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Cadence Design Systems, Inc.
Condensed Consolidated Balance Sheets
December 29, 2012 and December 31, 2011
(In thousands)
(Unaudited)

	<u>December 29, 2012</u>	<u>December 31, 2011</u>
Current assets:		
Cash and cash equivalents	\$ 726,357	\$ 601,602
Short-term investments	100,704	3,037
Receivables, net of allowances of \$85 and \$0, respectively	97,821	136,772
Inventories	36,163	43,243
2015 notes hedges	303,154	215,113
Prepaid expenses and other	127,036	64,216
Total current assets	<u>1,391,235</u>	<u>1,063,983</u>
Property, plant and equipment, net of accumulated depreciation of \$635,450 and \$658,990, respectively	244,439	262,517
Goodwill	233,266	192,125
Acquired intangibles, net of accumulated amortization of \$104,351 and \$91,542, respectively	184,938	173,234
Long-term receivables	7,559	11,371
Other assets	225,566	58,039
Total assets	<u>\$ 2,287,003</u>	<u>\$ 1,761,269</u>
Current liabilities:		
Convertible notes	\$ 447,011	\$ 294,061
2015 notes embedded conversion derivative	303,154	215,113
Accounts payable and accrued liabilities	171,318	165,791
Current portion of deferred revenue	295,787	340,401
Total current liabilities	<u>1,217,270</u>	<u>1,015,366</u>
Long-term liabilities:		
Long-term portion of deferred revenue	50,529	73,959
Convertible notes	-	131,920
Other long-term liabilities	104,033	128,894
Total long-term liabilities	<u>154,562</u>	<u>334,773</u>
Stockholders' equity	915,171	411,130
Total liabilities and stockholders' equity	<u>\$ 2,287,003</u>	<u>\$ 1,761,269</u>

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

	December 31, 2011	March 31, 2012	June 30, 2012	September 29, 2012	December 29, 2012
Current assets:					
Cash and cash equivalents	\$ 601,602	\$ 659,687	\$ 661,658	\$ 649,099	\$ 726,357
Short-term investments	3,037	3,287	51,304	95,819	100,704
Receivables, net	136,772	79,997	123,243	123,206	97,821
Inventories	43,243	41,720	41,066	34,629	36,163
2015 notes hedges	215,113	257,775	219,199	287,079	303,154
Prepaid expenses and other	64,216	69,178	61,976	60,780	127,036
Total current assets	<u>1,063,983</u>	<u>1,111,644</u>	<u>1,158,446</u>	<u>1,250,612</u>	<u>1,391,235</u>
Property, plant and equipment, net	262,517	257,743	251,920	246,856	244,439
Goodwill	192,125	192,445	192,238	233,275	233,266
Acquired intangibles, net	173,234	166,528	159,807	192,768	184,938
Long-term receivables	11,371	7,555	7,750	5,668	7,559
Other assets	58,039	58,917	59,096	59,335	225,566
Total assets	<u>\$ 1,761,269</u>	<u>\$ 1,794,832</u>	<u>\$ 1,829,257</u>	<u>\$ 1,988,514</u>	<u>\$ 2,287,003</u>
Current liabilities:					
Convertible notes	\$ 294,061	\$ 297,653	\$ 301,292	\$ 305,029	\$ 447,011
2015 notes embedded conversion derivative	215,113	257,775	219,199	287,079	303,154
Accounts payable and accrued liabilities	165,791	143,760	153,957	160,250	171,318
Current portion of deferred revenue	340,401	312,238	328,405	322,260	295,787
Total current liabilities	<u>1,015,366</u>	<u>1,011,426</u>	<u>1,002,853</u>	<u>1,074,618</u>	<u>1,217,270</u>
Long-term liabilities:					
Long-term portion of deferred revenue	73,959	62,634	58,213	58,436	50,529
Convertible notes	131,920	133,459	135,006	136,594	-
Other long-term liabilities	128,894	126,561	131,172	130,478	104,033
Total long-term liabilities	<u>334,773</u>	<u>322,654</u>	<u>324,391</u>	<u>325,508</u>	<u>154,562</u>
Stockholders' equity:					
Common stock and capital in excess of par value	1,733,884	1,735,689	1,741,869	1,711,797	1,721,556
Treasury stock, at cost	(290,462)	(269,646)	(266,820)	(207,018)	(200,786)
Accumulated deficit	(1,083,245)	(1,053,745)	(1,018,190)	(962,515)	(649,549)
Accumulated other comprehensive income	50,953	48,454	45,154	46,124	43,950
Total stockholders' equity	<u>411,130</u>	<u>460,752</u>	<u>502,013</u>	<u>588,388</u>	<u>915,171</u>
Total liabilities and stockholders' equity	<u>\$ 1,761,269</u>	<u>\$ 1,794,832</u>	<u>\$ 1,829,257</u>	<u>\$ 1,988,514</u>	<u>\$ 2,287,003</u>

