

Cadence Design Systems, Inc.
Financial Supplement - Condensed Consolidated Statements of Operations (Unaudited)
Quarter Ended March 29, 2008
(\$ in millions except where noted)

	Fiscal 2007					Fiscal 2008			
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4
INCOME STATEMENTS (GAAP)									
REVENUE									
Product	\$ 237.9	\$ 263.8	\$ 273.8	\$ 328.5	1,104.0	\$ 156.2			
Services	31.9	32.8	31.2	29.9	125.8	32.2			
Maintenance	95.4	94.3	96.0	99.5	385.2	98.8			
Total revenue	\$ 365.2	\$ 390.9	\$ 401.0	\$ 457.9	\$ 1,615.0	\$ 287.2			
COSTS AND EXPENSES									
Cost of product	\$ 15.7	\$ 12.8	\$ 13.8	\$ 17.8	\$ 60.1	\$ 12.0			
Cost of services	23.6	23.4	23.4	22.9	93.3	25.2			
Cost of maintenance	15.1	15.3	15.2	15.5	61.1	14.5			
Marketing and sales	102.7	98.1	97.2	109.2	407.2	93.0			
Research and development	117.1	123.0	125.4	128.6	494.1	125.4			
General and administrative	40.6	41.8	40.8	45.8	169.0	37.7			
Amortization of acquired intangibles	4.5	4.4	4.7	5.8	19.4	5.8			
Restructuring and other charges (credits)	(1.0)	(1.6)	(7.1)	(0.1)	(9.8)	-			
Write-off of acquired in-process technology	-	-	2.7	-	2.7	0.6			
Total costs and expenses	\$ 318.3	\$ 317.2	\$ 316.1	\$ 345.5	\$ 1,297.1	\$ 314.2			
OPERATING INCOME (LOSS)	\$ 46.9	\$ 73.7	\$ 84.9	\$ 112.4	\$ 317.9	\$ (27.0)			
Operating Margin %	13%	19%	21%	25%	20%	-9%			
Interest expense	(3.5)	(3.0)	(2.9)	(3.0)	(12.4)	(3.0)			
Other income, net	19.5	14.2	14.2	10.6	58.5	5.8			
INCOME (LOSS) BEFORE PROVISION (BENEFIT) FOR INCOME TAXES	\$ 62.9	\$ 84.9	\$ 96.2	\$ 120.0	\$ 364.0	\$ (24.2)			
Provision (benefit) for income taxes	18.5	25.3	23.5	0.5	67.8	(5.5)			
NET INCOME (LOSS)	\$ 44.4	\$ 59.6	\$ 72.7	\$ 119.5	\$ 296.2	\$ (18.7)			
DILUTED NET INCOME (LOSS) PER SHARE	0.15	0.20	0.24	0.41	1.01	(0.07)			
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - DILUTED (millions)	293.6	302.7	299.5	291.0	295.6	262.8			
NON-GAAP METRICS (1)									
Total costs & expenses	\$ 277.1	\$ 279.9	\$ 281.5	\$ 285.6	\$ 1,124.1	\$ 280.6			
Operating margin %	24%	28%	30%	38%	30%	2%			
Net income per share - diluted	\$ 0.26	\$ 0.30	\$ 0.33	\$ 0.46	\$ 1.35	\$ 0.04			
Shares outstanding -- diluted (non-GAAP) (2)	293.6	302.7	299.5	291.0	295.6	279.4			

FOOTNOTES:

- (1) For reconciliation to GAAP financials see attached Regulation G GAAP to Non-GAAP Reconciliation exhibit
(2) Shares used in the calculation of GAAP net income (loss) per share are expected to be the same as the 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.
Financial Supplement - Metrics (Unaudited)
Quarter Ended March 29, 2008

	Fiscal 2007					Fiscal 2008			
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4
REVENUE SEGMENTATION									
Revenue by Geography (% of total revenue)									
Americas	48%	52%	41%	50%	49%	40%			
Europe	15%	17%	25%	17%	18%	22%			
Japan	27%	14%	22%	22%	21%	26%			
Asia	10%	17%	12%	11%	12%	12%			
Total	100%	100%	100%	100%	100%	100%			
Revenue by Product Group (% of total revenue)									
Functional Verification	24%	24%	20%	26%	24%	20%			
Digital IC Design	26%	29%	27%	27%	27%	27%			
Custom IC Design	24%	24%	32%	25%	27%	25%			
Design for Manufacturing	7%	7%	6%	6%	6%	6%			
System Interconnect	10%	8%	7%	9%	8%	11%			
Services & Other	9%	8%	8%	7%	8%	11%			
Total	100%	100%	100%	100%	100%	100%			

