

*These fourth quarter 2010 Financial Schedules have been updated as of February 24, 2011 for the subsequent event discussed in Cadence's Current Annual Report on Form 10-K filed on February 24, 2011*

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**Cadence Design Systems, Inc.**  
**Condensed Consolidated Balance Sheets**  
**January 1, 2011 and January 2, 2010**  
(In thousands)  
(Unaudited)

	<b>January 1, 2011</b>	<b>January 2, 2010</b>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 557,409	\$ 569,115
Short-term investments	12,715	2,184
Receivables, net of allowances of \$7,604 and \$14,020, respectively	191,893	200,628
Inventories	39,034	24,165
Prepaid expenses and other	78,355	54,655
Total current assets	879,406	850,747
Property, plant and equipment, net of accumulated depreciation of \$648,676 and \$637,107, respectively	285,115	311,502
Goodwill	158,893	-
Acquired intangibles, net of accumulated amortization of \$105,158 and \$124,507, respectively	179,198	28,841
Installment contract receivables, net of allowances of \$0 and \$9,724, respectively	23,380	58,448
Other assets	206,124	161,049
<b>Total Assets</b>	<b>\$ 1,732,116</b>	<b>\$ 1,410,587</b>
<b>Current Liabilities:</b>		
Convertible notes	\$ 143,258	\$ -
Accounts payable and accrued liabilities	216,864	150,207
Current portion of deferred revenue	337,426	247,691
Total current liabilities	697,548	397,898
<b>Long-Term Liabilities:</b>		
Long-term portion of deferred revenue	85,400	92,298
Convertible notes	406,404	436,012
Other long-term liabilities	266,110	376,006
Total long-term liabilities	757,914	904,316
Stockholders' Equity	276,654	108,373
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 1,732,116</b>	<b>\$ 1,410,587</b>

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

	January 2, 2010	April 3, 2010	July 3, 2010	October 2, 2010	January 1, 2011
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 569,115	\$ 619,303	\$ 475,603	\$ 509,035	\$ 557,409
Short-term investments	2,184	3,188	2,860	2,641	12,715
Receivables, net	200,628	181,155	191,291	202,237	191,893
Inventories	24,165	19,323	23,874	28,486	39,034
Prepaid expenses and other	54,655	56,617	71,448	79,910	78,355
Total current assets	<u>850,747</u>	<u>879,586</u>	<u>765,076</u>	<u>822,309</u>	<u>879,406</u>
Property, plant and equipment, net	311,502	302,499	295,073	290,103	285,115
Goodwill	-	5,605	158,227	158,893	158,893
Acquired intangibles, net	28,841	26,566	192,422	185,866	179,198
Installment contract receivables, net	58,448	41,510	40,296	28,231	23,380
Other assets	161,049	159,220	244,661	220,546	206,124
Total assets	<u>\$ 1,410,587</u>	<u>\$ 1,414,986</u>	<u>\$ 1,695,755</u>	<u>\$ 1,705,948</u>	<u>\$ 1,732,116</u>
<b>Current Liabilities:</b>					
Convertible notes	\$ -	\$ -	\$ -	\$ -	\$ 143,258
Accounts payable and accrued liabilities	150,207	147,782	153,982	152,436	216,864
Current portion of deferred revenue	247,691	253,947	290,105	308,591	337,426
Total current liabilities	<u>397,898</u>	<u>401,729</u>	<u>444,087</u>	<u>461,027</u>	<u>697,548</u>
<b>Long-Term Liabilities:</b>					
Long-term portion of deferred revenue	92,298	85,498	92,477	96,439	85,400
Convertible notes	436,012	441,107	541,767	548,093	406,404
Other long-term liabilities	376,006	367,617	454,744	304,402	266,110
Total long-term liabilities	<u>904,316</u>	<u>894,222</u>	<u>1,088,988</u>	<u>948,934</u>	<u>757,914</u>
<b>Stockholders' Equity:</b>					
Common stock and capital in excess of par value	1,674,396	1,684,538	1,708,610	1,706,590	1,715,541
Treasury stock, at cost	(431,310)	(386,433)	(370,700)	(353,289)	(353,090)
Accumulated deficit	(1,177,983)	(1,224,619)	(1,215,391)	(1,100,111)	(1,138,853)
Accumulated other comprehensive income	43,270	45,549	40,161	42,797	53,056
Total stockholders' equity	<u>108,373</u>	<u>119,035</u>	<u>162,680</u>	<u>295,987</u>	<u>276,654</u>
Total liabilities and stockholders' equity	<u>\$ 1,410,587</u>	<u>\$ 1,414,986</u>	<u>\$ 1,695,755</u>	<u>\$ 1,705,948</u>	<u>\$ 1,732,116</u>