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three Months and Years Ended December 29, 2012 and December 31, 2011
(In thousands, except per share amounts)
(Unaudited)

	<u>Three Months Ended</u>		<u>Years Ended</u>	
	<u>December 29, 2012</u>	<u>December 31, 2011</u>	<u>December 29, 2012</u>	<u>December 31, 2011</u>
Revenue:				
Product	\$ 224,243	\$ 177,113	\$ 839,129	\$ 640,836
Services	27,072	30,308	113,995	116,692
Maintenance	94,270	100,585	373,300	392,307
Total revenue	<u>345,585</u>	<u>308,006</u>	<u>1,326,424</u>	<u>1,149,835</u>
Costs and expenses:				
Cost of product	13,069	17,204	73,392	69,657
Cost of services	19,353	20,397	72,607	81,498
Cost of maintenance	11,368	11,164	45,124	44,001
Marketing and sales	95,604	88,506	342,278	323,798
Research and development	118,382	97,024	454,085	400,745
General and administrative	27,712	24,143	112,076	92,863
Amortization of acquired intangibles	3,772	3,786	15,077	16,536
Restructuring and other charges	64	83	113	360
Total costs and expenses	<u>289,324</u>	<u>262,307</u>	<u>1,114,752</u>	<u>1,029,458</u>
Income from operations	56,261	45,699	211,672	120,377
Interest expense	(8,902)	(10,441)	(34,742)	(43,025)
Other income (expense), net	5,369	(2,033)	11,341	18,074
Income before provision (benefit) for income taxes	52,728	33,225	188,271	95,426
Provision (benefit) for income taxes	(261,146)	22,333	(251,677)	23,197
Net income	<u>\$ 313,874</u>	<u>\$ 10,892</u>	<u>\$ 439,948</u>	<u>\$ 72,229</u>
Net income per share - basic	<u>\$ 1.15</u>	<u>\$ 0.04</u>	<u>\$ 1.63</u>	<u>\$ 0.27</u>
Net income per share - diluted	<u>\$ 1.10</u>	<u>\$ 0.04</u>	<u>\$ 1.57</u>	<u>\$ 0.27</u>
Weighted average common shares outstanding - basic	<u>272,884</u>	<u>266,120</u>	<u>270,479</u>	<u>263,892</u>
Weighted average common shares outstanding - diluted	<u>286,289</u>	<u>273,057</u>	<u>280,667</u>	<u>270,816</u>