OTHER METRICS									
Total DSO (days, short-term + long-term)	103	102	112	111		176			
Receivables > 90 days past due	1%	1%	1%	1%		1%			
Stock repurchases (shares in millions)	5.9	-	12.0	1.5		19.8			
Headcount	5,200	5,200	5,300	5,300		5,100			

BACKLOG:	
End of year, \$ in billions	
2006	\$1.9
2007	\$2.0

Cadence Design Systems, Inc.
Financial Supplement - Condensed Consolidated Balance Sheets (Unaudited)
As of March 29, 2008
\$ in millions (except where noted)

	Fiscal 2007				Fiscal 2008			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
CURRENT ASSETS								
Cash and cash equivalents	\$ 946.7	\$ 1,128.5	\$ 935.6	\$ 1,062.9	\$ 825.5			
Short-term investments	22.5	20.2	15.7	15.2	11.2			
Receivables, net	256.3	242.4	278.2	326.2	346.3			
Inventories	37.9	38.2	37.9	31.0	29.8			
Prepaid expenses and other	92.1	90.4	111.5	94.3	97.9			
Total current assets	\$ 1,355.5	\$ 1,519.7	\$ 1,378.9	\$ 1,529.6	\$ 1,310.7			
LONG-TERM ASSETS								
Property, plant and equipment, net	326.1	331.6	332.5	339.5	345.9			
Goodwill	1,261.9	1,262.2	1,311.1	1,310.2	1,315.6			
Acquired intangibles, net	101.5	98.2	139.5	127.1	124.2			
Installment contract receivables	160.6	199.1	221.5	238.0	215.0			
Other assets	364.1	353.2	355.8	326.8	326.0			
TOTAL ASSETS	\$ 3,569.7	\$ 3,764.0	\$ 3,739.3	\$ 3,871.2	\$ 3,637.4			
CURRENT LIABILITIES								
Convertible notes	\$ -	\$ -	\$ 230.4	\$ 230.4	\$ 230.4			
Accounts payable and accrued liabilities	191.4	216.8	241.7	289.9	220.9			
Current portion of deferred revenue	268.2	251.7	241.3	265.2	298.9			
Total current liabilities	\$ 459.6	\$ 468.5	\$ 713.4	\$ 785.5	\$ 750.2			
LONG-TERM LIABILITIES								
Long-term portion of deferred revenue	91.4	84.7	124.6	136.7	135.5			
Convertible notes	730.4	730.4	500.0	500.0	500.0			
Other long-term liabilities	419.4	428.0	448.4	368.9	358.0			
Total long-term liabilities	\$ 1,241.2	\$ 1,243.1	\$ 1,073.0	\$ 1,005.6	\$ 993.5			
STOCKHOLDERS' EQUITY	1,868.9	2,052.4	1,952.9	2,080.1	1,893.7			
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 3,569.7	\$ 3,764.0	\$ 3,739.3	\$ 3,871.2	\$ 3,637.4			

Cadence Design Systems, Inc.
Financial Supplement - Condensed Consolidated Statement of Cash Flows (Unaudited)
Quarter Ended March 29, 2008
\$ in millions (except where noted)

