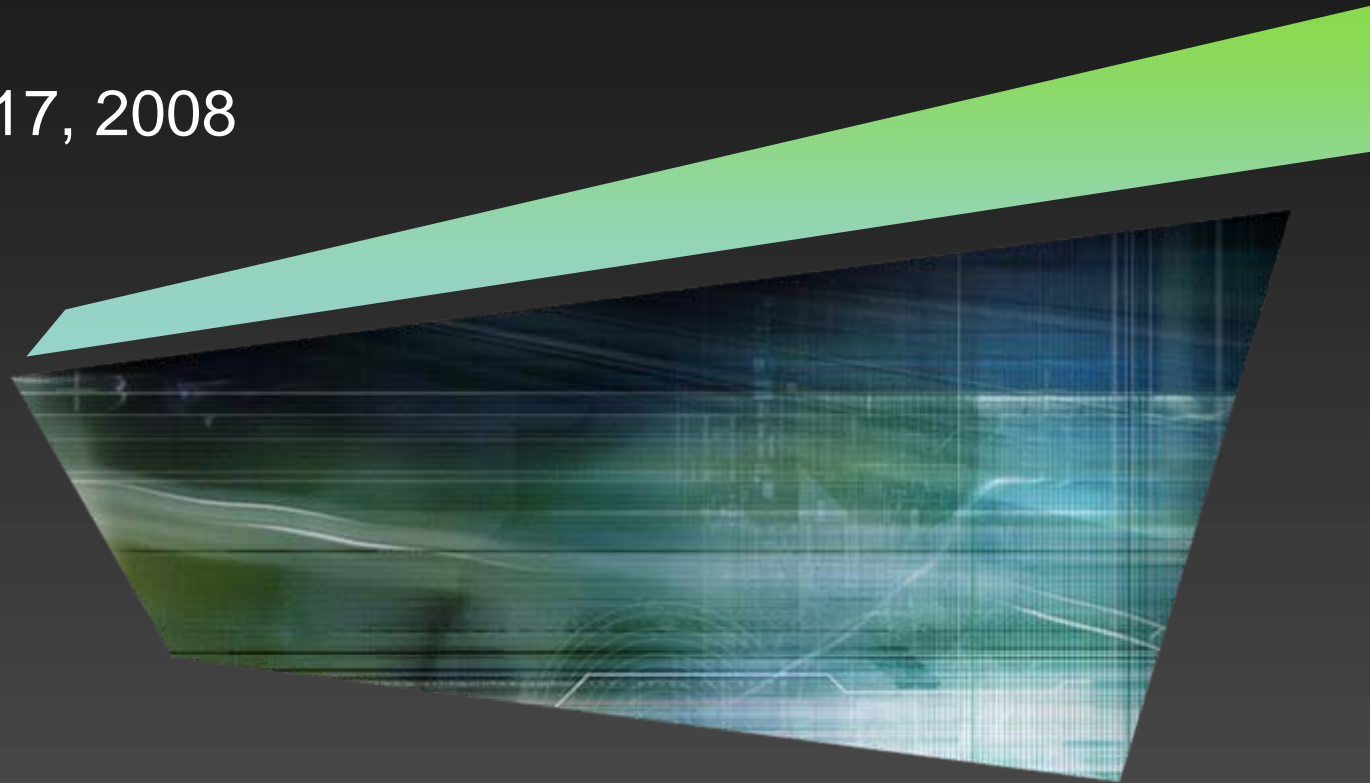


# Proposed Acquisition of Mentor Graphics

June 17, 2008



# Safe harbor

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The statements contained in these materials include forward-looking statements based on current expectations or beliefs, as well as a number of preliminary assumptions about future events that are subject to factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements, as they relate to Cadence and Mentor Graphics, the management of either company or the proposed transaction. However, readers are cautioned not to put undue reliance on these forward-looking statements, which are not a guarantee of future performance and are subject to a number of risks, uncertainties and other factors, many of which are outside Cadence's control, including, among others: (i) the possibility that the transaction will not be consummated, (ii) the effect of the announcement of the proposal on Cadence's and Mentor Graphics' respective businesses, including their strategic and customer relationships, ability to retain key employees and stock prices, (iii) the possibility that the announcement of the proposal may result in delays in customers' purchases of products and services, (iv) the possibility that the announcement of the proposal may result in changes in the mix of license types (i.e. perpetual, term or subscription) for existing customers, which changes could have the effect of delaying or accelerating the recognition of revenue when compared with Cadence's or Mentor Graphics' existing license mix, (v) the ability of Cadence to successfully integrate the combined company and otherwise realize within anticipated time periods the potential benefits of the acquisition, including any potential synergies described in these materials, (vi) the impact of general economic conditions in regions in which either such company currently does business, (vii) industry conditions, including competition, (viii) fluctuations in exchange rates and currency values, (ix) capital expenditure requirements, (x) legislative or regulatory requirements, (xi) changes in the tax laws and (xii) interest rates and our ability to access capital and debt markets. The actual results or performance by Cadence or Mentor Graphics could differ materially from those expressed in, or implied by, these forward-looking statements. Accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what impact they will have on the results of operations or financial condition of Cadence or Mentor Graphics. Cadence does not intend, and undertakes no obligation, to update these forward-looking statements. All subsequent written or spoken forward-looking statements attributable to either Mentor Graphics or Cadence or persons acting on behalf of either company are expressly qualified in their entirety by these cautionary statements.