**Cadence Design Systems, Inc.**  
**Condensed Consolidated Statements of Operations**  
**For the Three Months and Years Ended January 1, 2011 and January 2, 2010**  
(In thousands, except per share amounts)  
(Unaudited)

	<u>Three Months Ended</u>		<u>Years Ended</u>	
	<u>January 1, 2011</u>	<u>January 2, 2010</u>	<u>January 1, 2011</u>	<u>January 2, 2010</u>
Revenue:				
Product	\$ 133,545	\$ 114,478	\$ 471,598	\$ 400,773
Services	25,768	22,871	100,891	106,555
Maintenance	89,705	82,930	363,465	345,304
Total revenue	<u>249,018</u>	<u>220,279</u>	<u>935,954</u>	<u>852,632</u>
Costs and Expenses:				
Cost of product	8,249	8,286	31,421	32,114
Cost of services	20,385	20,934	82,968	90,536
Cost of maintenance	10,215	11,170	42,054	46,593
Marketing and sales	83,218	72,230	305,558	286,833
Research and development	97,828	81,309	376,413	354,703
General and administrative	21,421	21,337	86,394	122,648
Amortization of acquired intangibles	4,459	2,726	14,160	11,420
Restructuring and other charges	13,225	13,543	10,152	31,376
Litigation charges	15,800	-	15,800	-
Total costs and expenses	<u>274,800</u>	<u>231,535</u>	<u>964,920</u>	<u>976,223</u>
Loss from operations	(25,782)	(11,256)	(28,966)	(123,591)
Interest expense	(10,464)	(7,280)	(36,343)	(28,872)
Other income (expense), net	2,574	4,723	2,541	(1,042)
Loss before provision (benefit) for income taxes	(33,672)	(13,813)	(62,768)	(153,505)
Provision (benefit) for income taxes	3,365	(15,603)	(189,306)	(3,634)
Net income (loss)	<u>\$ (37,037)</u>	<u>\$ 1,790</u>	<u>\$ 126,538</u>	<u>\$ (149,871)</u>
Basic net income (loss) per share	<u>\$ (0.14)</u>	<u>\$ 0.01</u>	<u>\$ 0.49</u>	<u>\$ (0.58)</u>
Diluted net income (loss) per share	<u>\$ (0.14)</u>	<u>\$ 0.01</u>	<u>\$ 0.48</u>	<u>\$ (0.58)</u>
Weighted average common shares outstanding - basic	<u>259,781</u>	<u>260,752</u>	<u>260,787</u>	<u>257,782</u>
Weighted average common shares outstanding - diluted	<u>259,781</u>	<u>265,093</u>	<u>265,871</u>	<u>257,782</u>

