification and Design IP	22%	26%	25%	22%	24%	28%	33%	30%
Digital IC Design	21%	21%	23%	26%	23%	24%	21%	22%
Custom IC Design	27%	26%	24%	27%	26%	20%	22%	23%
Design for Manufacturing	9%	6%	8%	7%	7%	8%	6%	6%
System Interconnect	9%	10%	10%	8%	9%	10%	8%	9%
Services & Other	12%	11%	10%	10%	11%	10%	10%	10%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Note: Product Group total revenue includes Product + Maintenance