

TABLE OF CONTENTS

Condensed Consolidated Balance Sheets, June 30, 2025 and December 31, 2024.....	1
Trended Condensed Consolidated Balance Sheets.....	2
Condensed Consolidated Income Statements for the Three and Six Months Ended June 30, 2025 and June 30, 2024.....	3
Trended Condensed Income Statements.....	4
Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2025 and June 30, 2024.....	5
Trended Condensed Consolidated Statements of Cash Flows.....	6
Revenue Mix by Geography.....	7
Revenue Mix by Product Category.....	7
Impact of Non-GAAP Adjustments on Forward Looking Operating Margin, as of July 28, 2025.....	8
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share, as of July 28, 2025.....	9
Impact of Non-GAAP Adjustments on Forward Looking Net Income, as of July 28, 2025.....	9
Reconciliation of GAAP Net Income to Non-GAAP Net Income, for the Three and Six Months Ended June 30, 2025 and June 30, 2024.....	10
Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share, for the Three and Six Months Ended June 30, 2025 and June 30, 2024.....	11
Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures.....	12
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Three Months Ended June 30, 2025.....	13
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Three Months Ended June 30, 2024.....	14
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Six Months Ended June 30, 2025.....	15
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures for the Six Months Ended June 30, 2024.....	16

Cadence Design Systems, Inc.
Condensed Consolidated Balance Sheets
June 30, 2025 and December 31, 2024
(In thousands)
(Unaudited)

	<u>June 30, 2025</u>	<u>December 31, 2024</u>
Current assets:		
Cash and cash equivalents	\$ 2,822,762	\$ 2,644,030
Receivables, net	670,166	680,460
Inventories	226,162	257,711
Prepaid expenses and other	503,453	433,878
Total current assets	<u>4,222,543</u>	<u>4,016,079</u>
Property, plant and equipment, net	482,131	458,200
Goodwill	2,599,798	2,378,671
Acquired intangibles, net	618,952	594,734
Deferred taxes	980,223	982,057
Other assets	605,051	544,741
Total assets	<u>\$ 9,508,698</u>	<u>\$ 8,974,482</u>
Current liabilities:		
Accounts payable and accrued liabilities	\$ 766,636	\$ 632,692
Current portion of deferred revenue	729,929	737,413
Total current liabilities	<u>1,496,565</u>	<u>1,370,105</u>
Long-term liabilities:		
Long-term portion of deferred revenue	154,448	115,168
Long-term debt	2,478,145	2,476,183
Other long-term liabilities	373,002	339,448
Total long-term liabilities	<u>3,005,595</u>	<u>2,930,799</u>
Stockholders' equity	5,006,538	4,673,578
Total liabilities and stockholders' equity	<u>\$ 9,508,698</u>	<u>\$ 8,974,482</u>

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

	June 30, 2024	September 30, 2024	December 31, 2024	March 31, 2025	June 30, 2025
Current assets:					
Cash and cash equivalents	\$ 1,058,955	\$ 2,786,040	\$ 2,644,030	\$ 2,777,674	\$ 2,822,762
Receivables, net	564,851	560,973	680,460	580,887	670,166
Inventories	171,508	293,350	257,711	225,621	226,162
Prepaid expenses and other	401,074	459,560	433,878	413,905	503,453
Total current assets	2,196,388	4,099,923	4,016,079	3,998,087	4,222,543
Property, plant and equipment, net	449,422	448,652	458,200	466,322	482,131
Goodwill	2,417,747	2,493,467	2,378,671	2,419,717	2,599,798
Acquired intangibles, net	664,038	662,343	594,734	584,228	618,952
Deferred taxes	892,963	889,939	982,057	986,191	980,223
Other assets	605,183	572,707	544,741	558,941	605,051
Total assets	\$ 7,225,741	\$ 9,167,031	\$ 8,974,482	\$ 9,013,486	\$ 9,508,698
Current liabilities:					
Current portion of long-term debt	\$ 349,732	\$ 349,958	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	505,392	627,200	632,692	570,197	766,636
Current portion of deferred revenue	678,598	697,836	737,413	730,570	729,929
Total current liabilities	1,533,722	1,674,994	1,370,105	1,300,767	1,496,565
Long-term liabilities:					
Long-term portion of deferred revenue	88,823	102,439	115,168	110,702	154,448
Long-term debt	998,935	2,475,232	2,476,183	2,477,159	2,478,145
Other long-term liabilities	343,369	351,028	339,448	348,601	373,002
Total long-term liabilities	1,431,127	2,928,699	2,930,799	2,936,462	3,005,595
Stockholders' equity:					
Common stock and capital in excess of par value	3,928,477	4,067,586	4,181,737	4,327,187	4,445,872
Treasury stock, at cost	(4,971,955)	(5,141,957)	(5,309,579)	(5,693,200)	(5,888,804)
Retained earnings	5,413,547	5,651,658	5,991,868	6,265,447	6,425,498
Accumulated other comprehensive income (loss)	(109,177)	(13,949)	(190,448)	(123,177)	23,972
Total stockholders' equity	4,260,892	4,563,338	4,673,578	4,776,257	5,006,538
Total liabilities and stockholders' equity	\$ 7,225,741	\$ 9,167,031	\$ 8,974,482	\$ 9,013,486	\$ 9,508,698