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

	<b>Three Months Ended</b>				
	<b>January 2, 2010</b>	<b>April 3, 2010</b>	<b>July 3, 2010</b>	<b>October 2, 2010</b>	<b>January 1, 2011</b>
Revenue:					
Product	\$ 114,478	\$ 102,766	\$ 117,066	\$ 118,221	\$ 133,545
Services	22,871	25,920	25,258	23,945	25,768
Maintenance	82,930	93,252	84,740	95,768	89,705
Total revenue	<u>220,279</u>	<u>221,938</u>	<u>227,064</u>	<u>237,934</u>	<u>249,018</u>
Costs and Expenses:					
Cost of product	8,286	5,292	7,123	10,757	8,249
Cost of services	20,934	21,925	21,556	19,102	20,385
Cost of maintenance	11,170	11,398	10,481	9,960	10,215
Marketing and sales	72,230	74,762	71,513	76,065	83,218
Research and development	81,309	89,430	91,880	97,275	97,828
General and administrative	21,337	22,834	17,058	25,081	21,421
Amortization of acquired intangibles	2,726	2,691	2,551	4,459	4,459
Restructuring and other charges (credits)	13,543	(1,074)	(317)	(1,682)	13,225
Litigation charges	-	-	-	-	15,800
Total costs and expenses	<u>231,535</u>	<u>227,258</u>	<u>221,845</u>	<u>241,017</u>	<u>274,800</u>
Income (loss) from operations	(11,256)	(5,320)	5,219	(3,083)	(25,782)
Interest expense	(7,280)	(7,431)	(7,972)	(10,476)	(10,464)
Other income (expense), net	4,723	5,974	(3,100)	(2,907)	2,574
Loss before provision (benefit) for income taxes	(13,813)	(6,777)	(5,853)	(16,466)	(33,672)
Provision (benefit) for income taxes	(15,603)	5,008	(54,460)	(143,219)	3,365
Net income (loss)	<u>\$ 1,790</u>	<u>\$ (11,785)</u>	<u>\$ 48,607</u>	<u>\$ 126,753</u>	<u>\$ (37,037)</u>
Basic net income (loss) per share	<u>\$ 0.01</u>	<u>\$ (0.04)</u>	<u>\$ 0.19</u>	<u>\$ 0.49</u>	<u>\$ (0.14)</u>
Diluted net income (loss) per share	<u>\$ 0.01</u>	<u>\$ (0.04)</u>	<u>\$ 0.18</u>	<u>\$ 0.48</u>	<u>\$ (0.14)</u>
Weighted average common shares outstanding - basic	<u>260,752</u>	<u>262,597</u>	<u>262,163</u>	<u>258,606</u>	<u>259,781</u>
Weighted average common shares outstanding - diluted	<u>265,093</u>	<u>262,597</u>	<u>266,423</u>	<u>263,302</u>	<u>259,781</u>

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

	<b>Years Ended</b>	
	<b>January 1, 2011</b>	<b>January 2, 2010</b>
Cash and Cash Equivalents at Beginning of Period	\$ 569,115	\$ 568,255
Cash Flows from Operating Activities:		
Net income (loss)	126,538	(149,871)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	88,335	93,139
Amortization of debt discounts and fees	25,352	20,912
Loss on extinguishment of debt	5,705	-
Stock-based compensation	43,460	54,706
Loss from equity method investments	133	481
(Gain) loss on investments, net	(7,617)	(1,292)
Gain on sale of property, plant and equipment	(799)	-
Write-down of investment securities	1,500	5,207
Non-cash restructuring and other charges (credits)	4,086	(358)
Impairment of property, plant and equipment	491	6,730
Deferred income taxes	(64,191)	(3,438)
Proceeds from the sale of receivables, net	-	5,827
Provisions (recoveries) for losses (gains) on trade and installment contract receivables	(17,098)	20,947
Other non-cash items	1,838	(759)
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	(33,459)	61,966
Installment contract receivables	104,834	114,346
Inventories	(26,528)	3,896
Prepaid expenses and other	(22,392)	(1,393)
Other assets	(44,972)	12,044
Accounts payable and accrued liabilities	60,281	(94,851)
Deferred revenue	62,531	(95,135)
Other long-term liabilities	(108,885)	(27,467)
Net cash provided by operating activities	<u>199,143</u>	<u>25,637</u>
Cash Flows from Investing Activities:		
Proceeds from the sale of available-for-sale securities	-	4,135
Proceeds from the sale of short-term investments	317	-
Proceeds from the sale of long-term investments	10,276	-
Proceeds from the sale of property, plant and equipment	900	3,864
Purchases of property, plant and equipment	(34,782)	(41,308)
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>(285,112)</u>	<u>(50,509)</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	(192,364)	-
Payment of 2015 Notes issuance costs	(10,532)	-
Purchase of 2015 Notes Hedges	(76,635)	-
Proceeds from termination of Convertible Senior Notes Hedges	311	-
Proceeds from sale of 2015 Warrants	37,450	-
Tax effect related to employee stock transactions allocated to equity	(9,458)	1,383
Proceeds from issuance of common stock	13,643	28,010
Stock received for payment of employee taxes on vesting of restricted stock	(8,940)	(5,959)
Purchases of treasury stock	(39,997)	-
Net cash provided by financing activities	<u>59,938</u>	<u>20,967</u>
Effect of exchange rate changes on cash and cash equivalents	<u>14,325</u>	<u>4,765</u>
Increase (decrease) in cash and cash equivalents	<u>(11,706)</u>	<u>860</u>
Cash and Cash Equivalents at End of Period	<u>\$ 557,409</u>	<u>\$ 569,115</u>