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

	Three Months Ended				
	December 31, 2011	March 31, 2012	June 30, 2012	September 29, 2012	December 29, 2012
Revenue:					
Product	\$ 177,113	\$ 190,024	\$ 208,301	\$ 216,561	\$ 224,243
Services	30,308	29,542	28,966	28,415	27,072
Maintenance	100,585	96,264	89,209	93,557	94,270
Total revenue	<u>308,006</u>	<u>315,830</u>	<u>326,476</u>	<u>338,533</u>	<u>345,585</u>
Costs and expenses:					
Cost of product	17,204	15,401	21,585	23,337	13,069
Cost of services	20,397	19,374	17,071	16,809	19,353
Cost of maintenance	11,164	11,811	10,821	11,124	11,368
Marketing and sales	88,506	83,795	80,418	82,461	95,604
Research and development	97,024	108,594	112,031	115,078	118,382
General and administrative	24,143	27,770	30,244	26,350	27,712
Amortization of acquired intangibles	3,786	3,786	3,643	3,876	3,772
Restructuring and other charges (credits)	83	(51)	43	57	64
Total costs and expenses	<u>262,307</u>	<u>270,480</u>	<u>275,856</u>	<u>279,092</u>	<u>289,324</u>
Income from operations	45,699	45,350	50,620	59,441	56,261
Interest expense	(10,441)	(8,537)	(8,566)	(8,737)	(8,902)
Other income (expense), net	(2,033)	2,434	3,669	(131)	5,369
Income before provision (benefit) for income taxes	33,225	39,247	45,723	50,573	52,728
Provision (benefit) for income taxes	22,333	8,143	9,337	(8,011)	(261,146)
Net income	<u>\$ 10,892</u>	<u>\$ 31,104</u>	<u>\$ 36,386</u>	<u>\$ 58,584</u>	<u>\$ 313,874</u>
Net income per share - basic	<u>\$ 0.04</u>	<u>\$ 0.12</u>	<u>\$ 0.13</u>	<u>\$ 0.22</u>	<u>\$ 1.15</u>
Net income per share - diluted	<u>\$ 0.04</u>	<u>\$ 0.11</u>	<u>\$ 0.13</u>	<u>\$ 0.21</u>	<u>\$ 1.10</u>
Weighted average common shares outstanding - basic	<u>266,120</u>	<u>267,940</u>	<u>269,739</u>	<u>271,350</u>	<u>272,884</u>
Weighted average common shares outstanding - diluted	<u>273,057</u>	<u>277,733</u>	<u>275,318</u>	<u>283,328</u>	<u>286,289</u>

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Years Ended December 29, 2012 and December 31, 2011
(In thousands)
(Unaudited)

	Years Ended	
	December 29, 2012	December 31, 2011
Cash and cash equivalents at beginning of period	\$ 601,602	\$ 557,409
Cash flows from operating activities:		
Net income	439,948	72,229
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	89,217	91,648
Amortization of debt discount and fees	23,513	29,266
Stock-based compensation	47,561	43,588
Gain on investments, net	(6,320)	(15,737)
Non-cash restructuring and other charges	252	240
Tax impact of convertible notes interest	-	8,486
Deferred income taxes	(240,424)	(7,811)
Provisions (recoveries) for losses (gains) on receivables, net	215	(6,596)
Other non-cash items	3,063	3,196
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	45,630	76,785
Inventories	5,245	(6,820)
Prepaid expenses and other	(12,426)	20,053
Other assets	(4,902)	(2,220)
Accounts payable and accrued liabilities	17,523	(46,950)
Deferred revenue	(69,662)	(13,408)
Other long-term liabilities	(22,439)	(5,607)
Net cash provided by operating activities	<u>315,994</u>	<u>240,342</u>
Cash flows from investing activities:		
Purchases of available-for-sale securities	(121,154)	-
Proceeds from the sale of available-for-sale securities	18,338	9,793
Proceeds from the maturity of available-for-sale securities	4,150	-
Proceeds from the sale of long-term investments	74	9,791
Purchases of property, plant and equipment	(35,966)	(31,421)
Investment in venture capital partnerships and equity investments	(250)	(608)
Cash paid in business combinations and asset acquisitions, net of cash acquired	(66,432)	(44,052)
Net cash used for investing activities	<u>(201,240)</u>	<u>(56,497)</u>
Cash flows from financing activities:		
Principal payments on receivable sale financing	(5,776)	(5,842)
Payment of 2011 notes	-	(150,000)
Payment of debt issuance costs	(1,372)	-
Payment of acquisition-related contingent consideration	(39)	-
Tax effect related to employee stock transactions allocated to equity	6,061	5,549
Proceeds from issuance of common stock	32,687	19,714
Stock received for payment of employee taxes on vesting of restricted stock	(15,728)	(14,225)
Net cash provided by (used for) financing activities	<u>15,833</u>	<u>(144,804)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(5,832)</u>	<u>5,152</u>
Increase in cash and cash equivalents	<u>124,755</u>	<u>44,193</u>
Cash and cash equivalents at end of period	<u>\$ 726,357</u>	<u>\$ 601,602</u>

Cadence Design Systems, Inc.
Trended Condensed Consolidated Statements of Cash Flows
For the Five Quarters Ended December 29, 2012
(In thousands)
(Unaudited)