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three and Six Months Ended June 30, 2025 and June 30, 2024
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Revenue:				
Product and maintenance	\$ 1,170,510	\$ 960,457	\$ 2,281,360	\$ 1,873,842
Services	104,931	100,224	236,447	195,942
Total revenue	<u>1,275,441</u>	<u>1,060,681</u>	<u>2,517,807</u>	<u>2,069,784</u>
Costs and expenses:				
Cost of product and maintenance	139,298	94,363	255,970	169,758
Cost of services	44,869	44,907	95,330	94,709
Marketing and sales	200,595	186,725	403,295	367,314
Research and development	442,057	370,740	881,159	749,698
General and administrative	69,029	63,436	132,127	132,152
Amortization of acquired intangibles	9,204	6,667	18,126	12,074
Loss related to contingent liability	128,545	-	128,545	-
Restructuring	47	(33)	(62)	247
Total costs and expenses	<u>1,033,644</u>	<u>766,805</u>	<u>1,914,490</u>	<u>1,525,952</u>
Income from operations	241,797	293,876	603,317	543,832
Interest expense	(28,948)	(12,905)	(58,066)	(21,597)
Other income, net	67,758	34,739	91,048	103,518
Income before provision for income taxes	280,607	315,710	636,299	625,753
Provision for income taxes	<u>120,556</u>	<u>86,190</u>	<u>202,669</u>	<u>148,590</u>
Net income	<u>\$ 160,051</u>	<u>\$ 229,520</u>	<u>\$ 433,630</u>	<u>\$ 477,163</u>
Net income per share - basic	<u>\$ 0.59</u>	<u>\$ 0.85</u>	<u>\$ 1.60</u>	<u>\$ 1.77</u>
Net income per share - diluted	<u>\$ 0.59</u>	<u>\$ 0.84</u>	<u>\$ 1.59</u>	<u>\$ 1.74</u>
Weighted average common shares outstanding - basic	<u>271,294</u>	<u>270,912</u>	<u>271,633</u>	<u>270,259</u>
Weighted average common shares outstanding - diluted	<u>272,899</u>	<u>273,520</u>	<u>273,264</u>	<u>273,532</u>

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

	Three Months Ended				
	June 30, 2024	September 30, 2024	December 31, 2024	March 31, 2025	June 30, 2025
Revenue:					
Product and maintenance	\$ 960,457	\$ 1,100,380	\$ 1,239,287	\$ 1,110,850	\$ 1,170,510
Services	100,224	115,119	116,694	131,516	104,931
Total revenue	1,060,681	1,215,499	1,355,981	1,242,366	1,275,441
Costs and expenses:					
Cost of product and maintenance	94,363	109,593	157,249	116,672	139,298
Cost of services	44,907	53,451	62,742	50,461	44,869
Marketing and sales	186,725	189,763	200,406	202,700	200,595
Research and development	370,740	407,369	392,026	439,102	442,057
General and administrative	63,436	71,581	70,228	63,098	69,029
Amortization of acquired intangibles	6,667	9,148	9,153	8,922	9,204
Loss related to contingent liability	-	-	8,322	-	128,545
Restructuring	(33)	24,538	(1,020)	(109)	47
Total costs and expenses	766,805	865,443	899,106	880,846	1,033,644
Income from operations	293,876	350,056	456,875	361,520	241,797
Interest expense	(12,905)	(24,495)	(29,907)	(29,118)	(28,948)
Other income, net	34,739	7,853	9,684	23,290	67,758
Income before provision for income taxes	315,710	333,414	436,652	355,692	280,607
Provision for income taxes	86,190	95,303	96,442	82,113	120,556
Net income	<u>\$ 229,520</u>	<u>\$ 238,111</u>	<u>\$ 340,210</u>	<u>\$ 273,579</u>	<u>\$ 160,051</u>
Net income per share - basic	<u>\$ 0.85</u>	<u>\$ 0.87</u>	<u>\$ 1.25</u>	<u>\$ 1.01</u>	<u>\$ 0.59</u>
Net income per share - diluted	<u>\$ 0.84</u>	<u>\$ 0.87</u>	<u>\$ 1.24</u>	<u>\$ 1.00</u>	<u>\$ 0.59</u>
Weighted average common shares outstanding - basic	<u>270,912</u>	<u>272,244</u>	<u>272,069</u>	<u>271,973</u>	<u>271,294</u>
Weighted average common shares outstanding - diluted	<u>273,520</u>	<u>273,958</u>	<u>274,292</u>	<u>273,631</u>	<u>272,899</u>