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# Transaction rationale

## Combines highly complementary businesses

- Accelerates Cadence's strategy to address key customer challenges
- Enhances presence in DFM area
- Extends portfolio in systems adjacency and FPGA

## Broadens market segment presence and adds expertise

- Expands participation in complementary vertical markets, such as Automotive, Mil/Aero, and Industrial Equipment
- Increases R&D capacity through addition of world-class technical expertise

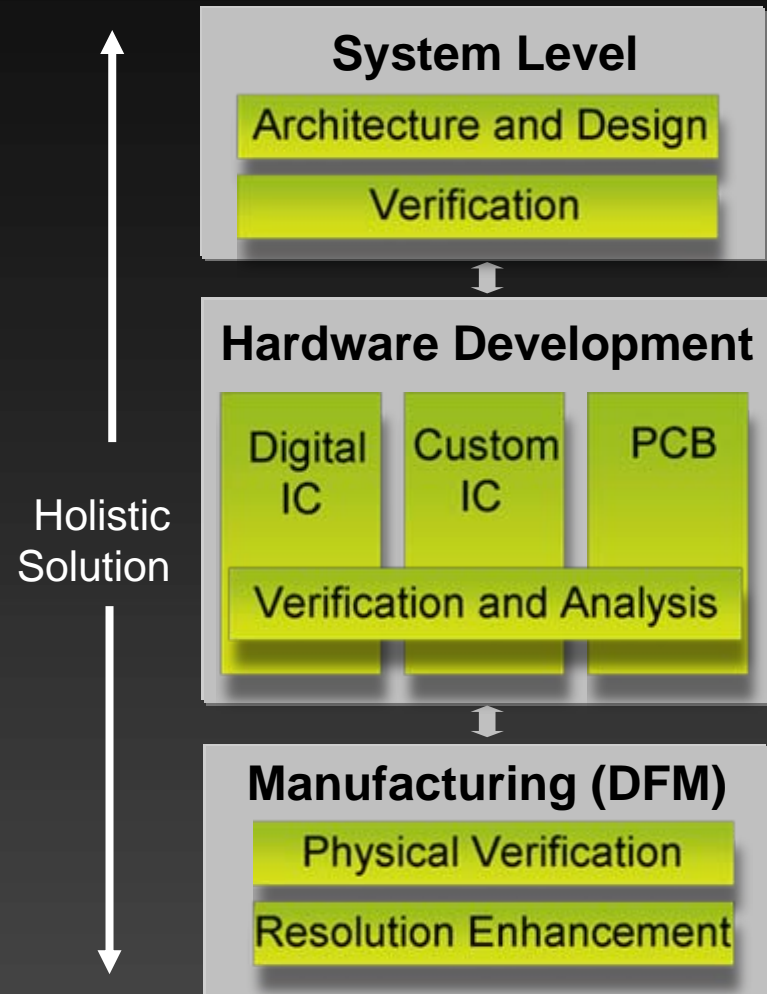
## Drives efficiencies through scale

- Significant opportunity to drive operational synergies in the combination, principally in SG&A
- Benefits shareholders of both companies

**Combination would bring together the resources and technology required to accelerate the delivery of innovative solutions that address customer challenges**

# Accelerates Cadence's strategy to address key customer challenges

- Electronics companies struggling with complex economic and technical challenges
  - Driving consolidation, partnering, and outsourcing
- Cadence's strategy is to develop and deliver holistic solutions
- Transaction enhances portfolio in systems and manufacturing adjacencies
- Enables Cadence to participate in additional vertical market segments



# Proposed transaction

- Price: \$16.00 in cash per share
  - 30% premium to Mentor Graphics' closing price on June 16
  - 59% premium to Mentor Graphics' closing price on May 2
  - 46% premium to Mentor Graphics' 30 trading day average closing price
- Transaction has a total enterprise value of \$1.6 billion on a fully diluted basis
  - Reflects Mentor Graphics' net debt of \$69 million
- Significant opportunity to drive operational synergies in the combination
  - Operating expense savings, principally in SG&A
  - >\$50 million of operating income benefit after taking into account potential revenue leakage
- Expected to be accretive to pro forma non-GAAP EPS in the first full year following completion <sup>(1)</sup>

(1) Excluding purchase accounting impact, one-time costs and possible impact of any changes from current Mentor Graphics business model practices. Based on publicly available information.

# Accretion summary

- Excluding purchase accounting impact, one-time costs and possible impact of any changes from current Mentor Graphics business model practices

**Accretive to pro forma non-GAAP EPS in the first full year following completion**

- Assuming write-down of deferred revenues
- Assuming changes in Mentor Graphics business model practices – bookings mix from 15% ratable / 85% upfront to 50% ratable / 50% upfront

**Accretive to non-GAAP EPS in the second full year following completion**

# Financing

- Proposal is not subject to any financing condition
- We anticipate raising approximately \$1.1 billion in new debt capital
- Before synergies and adjustments, the resulting net debt would represent approximately 2.5x of the companies combined current LTM EBITDA
- Net debt levels of the combined company are expected to come down quickly through strong cash flow generation of the combined business

# Proposed next steps to transaction completion

- It remains our strong preference to work cooperatively with Mentor Graphics' Board in the framework of a negotiated transaction
- Assuming positive response from Mentor Graphics Board, Cadence to commence confirmatory due diligence
  - Expect completion of confirmatory due diligence in short order
- Commence regulatory process
- Cadence and Mentor Graphics negotiate and sign merger agreement
- Customary conditions to closing, including receipt of regulatory approvals

**We are confident that the Cadence and Mentor Graphics teams working together can make this transaction a success**



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