	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Cash and cash equivalents at beginning of period	\$ 696,101	\$ 601,602	\$ 659,687	\$ 661,658	\$ 649,099
Cash flows from operating activities:					
Net income	10,892	31,104	36,386	58,584	313,874
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	22,714	21,939	21,797	23,435	22,046
Amortization of debt discount and fees	7,198	5,734	5,795	5,951	6,033
Stock-based compensation	11,999	11,525	10,361	12,399	13,276
(Gain) loss on investments, net	3,483	(1,949)	(2,220)	1,947	(4,098)
Non-cash restructuring and other charges	38	63	62	63	64
Tax impact of convertible notes interest	8,486	-	-	-	-
Deferred income taxes	(3,070)	223	236	(14,566)	(226,317)
Provisions for losses on receivables	-	-	-	120	95
Other non-cash items	(493)	683	2,756	(169)	(207)
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	13,056	60,172	(43,659)	7,763	21,354
Inventories	2,947	(154)	653	6,437	(1,691)
Prepaid expenses and other	335	(5,545)	5,959	1,133	(13,973)
Other assets	(5,938)	(577)	408	(2,932)	(1,801)
Accounts payable and accrued liabilities	24,882	(19,582)	14,888	2,980	19,237
Deferred revenue	(33,653)	(39,315)	11,869	(10,784)	(31,432)
Other long-term liabilities	(739)	(3,612)	2,188	(431)	(20,584)
Net cash provided by operating activities	<u>62,137</u>	<u>60,709</u>	<u>67,479</u>	<u>91,930</u>	<u>95,876</u>
Cash flows from investing activities:					
Purchases of available-for-sale securities	-	-	(49,083)	(52,165)	(19,906)
Proceeds from the sale of available-for-sale securities	205	-	136	5,800	12,402
Proceeds from the maturity of available-for-sale securities	-	-	-	1,500	2,650
Proceeds from the sale of long-term investments	4,967	44	-	-	30
Purchases of property, plant and equipment	(13,718)	(8,201)	(10,068)	(7,663)	(10,034)
Investment in venture capital partnerships and equity investments	-	(250)	-	-	-
Cash paid in business combinations and asset acquisitions, net of cash acquired	-	(1,041)	-	(65,391)	-
Net cash used for investing activities	<u>(8,546)</u>	<u>(9,448)</u>	<u>(59,015)</u>	<u>(117,919)</u>	<u>(14,858)</u>
Cash flows from financing activities:					
Principal payments on receivable sale financing	(3,013)	-	(2,907)	-	(2,869)
Payment of 2011 notes	(150,000)	-	-	-	-
Payment of debt issuance costs	-	-	-	-	(1,372)
Payment of acquisition-related contingent consideration	-	(39)	-	-	-
Tax effect related to employee stock transactions allocated to equity	2,652	2,842	1,233	1,715	271
Proceeds from issuance of common stock	2,720	12,761	302	15,692	3,932
Stock received for payment of employee taxes on vesting of restricted stock	(4,299)	(6,173)	(3,724)	(3,560)	(2,271)
Net cash provided by (used for) financing activities	<u>(151,940)</u>	<u>9,391</u>	<u>(5,096)</u>	<u>13,847</u>	<u>(2,309)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>3,850</u>	<u>(2,567)</u>	<u>(1,397)</u>	<u>(417)</u>	<u>(1,451)</u>
Increase (decrease) in cash and cash equivalents	<u>(94,499)</u>	<u>58,085</u>	<u>1,971</u>	<u>(12,559)</u>	<u>77,258</u>
Cash and cash equivalents at end of period	<u>\$ 601,602</u>	<u>\$ 659,687</u>	<u>\$ 661,658</u>	<u>\$ 649,099</u>	<u>\$ 726,357</u>

Cadence Design Systems, Inc.
As of January 30, 2013
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share
(Unaudited)

	Three Months Ending March 30, 2013 Forecast	Year Ending December 28, 2013 Forecast
Diluted net income per share on a GAAP basis	\$0.23 to \$0.24	\$0.58 to \$0.68
Amortization of acquired intangibles	0.03	0.09
Stock-based compensation expense	0.05	0.22
Integration and acquisition-related costs	0.01	0.03
Amortization of debt discount	0.02	0.08
Income tax effect of non-GAAP adjustments	(0.15)	(0.18)
Diluted net income per share on a non-GAAP basis	<u>\$0.19 to \$0.20</u>	<u>\$0.82 to \$0.92</u>