	Fiscal 2007					Fiscal 2008			
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4
CASH & CASH EQUIVALENTS									
AT BEGINNING OF PERIOD	\$ 934.3	\$ 946.7	\$ 1,128.5	\$ 935.6	\$ 934.3	\$ 1,062.9			
CASH FLOWS FROM OPERATING ACTIVITIES:									
Net Income (loss)	\$ 44.4	\$ 59.6	\$ 72.7	\$ 119.5	\$ 296.2	\$ (18.7)			
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:									
Depreciation and amortization	31.9	31.4	33.5	33.9	130.7	33.0			
Stock-based compensation	27.7	27.0	24.1	22.6	101.4	21.6			
Equity in loss from investments, net	0.6	1.1	0.8	0.5	3.0	0.3			
Gain on investments, net	(7.5)	(4.6)	(4.5)	(1.5)	(18.1)	(0.2)			
Gain on sale and leaseback of land and buildings	(11.1)	(0.9)	(0.5)	(0.5)	(13.0)	(0.5)			
Write-down of investment securities	-	0.5	2.0	-	2.5	5.4			
Write-off of acquired in-process technology	-	-	2.7	-	2.7	0.6			
Non-cash restructuring and other charges (credits)	-	-	(7.1)	-	(7.1)	-			
Tax benefit from call options	1.9	2.4	2.7	4.3	11.3	-			
Deferred income taxes	0.2	1.1	3.5	8.0	12.8	-			
Proceeds from sale of receivables, net	41.4	34.9	87.3	51.8	215.4	15.7			
Provisions (recoveries) for losses (gains) on trade accounts receivable and sales returns	1.3	(1.4)	(0.9)	0.4	(0.6)	(0.1)			
Other non-cash items	3.3	1.8	3.5	2.6	11.2	1.0			
Change in operating assets and liabilities, net of effect of acquired businesses:									
Receivables	18.2	6.0	(15.1)	6.7	15.8	(20.4)			
Installment contract receivables	(87.5)	(66.1)	(119.7)	(120.4)	(393.7)	23.2			
Inventories	(0.7)	(0.3)	0.3	6.9	6.2	1.3			
Prepaid expenses and other	(9.8)	2.1	(15.5)	22.6	(0.6)	(3.6)			
Other assets	(4.4)	5.2	(2.8)	1.4	(0.6)	(4.4)			
Accounts payable and accrued liabilities	(37.7)	18.2	(16.0)	55.9	20.4	(80.9)			
Deferred revenue	6.7	(23.6)	26.3	35.4	44.8	22.5			
Other long-term liabilities	0.1	6.8	11.5	(56.6)	(38.2)	(14.9)			
Net cash provided by (used for) operating activities	\$ 19.0	\$ 101.2	\$ 88.8	\$ 193.5	\$ 402.5	\$ (19.1)			
CASH FLOWS FROM INVESTING ACTIVITIES:									
Proceeds from sale of available-for-sale securities	\$ -	\$ 3.1	\$ 3.2	\$ -	\$ 6.3	\$ -			
Proceeds from the sale of short-term investments	0.2	-	-	-	0.2	-			
Proceeds from the sale of long-term investments	4.8	1.5	0.1	-	6.3	3.3			
Proceeds from the sale of property, plant and equipment	46.5	-	-	-	46.5	-			
Purchases of property, plant and equipment	(20.4)	(17.6)	(19.4)	(24.4)	(81.8)	(24.6)			
Purchases of software licenses	-	-	-	(2.0)	(2.0)	(0.4)			
Investment in venture capital partnerships and equity investments	(1.5)	(0.5)	(1.3)	-	(3.3)	-			
Cash paid in business combinations and asset acquisitions, net of cash acquired, and acquisition of intangibles	(1.6)	(5.9)	(66.7)	(6.6)	(80.7)	(5.6)			
Net cash provided by (used for) investing activities	\$ 28.0	\$ (19.4)	\$ (84.1)	\$ (33.0)	\$ (108.5)	\$ (27.3)			
CASH FLOWS FROM FINANCING ACTIVITIES:									
Principal payments on term loan	(28.0)	-	-	-	(28.0)	-			
Tax benefit from employee stock transactions	8.7	9.1	3.0	0.3	21.1	0.1			
Proceeds from issuance of common stock	111.6	93.6	43.8	6.5	255.5	25.4			
Stock received for payment of employee taxes on vesting of restricted stock	(6.2)	(4.1)	(1.4)	(7.4)	(19.1)	(2.2)			
Purchases of treasury stock	(121.5)	-	(251.0)	(27.0)	(399.5)	(216.2)			
Other	-	-	8.6	(8.6)	-	-			
Net cash provided by (used for) financing activities	\$ (35.4)	\$ 98.6	\$ (197.0)	\$ (36.2)	\$ (170.0)	\$ (192.9)			
Effect of exchange rate changes on cash and cash equivalents	0.8	1.4	(0.6)	3.0	4.6	1.9			
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 12.4	\$ 181.8	\$ (192.9)	\$ 127.3	128.6	\$ (237.4)			
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 946.7	\$ 1,128.5	\$ 935.6	\$ 1,062.9	1,062.9	\$ 825.5			