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

	<u>Q4 2009</u>	<u>Q1 2010</u>	<u>Q2 2010</u>	<u>Q3 2010</u>	<u>Q4 2010</u>
Cash and Cash Equivalents at Beginning of Period	\$ 570,617	\$ 569,115	\$ 619,303	\$ 475,603	\$ 509,035
Cash Flows from Operating Activities:					
Net income (loss)	1,790	(11,785)	48,607	126,753	(37,037)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	21,805	21,465	19,868	23,462	23,540
Amortization of debt discounts and fees	5,355	5,523	5,778	7,030	7,021
Loss on extinguishment of debt	-	-	5,321	-	384
Stock-based compensation	11,016	10,372	10,435	12,010	10,643
Loss on equity method investments	112	27	46	32	28
(Gain) loss on investments, net	(5,599)	(5,591)	(1,344)	1,802	(2,484)
Gain on sale of property, plant and equipment	-	-	-	(799)	-
Write-down of investment securities	-	-	1,500	-	-
Non-cash restructuring and other charges (credits)	(92)	125	91	56	3,814
Impairment of property, plant and equipment	127	164	263	64	-
Deferred income taxes	3,082	(1,706)	(67,560)	(1,351)	6,426
Provisions (recoveries) for losses (gains) on trade and installment contract receivables	2,279	(2,593)	(10,385)	(361)	(3,759)
Other non-cash items	3,059	815	2,309	(1,137)	(149)
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	5,522	(23,989)	(1,395)	(19,038)	10,963
Installment contract receivables	(7,956)	57,769	12,710	27,339	7,016
Inventories	1,050	(6,047)	(4,876)	(5,082)	(10,523)
Prepaid expenses and other	2,648	(1,518)	(12,260)	(10,050)	1,436
Other assets	235	5,538	(1,788)	(35,973)	(12,749)
Accounts payable and accrued liabilities	(15,456)	925	5,101	(2,718)	56,973
Deferred revenue	(11,375)	3,813	28,069	13,347	17,302
Other long-term liabilities	(16,694)	(6,604)	8,508	(88,958)	(21,831)
Net cash provided by operating activities	<u>908</u>	<u>46,703</u>	<u>48,998</u>	<u>46,428</u>	<u>57,014</u>
Cash Flows from Investing Activities:					
Proceeds from the sale of available-for-sale securities	3,996	-	-	-	-
Proceeds from the sale of short-term investments	-	-	-	-	317
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	(10,804)	(9,899)	(8,866)	(10,175)	(5,842)
Purchases of software licenses	-	(487)	(2,030)	(189)	-
Investment in venture capital partnerships and equity investments	-	-	(500)	(2,500)	-
Cash paid in business combinations and asset acquisitions, net of cash acquired	-	-	(253,951)	(2,166)	-
Net cash used for investing activities	<u>(2,944)</u>	<u>(1,422)</u>	<u>(264,178)</u>	<u>(13,987)</u>	<u>(5,525)</u>
Cash Flows from Financing Activities:					
Principal payments on receivable sale financing	-	(1,719)	-	(1,821)	-
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	1,383	30	29	(9,683)	166
Proceeds from issuance of common stock	148	8,044	75	5,150	374
Stock received for payment of employee taxes on vesting of restricted stock	(1,904)	(2,079)	(2,035)	(1,761)	(3,065)
Purchases of treasury stock	-	-	(39,997)	-	-
Net cash provided by (used for) financing activities	<u>(373)</u>	<u>4,276</u>	<u>72,217</u>	<u>(8,734)</u>	<u>(7,821)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>907</u>	<u>631</u>	<u>(737)</u>	<u>9,725</u>	<u>4,706</u>
Increase (decrease) in cash and cash equivalents	<u>(1,502)</u>	<u>50,188</u>	<u>(143,700)</u>	<u>33,432</u>	<u>48,374</u>
Cash and Cash Equivalents at End of Period	<u>\$ 569,115</u>	<u>\$ 619,303</u>	<u>\$ 475,603</u>	<u>\$ 509,035</u>	<u>\$ 557,409</u>