Cadence Design Systems, Inc.
As of January 30, 2013
Impact of Non-GAAP Adjustments on Forward Looking Net Income
(Unaudited)

(\$ in millions)	Three Months Ending March 30, 2013 Forecast	Year Ending December 28, 2013 Forecast
Net income on a GAAP basis	\$66 to \$71	\$168 to \$198
Amortization of acquired intangibles	8	28
Stock-based compensation expense	14	64
Integration and acquisition-related costs	2	8
Amortization of debt discount	6	22
Income tax effect of non-GAAP adjustments	(42)	(51)
Net income on a non-GAAP basis	<u>\$54 to \$59</u>	<u>\$239 to \$269</u>

Cadence Design Systems, Inc.
Reconciliation of GAAP Net Income to Non-GAAP Net Income
For the Three Months and Years Ended December 29, 2012 and December 31, 2011
(Unaudited)

(In thousands)	Three Months Ended		Years Ended	
	December 29,	December 31,	December 29,	December 31,
	2012	2011	2012	2011
Net income on a GAAP basis	\$ 313,874	\$ 10,892	\$ 439,948	\$ 72,229
Amortization of acquired intangibles*	7,649	6,681	28,618	27,016
Stock-based compensation expense**	13,276	11,999	47,561	43,588
Non-qualified deferred compensation expenses (credits)***	1,216	(3,560)	4,453	(383)
Restructuring and other charges	64	83	113	360
Shareholder litigation costs	-	192	46	1,545
Executive and other employee severance costs****	-	2,931	-	6,178
Integration and acquisition-related costs*****	2,187	353	9,278	2,598
Amortization of debt discount	5,354	6,432	20,846	26,214
Other income or expense related to investments and non-qualified deferred compensation plan assets †	(4,081)	3,482	(6,296)	(15,682)
Income tax benefit of valuation allowance release	(219,601)	-	(219,601)	-
Income tax benefit of State of California settlement	(36,564)	-	(36,564)	-
Acquisition-related income tax benefit	-	-	(14,806)	(5,021)
Income tax effect of non-GAAP adjustments	(25,363)	6,260	(56,857)	(20,366)
Net income on a non-GAAP basis	<u>\$ 58,011</u>	<u>\$ 45,745</u>	<u>\$ 216,739</u>	<u>\$ 138,276</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		Years Ended	
	December 29,	December 31,	December 29,	December 31,
	2012	2011	2012	2011
Cost of product	\$ 3,608	\$ 2,895	\$ 13,003	\$ 10,480
Cost of maintenance	269	-	538	-
Amortization of acquired intangibles	3,772	3,786	15,077	16,536
Total amortization of acquired intangibles	<u>\$ 7,649</u>	<u>\$ 6,681</u>	<u>\$ 28,618</u>	<u>\$ 27,016</u>

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

(In thousands)	Three Months Ended		Years Ended	
	December 29,	December 31,	December 29,	December 31,
	2012	2011	2012	2011
Cost of product	\$ 28	\$ 31	\$ 99	\$ 111
Cost of services	538	583	1,889	2,105
Cost of maintenance	347	376	1,218	1,357
Marketing and sales	2,907	2,616	10,193	10,356
Research and development	6,293	5,551	21,516	18,561
General and administrative	3,163	2,842	12,646	11,098
Total stock-based compensation expense	<u>\$ 13,276</u>	<u>\$ 11,999</u>	<u>\$ 47,561</u>	<u>\$ 43,588</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 (credits) are reported in the Condensed Consolidated Income Statements as follows:

(In thousands)	Three Months Ended		Years Ended	
	December 29,	December 31,	December 29,	December 31,
	2012	2011	2012	2011
Cost of product	\$ 1	\$ (2)	\$ 3	\$ -
Cost of services	16	(54)	68	(14)
Cost of maintenance	10	(34)	44	(8)
Marketing and sales	110	(493)	492	5
Research and development	623	(1,771)	2,144	(323)
General and administrative	456	(1,206)	1,702	(43)
Total non-qualified deferred compensation expenses (credits)	<u>\$ 1,216</u>	<u>\$ (3,560)</u>	<u>\$ 4,453</u>	<u>\$ (383)</u>