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2025 and June 30, 2024
(In thousands)
(Unaudited)

	Six Months Ended	
	June 30, 2025	June 30, 2024
Cash and cash equivalents at beginning of period	\$ 2,644,030	\$ 1,008,152
Cash flows from operating activities:		
Net income	433,630	477,163
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	106,592	87,202
Stock-based compensation	225,938	175,698
Gain on divestitures and investments, net	(36,654)	(80,599)
Deferred income taxes	3,241	(9,506)
ROU asset amortization and change in operating lease liabilities	2,629	(1,410)
Other non-cash items	3,502	1,510
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	(11,211)	(49,384)
Inventories	7,528	(15,978)
Prepaid expenses and other	(24,201)	(39,868)
Other assets	12,239	(38,967)
Accounts payable and accrued liabilities	115,603	(93,078)
Deferred revenue	21,824	(18,599)
Other long-term liabilities	3,964	15,013
Net cash provided by operating activities	<u>864,624</u>	<u>409,197</u>
Cash flows from investing activities:		
Purchases of investments	(21,596)	(2,095)
Proceeds from the sale and maturity of investments	1,989	43,864
Proceeds from the sale of IP and other assets	11,500	-
Purchases of property, plant and equipment	(67,146)	(78,800)
Cash paid in business combinations, net of cash acquired	(122,146)	(720,821)
Net cash used for investing activities	<u>(197,399)</u>	<u>(757,852)</u>
Cash flows from financing activities:		
Proceeds from issuance of debt	-	700,000
Payments of debt issuance costs	-	(944)
Proceeds from issuance of common stock	78,322	133,272
Stock received for payment of employee taxes on vesting of restricted stock	(94,334)	(166,903)
Payments for repurchases of common stock	(525,016)	(250,010)
Net cash provided by (used for) financing activities	<u>(541,028)</u>	<u>415,415</u>
Effect of exchange rate changes on cash and cash equivalents	<u>52,535</u>	<u>(15,957)</u>
Increase in cash and cash equivalents	<u>178,732</u>	<u>50,803</u>
Cash and cash equivalents at end of period	<u>\$ 2,822,762</u>	<u>\$ 1,058,955</u>

Cadence Design Systems, Inc.
Trended Condensed Consolidated Statements of Cash Flows
For the Five Quarters Ended June 30, 2025
(In thousands)
(Unaudited)