**Cadence Design Systems, Inc.**  
**As of February 2, 2011**  
**Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income (Loss) Per Share**  
**(Unaudited)**

	<b>Three Months Ending April 2, 2011 Forecast</b>	<b>Year Ending December 31, 2011 Forecast</b>
Diluted net income (loss) per share on a GAAP basis	\$(0.02) to \$0.00	\$0.00 to \$0.10
Amortization of acquired intangibles	0.03	0.10
Stock-based compensation expense	0.04	0.16
Restructuring and other charges	-	-
Integration and acquisition-related costs	-	-
Amortization of debt discount	0.02	0.10
Income tax effect of non-GAAP adjustments	(0.01)	(0.06)
Diluted net income per share on a non-GAAP basis	<u>\$0.06 to \$0.08</u>	<u>\$0.30 to \$0.40</u>

**Cadence Design Systems, Inc.**  
**As of February 2, 2011**  
**Impact of Non-GAAP Adjustments on Forward Looking Net Income (Loss)**  
**(Unaudited)**

<b>(\$ in Millions)</b>	<b>Three Months Ending April 2, 2011 Forecast</b>	<b>Year Ending December 31, 2011 Forecast</b>
Net income (loss) on a GAAP basis	\$(6) to \$0	\$0 to \$26
Amortization of acquired intangibles	7	26
Stock-based compensation expense	10	45
Restructuring and other charges	1	1
Integration and acquisition-related costs	-	1
Amortization of debt discount	7	26
Income tax effect of non-GAAP adjustments	(3)	(16)
Net income on a non-GAAP basis	<u>\$16 to \$22</u>	<u>\$83 to \$109</u>



**Cadence Design Systems, Inc.**  
**Reconciliation of GAAP Net Income (Loss) to Non-GAAP Net Income (Loss)**  
**For the Three Months and Years Ended January 1, 2011 and January 2, 2010**  
**(Unaudited)**

(In thousands)	Three Months Ended		Years Ended	
	January 1, 2011	January 2, 2010	January 1, 2011	January 2, 2010
Net income (loss) on a GAAP basis	\$ (37,037)	\$ 1,790	\$ 126,538	\$ (149,871)
Amortization of acquired intangibles*	6,655	4,391	20,808	19,941
Stock-based compensation expense**	10,643	11,016	43,460	54,706
Non-qualified deferred compensation expenses (credits)***	2,416	3,389	2,906	(644)
Restructuring and other charges	13,225	13,543	10,152	31,376
Shareholder litigation costs	14	-	4,328	-
Litigation charges	15,800	-	15,800	-
Executive severance costs****	-	-	1,627	-
Integration and acquisition-related costs*****	4,265	135	12,170	665
Amortization of debt discount	6,352	4,870	22,936	19,104
Other income or expense related to investments and non-qualified deferred compensation plan assets †	(2,347)	(3,177)	(5,875)	6,738
Loss on extinguishment of debt	384	-	5,705	-
Acquisition-related income tax benefit	-	-	(66,707)	-
Income tax benefit of IRS settlement	-	-	(148,302)	-
Income tax effect of the increase in United States net operating loss carryback period	-	(14,825)	-	(14,825)
Income tax effect of non-GAAP adjustments	(2,806)	(6,070)	7,179	16,812
Net income (loss) on a non-GAAP basis	\$ 17,564	\$ 15,062	\$ 52,725	\$ (15,998)

† Includes, as applicable, equity in losses or income from investments, write-down of investments, gains or losses on sale of investments and gains or losses on non-qualified deferred compensation plan assets recorded in Other income (expense), net.