Cadence Design Systems, Inc.
Financial Supplement - Regulation G GAAP to Non-GAAP Reconciliations (Unaudited)
Quarter Ended March 29, 2008
(\$ in millions except where noted)

	Fiscal 2007					Fiscal 2008				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	
NET INCOME RECONCILIATION										
Net income (loss) on a GAAP basis	\$ 44.4	\$ 59.6	\$ 72.7	\$ 119.5	\$ 296.2	\$ (18.7)				
Amortization of acquired intangibles (1)	11.3	10.9	12.0	12.5	46.7	11.5				
Stock-based compensation expense (1)	27.7	27.0	24.1	22.6	101.4	21.6				
Non-qualified deferred compensation expenses (credits) (1)	3.2	1.0	2.9	1.7	8.8	(0.1)				
Certain termination costs (1)	-	-	-	15.1	15.1	-				
Certain legal costs - recorded in General and Admin Exp.	-	-	-	8.1	8.1	-				
Restructuring and other charges (credits)	(1.0)	(1.6)	(7.1)	(0.1)	(9.8)	-				
Write-off of acquired in-process technology	-	-	2.7	-	2.7	0.6				
Integration and acquisition-related costs	0.4	0.3	0.3	0.3	1.3	0.2				
Equity in losses from investments, gains and losses on non-qualified deferred compensation plan assets	(2.7)	0.8	0.4	(0.6)	(2.1)	6.4				
Income tax benefit from settlement of IRS dispute	-	-	-	(27.8)	(27.8)	-				
Income tax effect of non-GAAP adjustments	(8.0)	(6.8)	(10.6)	(18.4)	(43.8)	(9.7)				
Net income on a non-GAAP basis	\$ 75.3	\$ 91.2	\$ 97.4	\$ 132.9	\$ 396.8	\$ 11.8				

DILUTED NET INCOME PER SHARE RECONCILIATION (2)										
Diluted net income (loss) per share on a GAAP basis	\$ 0.15	\$ 0.20	\$ 0.24	\$ 0.41	\$ 1.01	\$ (0.07)				
Amortization of acquired intangibles	0.04	0.04	0.04	0.04	0.16	0.04				
Stock-based compensation expense	0.09	0.09	0.08	0.08	0.34	0.08				
Non-qualified deferred compensation expenses (credits)	0.01	-	0.01	0.01	0.03	-				
Certain termination costs	-	-	-	0.05	0.05	-				
Certain legal costs	-	-	-	0.03	0.03	-				
Restructuring and other charges (credits)	-	(0.01)	(0.02)	-	(0.03)	-				
Write-off of acquired in-process technology	-	-	-	-	0.01	-				
Integration and acquisition-related costs	-	-	-	-	-	-				
Equity in losses from investments, gains and losses on non-qualified deferred compensation plan assets	(0.01)	-	-	-	(0.01)	0.02				
Income tax benefit from settlement of IRS dispute	-	-	-	(0.10)	(0.09)	-				
Income tax effect of non-GAAP adjustments	(0.02)	(0.02)	(0.03)	(0.06)	(0.15)	(0.03)				
Diluted net income per share on a non-GAAP basis	\$ 0.26	\$ 0.30	\$ 0.33	\$ 0.46	\$ 1.35	\$ 0.04				
Shares used in calculation of net income per share										
GAAP (2)	293.6	302.7	299.5	291.0	295.6	262.8				
Non-GAAP (2)	293.6	302.7	299.5	291.0	295.6	279.4				