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

(In thousands)	Three Months Ended		Years Ended	
	December 29,	December 31,	December 29,	December 31,
	2012	2011	2012	2011
Cost of services	\$ -	\$ -	\$ -	\$ 259
Cost of maintenance	-	192	-	192
Marketing and sales	-	897	-	3,070
Research and development	-	1,659	-	2,181
General and administrative	-	183	-	476
Total executive and other employee severance costs	<u>\$ -</u>	<u>\$ 2,931</u>	<u>\$ -</u>	<u>\$ 6,178</u>

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

(In thousands)	Three Months Ended		Years Ended	
	December 29,	December 31,	December 29,	December 31,
	2012	2011	2012	2011
Marketing and sales	\$ 65	\$ 114	\$ 562	\$ 469
Research and development	1,809	205	6,200	984
General and administrative	313	34	2,516	1,102
Interest expense	-	-	-	43
Total integration and acquisition-related costs	<u>\$ 2,187</u>	<u>\$ 353</u>	<u>\$ 9,278</u>	<u>\$ 2,598</u>

Cadence Design Systems, Inc.
Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share
For the Three Months Ended December 29, 2012, September 29, 2012 and December 31, 2011
and the Years Ended December 29, 2012 and December 31, 2011
(Unaudited)

(In thousands, except per share data)	Three Months Ended			Years Ended	
	December 29, 2012	September 29, 2012	December 31, 2011	December 29, 2012	December 31, 2011
Diluted net income per share on a GAAP basis	\$ 1.10	\$ 0.21	\$ 0.04	\$ 1.57	\$ 0.27
Amortization of acquired intangibles	0.03	0.03	0.03	0.10	0.10
Stock-based compensation expense	0.05	0.04	0.05	0.17	0.16
Non-qualified deferred compensation expenses (credits)	-	-	(0.01)	0.02	-
Restructuring and other charges	-	-	-	-	-
Shareholder litigation costs	-	-	-	-	0.01
Executive and other employee severance costs	-	-	0.01	-	0.02
Integration and acquisition-related costs	0.01	0.01	-	0.03	0.01
Amortization of debt discount	0.02	0.02	0.02	0.07	0.10
Other income or expense related to investments and non-qualified deferred compensation plan assets *	(0.02)	-	0.01	(0.02)	(0.06)
Income tax benefit of valuation allowance release	(0.77)	-	-	(0.78)	-
Income tax benefit of State of California settlement	(0.13)	-	-	(0.13)	-
Acquisition-related income tax benefit	-	(0.05)	-	(0.05)	(0.02)
Income tax effect of non-GAAP adjustments	(0.09)	(0.05)	0.02	(0.21)	(0.08)
Diluted net income per share on a non-GAAP basis	\$ 0.20	\$ 0.21	\$ 0.17	\$ 0.77	\$ 0.51
Shares used in calculation of diluted net income per share - GAAP **	286,289	283,328	273,057	280,667	270,816
Shares used in calculation of diluted net income per share - non-GAAP **	286,289	283,328	273,057	280,667	270,816

* 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	Three Months Ended	Three Months Ended
	December 29, 2012	September 29, 2012	December 31, 2011
	Actual	Actual	Actual
	(In thousands)	(In thousands)	(In thousands)
GAAP total costs and expenses	\$ 289,324	\$ 279,092	\$ 262,307
Reconciling items to non-GAAP total costs and expenses			
Amortization of acquired intangibles	(7,649)	(7,750)	(6,681)
Stock-based compensation expense	(13,276)	(12,399)	(11,999)
Non-qualified deferred compensation (expenses) credits	(1,216)	839	3,560
Restructuring and other (charges) credits	(64)	(57)	(83)
Shareholder litigation costs	-	-	(192)
Integration and acquisition-related costs	(2,187)	(3,016)	(353)
Executive and other employee severance costs	-	-	(2,931)
Non-GAAP total costs and expenses	\$ 264,932	\$ 256,709	\$ 243,628