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

(In thousands)	Three Months Ended		Years Ended	
	January 1, 2011	January 2, 2010	January 1, 2011	January 2, 2010
Cost of product	\$ 2,196	\$ 620	\$ 5,603	\$ 4,341
Cost of maintenance	-	1,045	1,045	4,180
Amortization of acquired intangibles	4,459	2,726	14,160	11,420
Total amortization of acquired intangibles	\$ 6,655	\$ 4,391	\$ 20,808	\$ 19,941

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

(In thousands)	Three Months Ended		Years Ended	
	January 1, 2011	January 2, 2010	January 1, 2011	January 2, 2010
Cost of product	\$ 32	\$ 28	\$ 117	\$ 151
Cost of services	599	606	2,225	3,321
Cost of maintenance	387	388	1,435	2,126
Marketing and sales	2,467	2,605	9,765	12,285
Research and development	4,593	5,193	18,324	26,364
General and administrative	2,565	2,196	11,594	10,459
Total stock-based compensation expense	\$ 10,643	\$ 11,016	\$ 43,460	\$ 54,706

\*\*\*Cadence records operating expenses (credits) related to its non-qualified deferred compensation plan assets as those assets increase or decrease in value.

An offsetting gain or loss is recorded in Other income (expense), net, such that the net impact on Cadence's Net income (loss) is not significant. The operating expenses (credit) are reported in the Condensed Consolidated Statements of Operations as follows:

(In thousands)	Three Months Ended		Years Ended	
	January 1, 2011	January 2, 2010	January 1, 2011	January 2, 2010
Cost of product	\$ 1	\$ 1	\$ -	\$ (3)
Cost of services	18	30	22	(31)
Cost of maintenance	11	19	13	(20)
Marketing and sales	440	766	514	(226)
Research and development	1,102	1,485	1,448	319
General and administrative	844	1,088	909	(683)
Total non-qualified deferred compensation expenses (credits)	\$ 2,416	\$ 3,389	\$ 2,906	\$ (644)

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

(In thousands)	Three Months Ended		Years Ended	
	January 1, 2011	January 2, 2010	January 1, 2011	January 2, 2010
Marketing and sales	\$ -	\$ -	\$ 572	\$ -
General and administrative	-	-	1,055	-
Total executive severance costs	\$ -	\$ -	\$ 1,627	\$ -

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

(In thousands)	Three Months Ended		Years Ended	
	January 1, 2011	January 2, 2010	January 1, 2011	January 2, 2010
Marketing and sales	\$ 114	\$ -	\$ 266	\$ -
Research and development	4,080	-	9,917	-
General and administrative	18	-	1,648	-
Interest expense	53	135	339	665
Total integration and acquisition-related costs	\$ 4,265	\$ 135	\$ 12,170	\$ 665

**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 Months and Years Ended January 1, 2011 and January 2, 2010**  
(Unaudited)

(In thousands, except per share data)	Three Months Ended		Years Ended	
	January 1, 2011	January 2, 2010	January 1, 2011	January 2, 2010
Diluted net income (loss) per share on a GAAP basis	\$ (0.14)	\$ 0.01	\$ 0.48	\$ (0.58)
Amortization of acquired intangibles	0.03	0.02	0.08	0.08
Stock-based compensation expense	0.04	0.04	0.16	0.21
Non-qualified deferred compensation expenses (credits)	0.01	0.01	0.01	-
Restructuring and other charges	0.05	0.05	0.04	0.12
Shareholder litigation costs	-	-	0.02	-
Litigation charges	0.06	-	0.06	-
Executive severance costs	-	-	0.01	-
Integration and acquisition-related costs	0.02	-	0.05	-
Amortization of debt discount	0.02	0.02	0.08	0.07
Other income or expense related to investments and non-qualified deferred compensation plan assets *	(0.01)	(0.01)	(0.02)	0.03
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 the increase in United States net operating loss carryback period	-	(0.06)	-	(0.06)
Income tax effect of non-GAAP adjustments	(0.01)	(0.02)	0.02	0.07
Diluted net income (loss) per share on a non-GAAP basis	\$ 0.07	\$ 0.06	\$ 0.20	\$ (0.06)

Shares used in calculation of diluted net income (loss) per share - GAAP **	259,781	265,093	265,871	257,782
Shares used in calculation of diluted net income (loss) per share - non-GAAP **	266,275	265,093	265,871	257,782