TOTAL COSTS AND EXPENSES RECONCILIATION										
GAAP total costs and expenses	\$ 318.3	\$ 317.2	\$ 316.1	\$ 345.5	\$ 1,297.1	\$ 314.2				
Reconciling items to non-GAAP total costs and expenses										
Amortization of acquired intangibles	(11.3)	(10.9)	(12.0)	(12.5)	(46.7)	(11.5)				
Stock-based compensation expense	(27.7)	(27.0)	(24.1)	(22.6)	(101.4)	(21.6)				
Non-qualified deferred compensation expenses (credits)	(3.2)	(1.0)	(2.9)	(1.7)	(8.8)	0.1				
Certain termination costs	-	-	-	(15.1)	(15.1)	-				
Certain legal costs	-	-	-	(8.1)	(8.1)	-				
Restructuring and other (charges) credits	1.0	1.6	7.1	0.1	9.8	-				
Write-off of acquired in-process technology	-	-	(2.7)	-	(2.7)	(0.6)				
Non-GAAP total costs and expenses	\$ 277.1	\$ 279.9	\$ 281.5	\$ 285.6	\$ 1,124.1	\$ 280.6				

OPERATING MARGIN RECONCILIATION										
GAAP operating margin as a percent of total revenue	13%	19%	21%	25%	20%	-9%				
Reconciling items to non-GAAP operating margin as a percent of total revenue										
Amortization of acquired intangibles	2%	2%	3%	3%	3%	4%				
Stock-based compensation expense	8%	7%	6%	5%	6%	7%				
Non-qualified deferred compensation expenses (credits)	1%	0%	1%	0%	1%	0%				
Certain termination costs	0%	0%	0%	3%	1%	0%				
Certain legal costs	0%	0%	0%	2%	0%	0%				
Restructuring and other charges (credits)	0%	0%	-2%	0%	-1%	0%				
Write-off of acquired in-process technology	0%	0%	1%	0%	0%	0%				
Non-GAAP operating margin as a percent of total revenue	24%	28%	30%	38%	30%	2%				

(1) Please refer to the page titled "Detail of Select Items Excluded from Non-GAAP Operating Expenses" for an allocation of these items to the Income Statement line items where the expenses were recorded.

(2) Shares used in the calculation of GAAP net income (loss) per share are expected to be the same as the 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.
Financial Supplement - Regulation G GAAP to Non-GAAP Reconciliations (Unaudited)
Detail of Select Items Excluded from Non-GAAP Operating Expenses
Quarter Ended March 29, 2008
(\$ in millions except where noted)

	Fiscal 2007					Fiscal 2008			
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4
DETAIL OF ITEMS EXCLUDED FROM NON-GAAP OPERATING EXPENSES									
Amortization of acquired intangibles:									
Included in Cost of product	\$ 5.6	\$ 5.3	\$ 6.0	\$ 5.5	\$ 22.4	\$ 4.7			
Included in Cost of services	-	-	-	-	-	-			
Included in Cost of maintenance	1.2	1.2	1.2	1.2	4.8	1.0			
Included in Amortization of acquired intangibles	4.5	4.4	4.8	5.8	19.5	5.8			
Total Amortization of acquired intangibles	\$ 11.3	\$ 10.9	\$ 12.0	\$ 12.5	\$ 46.7	\$ 11.5			
Stock-based compensation expense									
Included in Cost of product	\$ 0.1	\$ -	\$ -	\$ -	\$ 0.1	\$ -			
Included in Cost of services	0.9	1.0	1.0	1.0	3.9	1.0			
Included in Cost of maintenance	0.6	0.6	0.6	0.6	2.4	0.6			
Included in Marketing and sales	6.7	5.4	5.5	4.6	22.2	4.4			
Included in Research and development	13.2	12.5	10.9	9.8	46.4	9.8			
Included in General and administrative	6.2	7.5	6.1	6.6	26.4	5.8			
Total Stock-based compensation expense	\$ 27.7	\$ 27.0	\$ 24.1	\$ 22.6	\$ 101.4	\$ 21.6			
Non-qualified deferred compensation expenses (credits)									
Included in Cost of product	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
Included in Cost of services	0.1	-	0.1	0.1	0.3	-			
Included in Cost of maintenance	0.1	-	0.1	-	0.2	-			
Included in Marketing and sales	1.0	0.3	0.8	0.5	2.6	(0.2)			
Included in Research and development	1.0	0.4	1.3	0.8	3.5	0.3			
Included in General and administrative	1.0	0.3	0.6	0.3	2.2	(0.2)			
Total Non-qualified deferred compensation expenses (credits)	\$ 3.2	\$ 1.0	\$ 2.9	\$ 1.7	\$ 8.8	\$ (0.1)			
Termination costs									
Included in Cost of product	\$ -	\$ -	\$ -	\$ 0.4	\$ 0.4	\$ -			
Included in Cost of services	-	-	-	0.5	0.5	-			
Included in Cost of maintenance	-	-	-	0.5	0.5	-			
Included in Marketing and sales	-	-	-	7.1	7.1	-			
Included in Research and development	-	-	-	5.3	5.3	-			
Included in General and administrative	-	-	-	1.3	1.3	-			
Total Termination costs	\$ -	\$ -	\$ -	\$ 15.1	\$ 15.1	\$ -			