	<u>Q2 2024</u>	<u>Q3 2024</u>	<u>Q4 2024</u>	<u>Q1 2025</u>	<u>Q2 2025</u>
Cash and cash equivalents at beginning of period	\$ 1,012,418	\$ 1,058,955	\$ 2,786,040	\$ 2,644,030	\$ 2,777,674
Cash flows from operating activities:					
Net income	229,520	238,111	340,210	273,579	160,051
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	47,646	55,050	54,683	52,916	53,676
Stock-based compensation	87,569	109,013	106,508	107,613	118,325
(Gain) loss on divestitures and investments, net	(25,205)	16,141	14,865	1,791	(38,445)
Deferred income taxes	(7,983)	4,424	(123,655)	(1,861)	5,102
ROU asset amortization and change in operating lease liabilities	(493)	310	(820)	(1,446)	4,075
Other non-cash items	954	2,304	2,324	862	2,640
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	(152,375)	4,618	(135,521)	102,136	(113,347)
Inventories	(5,289)	(123,201)	56,408	15,018	(7,490)
Prepaid expenses and other	(24,795)	(74,917)	33,256	10,316	(34,517)
Other assets	(31,432)	30,208	20,625	12,237	2
Accounts payable and accrued liabilities	24,213	114,936	11,818	(69,621)	185,224
Deferred revenue	5,342	25,279	59,798	(14,377)	36,201
Other long-term liabilities	8,293	7,719	860	(2,142)	6,106
Net cash provided by operating activities	<u>155,965</u>	<u>409,995</u>	<u>441,359</u>	<u>487,021</u>	<u>377,603</u>
Cash flows from investing activities:					
Purchases of investments	-	-	(2,887)	(11,469)	(10,127)
Proceeds from the sale and maturity of investments	487	1,792	2,324	1,246	743
Proceeds from the sale of IP and other assets	-	-	-	11,500	-
Purchases of property, plant and equipment	(29,199)	(26,540)	(37,202)	(23,061)	(44,085)
Cash paid in business combinations, net of cash acquired	<u>(649,371)</u>	<u>(14,506)</u>	<u>(2,247)</u>	<u>-</u>	<u>(122,146)</u>
Net cash used for investing activities	<u>(678,083)</u>	<u>(39,254)</u>	<u>(40,012)</u>	<u>(21,784)</u>	<u>(175,615)</u>
Cash flows from financing activities:					
Proceeds from issuance of debt	700,000	2,496,595	-	-	-
Payments of debt	-	(1,000,000)	(350,000)	-	-
Payments of debt issuance costs	(944)	(21,725)	(1,159)	-	-
Proceeds from issuance of common stock	16,547	60,661	10,304	76,789	1,533
Stock received for payment of employee taxes on vesting of restricted stock	(15,780)	(50,559)	(20,275)	(72,566)	(21,768)
Payments for repurchases of common stock	<u>(125,004)</u>	<u>(150,008)</u>	<u>(150,008)</u>	<u>(350,007)</u>	<u>(175,009)</u>
Net cash provided by (used for) financing activities	<u>574,819</u>	<u>1,334,964</u>	<u>(511,138)</u>	<u>(345,784)</u>	<u>(195,244)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(6,164)</u>	<u>21,380</u>	<u>(32,219)</u>	<u>14,191</u>	<u>38,344</u>
Increase (decrease) in cash and cash equivalents	<u>46,537</u>	<u>1,727,085</u>	<u>(142,010)</u>	<u>133,644</u>	<u>45,088</u>
Cash and cash equivalents at end of period	<u>\$ 1,058,955</u>	<u>\$ 2,786,040</u>	<u>\$ 2,644,030</u>	<u>\$ 2,777,674</u>	<u>\$ 2,822,762</u>

Cadence Design Systems, Inc.
(Unaudited)

Revenue Mix by Geography (% of Total Revenue)

<u>GEOGRAPHY</u>	2024					2025	
	Q1	Q2	Q3	Q4	Year	Q1	Q2
Americas	46%	49%	50%	49%	49%	48%	49%
China	12%	12%	13%	13%	12%	11%	9%
Other Asia	20%	19%	17%	17%	18%	19%	19%
Europe, Middle East and Africa	17%	14%	14%	15%	15%	16%	16%
Japan	5%	6%	6%	6%	6%	6%	7%
Total	100%	100%	100%	100%	100%	100%	100%

Revenue Mix by Product Category (% of Total Revenue)

<u>PRODUCT CATEGORY</u>	2024					2025	
	Q1	Q2	Q3	Q4	Year	Q1	Q2
Core EDA	76%	73%	70%	68%	71%	71%	71%
Semiconductor IP	12%	13%	14%	13%	13%	14%	13%
System Design and Analysis	12%	14%	16%	19%	16%	15%	16%
Total	100%	100%	100%	100%	100%	100%	100%

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Operating Margin
As of July 28, 2025
(Unaudited)

	Three Months Ending September 30, 2025	Year Ending December 31, 2025
	Forecast	Forecast
GAAP operating margin as a percent of total revenue	32% - 33%	28.5% - 29.5%
Reconciling items to non-GAAP operating margin as a percent of total revenue:		
Stock-based compensation expense	9%	9%
Amortization of acquired intangibles	2%	2%
Acquisition and integration-related costs	2%	2%
Loss related to contingent liability*	0%	2%
Non-GAAP operating margin as a percent of total revenue†	45% - 46%	43.5% - 44.5%

*Related to resolution of previously disclosed legal proceedings with the DOJ and BIS.

†The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its second quarter of 2025 for a further discussion of its non-GAAP measures.