	Three Months Ended	Three Months Ended	Three Months Ended	Year Ended	Year Ended	Three Months Ending	Year Ending
	December 29, 2012	September 29, 2012	December 31, 2011	December 29, 2012	December 31, 2011	March 30, 2013	December 28, 2013
	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast
GAAP operating margin as a percent of total revenue	16%	18%	15%	16%	10%	15% to 16%	18%
Reconciling items to non-GAAP operating margin as a percent of total revenue							
Amortization of acquired intangibles	2%	2%	2%	2%	3%	2%	2%
Stock-based compensation expense	4%	3%	4%	4%	4%	4%	4%
Non-qualified deferred compensation expenses (credits)	0%	0%	-1%	0%	0%	0%	0%
Restructuring and other charges (credits)	0%	0%	0%	0%	0%	0%	0%
Shareholder litigation costs	0%	0%	0%	0%	0%	0%	0%
Integration and acquisition-related costs	1%	1%	0%	1%	0%	1%	1%
Executive and other employee severance costs	0%	0%	1%	0%	1%	0%	0%
Non-GAAP operating margin as a percent of total revenue	23%	24%	21%	23%	18%	22% to 23%	25%

	Year Ending
	December 28, 2013
(In millions)	Forecast
GAAP total other income (expense), net	\$(37) to \$(31)
Reconciling items to non-GAAP total other income (expense), net	
Amortization of debt discount	22
Non-GAAP total other income (expense), net	\$(15) to \$(9)

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

	For the three months ended December 29, 2012					
	Operating expenses on a GAAP basis	Stock-based compensation	Amortization of acquired intangibles	Non-qualified deferred compensation expenses	Integration and acquisition-related costs	Operating expenses on a non-GAAP basis
Cost of product	13,069	(28)	(3,608)	(1)	-	9,432
Cost of services	19,353	(538)	-	(16)	-	18,799
Cost of maintenance	11,368	(347)	(269)	(10)	-	10,742
Marketing and sales	95,604	(2,907)	-	(110)	(65)	92,522
Research and development	118,382	(6,293)	-	(623)	(1,809)	109,657
General and administrative	27,712	(3,163)	-	(456)	(313)	23,780
Amortization of acquired intangibles	3,772	-	(3,772)	-	-	-
		(13,276)	(7,649)	(1,216)	(2,187)	

	For the year ended December 29, 2012						
	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	73,392	(99)	(13,003)	(3)	-	-	60,287
Cost of services	72,607	(1,889)	-	(68)	-	-	70,650
Cost of maintenance	45,124	(1,218)	(538)	(44)	-	-	43,324
Marketing and sales	342,278	(10,193)	-	(492)	(562)	-	331,031
Research and development	454,085	(21,516)	-	(2,144)	(6,200)	-	424,225
General and administrative	112,076	(12,646)	-	(1,702)	(2,516)	(46)	95,166
Amortization of acquired intangibles	15,077	-	(15,077)	-	-	-	-
		(47,561)	(28,618)	(4,453)	(9,278)	(46)	

Cadence Design Systems, Inc.
(Unaudited)

Revenue Mix by Geography (% of Total Revenue)

<u>GEOGRAPHY</u>	2011					2012				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Americas	44%	47%	44%	44%	45%	44%	46%	43%	45%	45%
EMEA	21%	20%	21%	20%	20%	19%	20%	20%	21%	20%
Japan	19%	17%	18%	17%	18%	18%	16%	17%	14%	16%
Asia	16%	16%	17%	19%	17%	19%	18%	20%	20%	19%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Revenue Mix by Product Group (% of Total Revenue)

<u>PRODUCT GROUP</u>	2011					2012				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Functional Verification and Design IP	28%	33%	30%	32%	30%	30%	33%	30%	30%	30%
Digital IC Design	24%	21%	22%	21%	22%	23%	22%	23%	23%	23%
Custom IC Design	20%	22%	23%	23%	22%	23%	22%	24%	24%	23%
Design for Manufacturing	8%	6%	6%	6%	7%	7%	6%	6%	6%	6%
System Interconnect	10%	8%	9%	8%	9%	8%	8%	9%	9%	9%
Services & Other	10%	10%	10%	10%	10%	9%	9%	8%	8%	9%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Note: Product Group total revenue includes Product and Maintenance revenue