GAAP to non-GAAP Reconciliations

Cadence management evaluates and makes operating decisions using various operating measures. These measures are generally based on the revenues of its product, maintenance and services business operations and certain costs of those operations, such as cost of revenues, research and development, sales and marketing and general and administrative expenses. One such measure is non-GAAP net income, which is a non-GAAP financial measure under Section 101 of Regulation G under the Securities Exchange Act of 1934, as amended. This measure consists of GAAP net income (loss) excluding, as applicable, amortization of intangible assets, stock-based compensation expense, in-process research and development charges, certain termination and legal costs, integration and acquisition-related costs, gains or losses and expenses or credits related to non-qualified deferred compensation plan assets, executive severance payments, restructuring charges and credits (primarily related to excess facilities), losses on extinguishment of debt and equity in losses (income) from investments. Intangible assets consist primarily of purchased or licensed technology, backlog, patents, trademarks, distribution rights, customer contracts and related relationships and non-compete agreements. Non-GAAP net income is adjusted by the amount of additional taxes or tax benefit that the company would accrue if it used non-GAAP results instead of GAAP results to calculate the company's tax liability.

Other non-GAAP financial measures presented in this supplement are non-GAAP total costs and expenses and non-GAAP operating margin. Non-GAAP total costs and expenses are GAAP total costs and expenses excluding, as applicable, amortization of intangible assets, stock-based compensation expense, in-process research and development charges, certain termination and legal costs, integration and acquisition-related costs, expenses or credits related to non-qualified deferred compensation plan assets, executive severance payments and restructuring charges and credits. Non-GAAP operating margin is GAAP operating margin excluding, as applicable, amortization of intangible assets, stock-based compensation expense, in-process research and development charges, certain termination and legal costs, integration and acquisition-related costs, expenses or credits related to non-qualified deferred compensation plan assets, executive severance payments and restructuring charges and credits.

Management believes it is useful in measuring Cadence's operations to exclude amortization of intangibles, in-process research and development and integration and acquisition-related costs because these costs are primarily fixed at the time of an acquisition and generally cannot be changed by management in the short term. In addition, management believes it is useful to exclude stock-based compensation expense because it enhances investors' ability to review Cadence's business from the same perspective as Cadence's management, which believes that stock-based compensation expense is not directly attributable to the underlying performance of the company's business operations. Management also believes that it is useful to exclude restructuring charges and credits. Cadence has dramatically reduced the size of its design services business and portions of its product and maintenance businesses over the past several years. As a result, in 2001, 2002 and 2003, Cadence's GAAP statements of operations included significant charges relating to such restructurings. Management believes that in measuring the company's operations it is useful to exclude any such restructuring charges and credits because its level of restructuring activities has significantly decreased. Management also believes it is useful to exclude executive severance costs and certain termination and legal costs as these costs do not occur frequently. Management also believes it is useful to exclude gains or losses and expenses or credits related to its non-qualified deferred compensation plan assets as these gains and expenses are not part of Cadence's direct costs of operations, but reflect changes in the value of assets held in the plan. Finally, management also believes it is useful to exclude the equity in losses (income) from investments, as these items are not part of Cadence's direct cost of operations. Rather, these are non-operating items that are included in other income (expense) and are part of the company's investment activities.

Management believes that non-GAAP net income, non-GAAP total costs and expenses and non-GAAP operating margin provide useful supplemental information to management and investors regarding the performance of the company's business operations and facilitates comparisons to our historical operating results. Management also uses this information internally for forecasting and budgeting. Non-GAAP financial measures should not be considered as a substitute for measures of financial performance prepared in accordance with GAAP. Investors and potential investors are encouraged to review the reconciliation of non-GAAP financial measures contained within this supplement with their most directly comparable GAAP financial results