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share
As of July 28, 2025
(Unaudited)

	Three Months Ending September 30, 2025 Forecast	Year Ending December 31, 2025 Forecast
Diluted net income per share on a GAAP basis	\$1.14 to \$1.20	\$3.97 to \$4.07
Stock-based compensation expense	0.44	1.69
Amortization of acquired intangibles	0.10	0.37
Acquisition and integration-related costs	0.07	0.31
Non-qualified deferred compensation expenses	-	0.02
Special charges	-	0.01
Loss related to contingent liability*	-	0.47
Other income or expense related to investments, divestitures and non-qualified deferred compensation plan assets	-	(0.16)
Income tax effect of non-GAAP adjustments	-	0.17
Diluted net income per share on a non-GAAP basis†	\$1.75 to \$1.81	\$6.85 to \$6.95

*Related to resolution of previously disclosed legal proceedings with the DOJ and BIS.

†The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its second quarter of 2025 for a further discussion of its non-GAAP measures.

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Net Income
As of July 28, 2025
(Unaudited)

(\$ in millions)	Three Months Ending September 30, 2025 Forecast	Year Ending December 31, 2025 Forecast
Net income on a GAAP basis	\$314 to \$330	\$1,087 to \$1,114
Stock-based compensation expense	120	462
Amortization of acquired intangibles	26	101
Acquisition and integration-related costs	20	86
Non-qualified deferred compensation expenses	-	6
Special charges	-	2
Loss related to contingent liability*	-	129
Other income or expense related to investments, divestitures and non-qualified deferred compensation plan assets	-	(43)
Income tax effect of non-GAAP adjustments	-	47
Net income on a non-GAAP basis†	\$480 to \$496	\$1,877 to \$1,904

*Related to resolution of previously disclosed legal proceedings with the DOJ and BIS.

†The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its second quarter of 2025 for a further discussion of its non-GAAP measures.

Cadence Design Systems, Inc.
Reconciliation of GAAP Net Income to Non-GAAP Net Income
For the Three and Six Months Ended June 30, 2025 and June 30, 2024
(Unaudited)

(In thousands)	Three Months Ended		Six Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Net income on a GAAP basis	\$ 160,051	\$ 229,520	\$ 433,630	\$ 477,163
Stock-based compensation expense*	118,325	87,569	225,938	175,698
Amortization of acquired intangibles**	23,703	20,155	49,119	36,910
Acquisition and integration-related costs***	26,021	20,715	49,126	42,801
Restructuring	47	(33)	(62)	247
Non-qualified deferred compensation expenses****	7,778	1,697	6,205	6,285
Special charges*****	-	1,233	1,988	1,233
Loss related to contingent liability	128,545	-	128,545	-
Other income or expense related to investments, divestitures and non-qualified deferred compensation plan assets	(46,248)	(27,048)	(42,916)	(87,034)
Income tax effect of non-GAAP adjustments	31,658	16,890	28,719	16,277
Net income on a non-GAAP basis +	\$ 449,880	\$ 350,698	\$ 880,292	\$ 669,580

+ The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems Inc. for its second quarter of 2025 for a further discussion of its non-GAAP measures.

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

(In thousands)	Three Months Ended		Six Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Cost of product and maintenance	\$ 2,122	\$ 1,352	\$ 4,276	\$ 2,632
Cost of services	2,449	1,721	4,915	3,350
Marketing and sales	22,857	16,000	44,528	33,836
Research and development	73,188	54,491	140,277	108,128
General and administrative	17,709	14,005	31,942	27,752
Total stock-based compensation expense	\$ 118,325	\$ 87,569	\$ 225,938	\$ 175,698

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

(In thousands)	Three Months Ended		Six Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Cost of product and maintenance	\$ 14,499	\$ 13,488	\$ 30,993	\$ 24,836
Amortization of acquired intangibles	9,204	6,667	18,126	12,074
Total amortization of acquired intangibles	\$ 23,703	\$ 20,155	\$ 49,119	\$ 36,910

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

(In thousands)	Three Months Ended		Six Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Cost of product and maintenance	\$ 822	\$ 78	\$ 1,841	\$ 156
Cost of services	506	928	1,017	1,911
Marketing and sales	3,671	5,033	8,585	8,799
Research and development	15,603	10,635	29,652	17,632
General and administrative	5,419	4,041	8,031	14,303
Total acquisition and integration-related costs	\$ 26,021	\$ 20,715	\$ 49,126	\$ 42,801

**** 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 or expense, 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		Six Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Cost of product and maintenance	\$ 56	\$ 8	\$ 51	\$ 34
Cost of services	81	11	74	49
Marketing and sales	1,559	321	1,086	1,226
Research and development	4,485	1,106	3,224	3,838
General and administrative	1,597	251	1,770	1,138
Total non-qualified deferred compensation expenses	\$ 7,778	\$ 1,697	\$ 6,205	\$ 6,285