\* 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	Three Months Ended	Year Ended	Year Ended
	January 1, 2011	January 2, 2010	January 1, 2011	January 2, 2010
	Actual	Actual	Actual	Actual
	(In thousands)	(In thousands)	(In thousands)	(In thousands)
GAAP total costs and expenses	\$ 274,800	\$ 231,535	\$ 964,920	\$ 976,223
Reconciling items to non-GAAP total costs and expenses				
Amortization of acquired intangibles	(6,655)	(4,391)	(20,808)	(19,941)
Stock-based compensation expense	(10,643)	(11,016)	(43,460)	(54,706)
Non-qualified deferred compensation (expenses) credits	(2,416)	(3,389)	(2,906)	644
Restructuring and other charges	(13,225)	(13,543)	(10,152)	(31,376)
Litigation charges	(15,800)	-	(15,800)	-
Shareholder litigation costs	(14)	-	(4,328)	-
Integration and acquisition-related costs	(4,212)	-	(11,831)	-
Executive severance costs	-	-	(1,627)	-
Non-GAAP total costs and expenses	\$ 221,835	\$ 199,196	\$ 854,008	\$ 870,844

	Three Months Ended	Year Ended	Year Ended	Three Months Ending	Year Ending
	January 1, 2011	January 1, 2011	January 2, 2010	April 2, 2011	December 31, 2011
	Actual	Actual	Actual	Forecast	Forecast
GAAP operating margin as a percent of total revenue	-10%	-3%	-14%	3% to 5%	6% to 8%
Reconciling items to non-GAAP operating margin as a percent of total revenue					
Amortization of acquired intangibles	3%	2%	2%	3%	2%
Stock-based compensation expense	4%	5%	6%	4%	4%
Non-qualified deferred compensation expenses (credits)	1%	0%	0%	0%	0%
Restructuring and other charges	5%	1%	4%	0%	0%
Litigation charges	6%	2%	0%	0%	0%
Shareholder litigation costs	0%	1%	0%	0%	0%
Integration and acquisition-related costs	2%	1%	0%	0%	0%
Executive severance costs	0%	0%	0%	0%	0%
Non-GAAP operating margin as a percent of total revenue	11%	9%	-2%	10% to 12%	12% to 14%

	Year Ending
	December 31, 2011
(In millions)	Forecast
GAAP total other income (expense), net	\$(42) to \$(38)
Reconciling items to non-GAAP total other income (expense), net	
Amortization of debt discount	26
Non-GAAP total other income (expense), net	\$(16) to \$(12)

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

	For the three months ended January 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	Operating expenses on a non-GAAP basis	
Cost of product	8,249	(32)	(2,196)	(1)	-	-	6,020	
Cost of services	20,385	(599)	-	(18)	-	-	19,768	
Cost of maintenance	10,215	(387)	-	(11)	-	-	9,817	
Marketing and sales	83,218	(2,467)	-	(440)	(114)	-	80,197	
Research and development	97,828	(4,593)	-	(1,102)	(4,080)	-	88,053	
General and administrative	21,421	(2,565)	-	(844)	(18)	(14)	17,980	
Amortization of acquired intangibles	4,459	-	(4,459)	-	-	-	-	
		(10,643)	(6,655)	(2,416)	(4,212)	(14)		
	For the year ended January 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 severance costs	Operating expenses on a non-GAAP basis
Cost of product	31,421	(117)	(5,603)	-	-	-	-	25,701
Cost of services	82,968	(2,225)	-	(22)	-	-	-	80,721
Cost of maintenance	42,054	(1,435)	(1,045)	(13)	-	-	-	39,561
Marketing and sales	305,558	(9,765)	-	(514)	(266)	-	(572)	294,441
Research and development	376,413	(18,324)	-	(1,448)	(9,917)	-	-	346,724
General and administrative	86,394	(11,594)	-	(909)	(1,648)	(4,328)	(1,055)	66,860
Amortization of acquired intangibles	14,160	-	(14,160)	-	-	-	-	-
		(43,460)	(20,808)	(2,906)	(11,831)	(4,328)	(1,627)	

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

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

<u>GEOGRAPHY</u>	2009					2010				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Americas	42%	48%	43%	51%	<b>46%</b>	40%	46%	43%	45%	<b>43%</b>
Europe	24%	21%	20%	24%	<b>22%</b>	22%	23%	20%	23%	<b>22%</b>
Japan	19%	17%	23%	12%	<b>18%</b>	23%	14%	20%	14%	<b>18%</b>
Asia	15%	14%	14%	13%	<b>14%</b>	15%	17%	17%	18%	<b>17%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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

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

Note: Product Group total revenue includes Product + Maintenance