***** Total special charges are reported in the Condensed Consolidated Income Statements as follows:

(In thousands)	Three Months Ended		Six Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Marketing and sales	\$ -	\$ 1,233	\$ -	\$ 1,233
Research and development	-	-	825	-
General and administrative	-	-	1,163	-
Total special charges	\$ -	\$ 1,233	\$ 1,988	\$ 1,233

Cadence Design Systems, Inc.
Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share
For the Three and Six Months Ended June 30, 2025 and June 30, 2024
(Unaudited)

(In thousands, except per share data)	Three Months Ended		Six Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Diluted net income per share on a GAAP basis	\$ 0.59	\$ 0.84	\$ 1.59	\$ 1.74
Stock-based compensation expense	0.43	0.32	0.83	0.64
Amortization of acquired intangibles	0.09	0.07	0.18	0.14
Acquisition and integration-related costs	0.09	0.08	0.18	0.16
Restructuring	-	-	-	-
Non-qualified deferred compensation expenses	0.03	0.01	0.02	0.02
Special charges	-	-	0.01	-
Loss related to contingent liability	0.47	-	0.47	-
Other income or expense related to investments, divestitures and non-qualified deferred compensation plan assets	(0.17)	(0.10)	(0.16)	(0.31)
Income tax effect of non-GAAP adjustments	0.12	0.06	0.10	0.06
Diluted net income per share on a non-GAAP basis +	<u>\$ 1.65</u>	<u>\$ 1.28</u>	<u>\$ 3.22</u>	<u>\$ 2.45</u>
Shares used in calculation of diluted net income per share	272,899	273,520	273,264	273,532

+ The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems Inc. for its second quarter of 2025 for a further discussion of its non-GAAP measures.

Cadence Design Systems, Inc.
Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures
(Unaudited)

	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024
	Actual	Actual
	(In thousands)	(In thousands)
GAAP total costs and expenses	\$ 1,033,644	\$ 766,805
Reconciling items to non-GAAP total costs and expenses		
Stock-based compensation expense	(118,325)	(87,569)
Amortization of acquired intangibles	(23,703)	(20,155)
Acquisition and integration-related costs	(26,021)	(20,715)
Restructuring	(47)	33
Non-qualified deferred compensation expenses	(7,778)	(1,697)
Special charges	-	(1,233)
Loss related to contingent liability*	(128,545)	-
Non-GAAP total costs and expenses†	<u>\$ 729,225</u>	<u>\$ 635,469</u>

*Related to resolution of previously disclosed legal proceedings with the DOJ and BIS.

†The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP.

See the earnings press release of Cadence Design Systems, Inc. for its second quarter of 2025 for a further discussion of its non-GAAP financial measures.

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

For the three months ended June 30, 2025							
(In thousands)	Operating expenses on a GAAP basis†	Stock-based compensation expense	Amortization of acquired intangibles	Acquisition and integration-related costs	Non-qualified deferred compensation expenses	Operating expenses on a non-GAAP basis	
Cost of product and maintenance	139,298	(2,122)	(14,499)	(822)	(56)	121,799	
Cost of services	44,869	(2,449)	-	(506)	(81)	41,833	
Marketing and sales	200,595	(22,857)	-	(3,671)	(1,559)	172,508	
Research and development	442,057	(73,188)	-	(15,603)	(4,485)	348,781	
General and administrative	69,029	(17,709)	-	(5,419)	(1,597)	44,304	
Amortization of acquired intangibles	9,204	-	(9,204)	-	-	-	
		(118,325)	(23,703)	(26,021)	(7,778)		
For the six months ended June 30, 2025							
(In thousands)	Operating expenses on a GAAP basis†	Stock-based compensation expense	Amortization of acquired intangibles	Acquisition and integration-related costs	Non-qualified deferred compensation expenses	Special charges	Operating expenses on a non-GAAP basis
Cost of product and maintenance	255,970	(4,276)	(30,993)	(1,841)	(51)	-	218,809
Cost of services	95,330	(4,915)	-	(1,017)	(74)	-	89,324
Marketing and sales	403,295	(44,528)	-	(8,585)	(1,086)	-	349,096
Research and development	881,159	(140,277)	-	(29,652)	(3,224)	(825)	707,181
General and administrative	132,127	(31,942)	-	(8,031)	(1,770)	(1,163)	89,221
Amortization of acquired intangibles	18,126	-	(18,126)	-	-	-	-
		(225,938)	(49,119)	(49,126)	(6,205)	(1,988)	

†The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP.

See the earnings press release of Cadence Design Systems, Inc. for its second quarter of 2025 for a further discussion of its non-GAAP financial measures.

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Three Months Ended June 30, 2025
(In thousands)
(Unaudited)

	Three Months Ended June 30, 2025		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 1,170,510	\$ -	\$ 1,170,510
Services	104,931	-	104,931
Total revenue	1,275,441	-	1,275,441
Costs and expenses:			
Cost of product and maintenance	139,298	(17,499) (A)	121,799
Cost of services	44,869	(3,036) (A)	41,833
Marketing and sales	200,595	(28,087) (A)	172,508
Research and development	442,057	(93,276) (A)	348,781
General and administrative	69,029	(24,725) (A)	44,304
Amortization of acquired intangibles	9,204	(9,204) (A)	-
Loss related to contingent liability	128,545	(128,545)	-
Restructuring	47	(47)	-
Total costs and expenses	1,033,644	(304,419)	729,225
Income from operations	241,797	304,419	546,216
Interest expense	(28,948)	-	(28,948)
Other income, net	67,758	(46,248) (B)	21,510
Income before provision for income taxes	280,607	258,171	538,778
Provision for income taxes	120,556	(31,658) (C)	88,898
Net income	\$ 160,051	\$ 289,829	\$ 449,880

*The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its second quarter of 2025 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended June 30, 2025, adjustments to GAAP are as follows for the line items specified:

	Stock-based compensation expense	Amortization of acquired intangibles	Acquisition and integration- related costs	Non-qualified deferred compensation expenses	Total adjustments
Cost of product and maintenance	\$ 2,122	\$ 14,499	\$ 822	\$ 56	\$ 17,499
Cost of services	2,449	-	506	81	3,036
Marketing and sales	22,857	-	3,671	1,559	28,087
Research and development	73,188	-	15,603	4,485	93,276
General and administrative	17,709	-	5,419	1,597	24,725
Amortization of acquired intangibles	-	9,204	-	-	9,204
Total	\$ 118,325	\$ 23,703	\$ 26,021	\$ 7,778	\$ 175,827

(B) Other income or expense related to investments and non-qualified deferred compensation plan assets

(C) Income tax effect of non-GAAP adjustments

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Three Months Ended June 30, 2024
(In thousands)
(Unaudited)

	Three Months Ended June 30, 2024		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 960,457	\$ -	\$ 960,457
Services	100,224	-	100,224
Total revenue	1,060,681	-	1,060,681
Costs and expenses:			
Cost of product and maintenance	94,363	(14,926) (A)	79,437
Cost of services	44,907	(2,660) (A)	42,247
Marketing and sales	186,725	(22,587) (A)	164,138
Research and development	370,740	(66,232) (A)	304,508
General and administrative	63,436	(18,297) (A)	45,139
Amortization of acquired intangibles	6,667	(6,667) (A)	-
Restructuring	(33)	33	-
Total costs and expenses	766,805	(131,336)	635,469
Income from operations	293,876	131,336	425,212
Interest expense	(12,905)	-	(12,905)
Other income, net	34,739	(27,048) (B)	7,691
Income before provision for income taxes	315,710	104,288	419,998
Provision for income taxes	86,190	(16,890) (C)	69,300
Net income	\$ 229,520	\$ 121,178	\$ 350,698

*The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its second quarter of 2025 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended June 30, 2024, adjustments to GAAP are as follows for the line items specified:

	Stock-based compensation expense	Amortization of acquired intangibles	Acquisition and integration- related costs	Non-qualified deferred compensation expenses	Special charges	Total adjustments
Cost of product and maintenance	\$ 1,352	\$ 13,488	\$ 78	\$ 8	\$ -	\$ 14,926
Cost of services	1,721	-	928	11	-	2,660
Marketing and sales	16,000	-	5,033	321	1,233	22,587
Research and development	54,491	-	10,635	1,106	-	66,232
General and administrative	14,005	-	4,041	251	-	18,297
Amortization of acquired intangibles	-	6,667	-	-	-	6,667
Total	\$ 87,569	\$ 20,155	\$ 20,715	\$ 1,697	\$ 1,233	\$ 131,369

(B) Other income or expense related to investments and non-qualified deferred compensation plan assets

(C) Income tax effect of non-GAAP adjustments

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Six Months Ended June 30, 2025
(In thousands)
(Unaudited)

	Six Months Ended June 30, 2025		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 2,281,360	\$ -	\$ 2,281,360
Services	<u>236,447</u>	<u>-</u>	<u>236,447</u>
Total revenue	<u>2,517,807</u>	<u>-</u>	<u>2,517,807</u>
Costs and expenses:			
Cost of product and maintenance	255,970	(37,161) (A)	218,809
Cost of services	95,330	(6,006) (A)	89,324
Marketing and sales	403,295	(54,199) (A)	349,096
Research and development	881,159	(173,978) (A)	707,181
General and administrative	132,127	(42,906) (A)	89,221
Amortization of acquired intangibles	18,126	(18,126) (A)	-
Loss related to contingent liability	128,545	(128,545)	-
Restructuring	<u>(62)</u>	<u>62</u>	<u>-</u>
Total costs and expenses	<u>1,914,490</u>	<u>(460,859)</u>	<u>1,453,631</u>
Income from operations	603,317	460,859	1,064,176
Interest expense	(58,066)	-	(58,066)
Other income, net	<u>91,048</u>	<u>(42,916) (B)</u>	<u>48,132</u>
Income before provision for income taxes	636,299	417,943	1,054,242
Provision for income taxes	<u>202,669</u>	<u>(28,719) (C)</u>	<u>173,950</u>
Net income	<u>\$ 433,630</u>	<u>\$ 446,662</u>	<u>\$ 880,292</u>

*The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its second quarter of 2025 for a further discussion of its non-GAAP measures.

Notes:

(A) For the six months ended June 30, 2025, adjustments to GAAP are as follows for the line items specified:

	Stock-based compensation expense	Amortization of acquired intangibles	Acquisition and integration- related costs	Non-qualified deferred compensation expenses	Special charges	Total adjustments
Cost of product and maintenance	\$ 4,276	\$ 30,993	\$ 1,841	\$ 51	\$ -	\$ 37,161
Cost of services	4,915	-	1,017	74	-	6,006
Marketing and sales	44,528	-	8,585	1,086	-	54,199
Research and development	140,277	-	29,652	3,224	825	173,978
General and administrative	31,942	-	8,031	1,770	1,163	42,906
Amortization of acquired intangibles	-	18,126	-	-	-	18,126
Total	<u>\$ 225,938</u>	<u>\$ 49,119</u>	<u>\$ 49,126</u>	<u>\$ 6,205</u>	<u>\$ 1,988</u>	<u>\$ 332,376</u>

(B) Other income or expense related to investments and non-qualified deferred compensation plan assets

(C) Income tax effect of non-GAAP adjustments

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Six Months Ended June 30, 2024
(In thousands)
(Unaudited)

	Six Months Ended June 30, 2024		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 1,873,842	\$ -	\$ 1,873,842
Services	195,942	-	195,942
Total revenue	2,069,784	-	2,069,784
Costs and expenses:			
Cost of product and maintenance	169,758	(27,658) (A)	142,100
Cost of services	94,709	(5,310) (A)	89,399
Marketing and sales	367,314	(45,094) (A)	322,220
Research and development	749,698	(129,598) (A)	620,100
General and administrative	132,152	(43,193) (A)	88,959
Amortization of acquired intangibles	12,074	(12,074) (A)	-
Restructuring	247	(247)	-
Total costs and expenses	1,525,952	(263,174)	1,262,778
Income from operations	543,832	263,174	807,006
Interest expense	(21,597)	-	(21,597)
Other income, net	103,518	(87,034) (B)	16,484
Income before provision for income taxes	625,753	176,140	801,893
Provision for income taxes	148,590	(16,277) (C)	132,313
Net income	\$ 477,163	\$ 192,417	\$ 669,580

*The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its second quarter of 2025 for a further discussion of its non-GAAP measures.

Notes:

(A) For the six months ended June 30, 2024, adjustments to GAAP are as follows for the line items specified:

	Stock-based compensation expense	Amortization of acquired intangibles	Acquisition and integration- related costs	Non-qualified deferred compensation expenses	Special charges	Total adjustments
Cost of product and maintenance	\$ 2,632	\$ 24,836	\$ 156	\$ 34	\$ -	\$ 27,658
Cost of services	3,350	-	1,911	49	-	5,310
Marketing and sales	33,836	-	8,799	1,226	1,233	45,094
Research and development	108,128	-	17,632	3,838	-	129,598
General and administrative	27,752	-	14,303	1,138	-	43,193
Amortization of acquired intangibles	-	12,074	-	-	-	12,074
Total	\$ 175,698	\$ 36,910	\$ 42,801	\$ 6,285	\$ 1,233	\$ 262,927

(B) Other income or expense related to investments and non-qualified deferred compensation plan assets

(C) Income tax effect of non-GAAP adjustments