

# PRESS RELEASE

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## **Synopsys Posts Financial Results for Second Quarter 2002**

**MOUNTAIN VIEW, California. June 4, 2002** – Synopsys Inc., (Nasdaq: SNPS) today reported its second quarter results for the period that ended on May 4, 2002.

For the second quarter of fiscal 2002, Synopsys reported revenue of \$185.6 million and net income, on an earnings before goodwill (EBG) basis, of \$25.1 million, or \$0.39 per share. This represents a 13.5% increase in revenue and a 59% increase in net income on an EBG basis as compared to the second quarter of fiscal 2001 revenue of \$163.5 million and net income on an EBG basis of \$15.8 million, or \$0.24 per share. EBG represents earnings on a diluted basis excluding amortization of intangible assets and in-process research and development, if any.

For the six-month period ended May 4, 2002, Synopsys reported revenue of \$361.2 million and net income, on an EBG basis, of \$42.4 million, or \$0.65 per share. Revenue and net income, on an EBG basis, were \$320.7 million and \$28.4 million, or \$0.43 per share, respectively, for the six-month period ended May 5, 2001.

"Synopsys continued to build momentum with a very strong Q2, despite the continuing difficult semiconductor and electronics environment," said Aart de Geus, chairman and CEO, Synopsys, Inc. "Our customers are utilizing our essential technology to design the next generation products that will lead them through the recovery. This is evidenced by the record bookings we saw in physical synthesis products this quarter."

On a generally accepted accounting principles (GAAP) basis, for the second quarter of 2002, net income after amortization of intangible assets and in-process research and development, was \$21.4 million, or \$0.33 per share, compared to net income of \$12.5 million, or \$0.19 per share, for the second quarter of fiscal 2001. For the six-month period ended May 4, 2002, net income, on a GAAP basis, was \$35.4 million, or \$0.55 per share, compared to \$22.0 million, or \$0.33 per share, respectively, for the six-month period ended May 5, 2001.

## **Outlook**

### Impact of Proposed Merger with Avant! Corporation

Synopsys' proposed acquisition of Avant! Corporation was approved this morning by the shareholders of both companies. The merger is expected to close on or before June 7, 2002. In connection with the merger Synopsys expects to issue approximately 14.8 million shares of its common stock. In addition, in the third quarter of fiscal year 2002 Synopsys expects transition expenses and one-time charges relating to the merger of approximately \$100 million, and additional transition expenses and one-time charges in subsequent quarters.

### Operating Model Targets

Synopsys also announced its operating model targets for the third quarter of fiscal year 2002 and for the full fiscal year, and preliminary operating model targets for fiscal year 2003. The pro forma earnings targets shown below consist of pro forma earnings and expenses exclusive of acquisition-related charges.

### Third quarter of fiscal year 2002 targets:

- Revenue: between \$230 million and \$240 million;
- Total expenses: between \$189 and \$193 million;
- Other income & expense: between \$12 million and \$14 million (including approximately \$10 million of gain on the sale of investments held by the Company);
- Average diluted shares outstanding: between 75 million and 78 million;

- Pro forma tax rate: 34.5%; and
- Pro forma earnings: between \$0.48 and \$0.53 per share.

Full fiscal year 2002 targets:

- Revenue: between \$905 million and \$925 million;
- Total expenses: between \$720 million and \$735 million;
- Other income & expense: Between \$38 million and \$40 million (including approximately \$22 million of gain on the sale of investments held by the Company);
- Average diluted shares outstanding: between 75 million and 78 million;
- Pro forma tax rate: 32.5%; and
- Pro forma earnings: between \$2.00 and \$2.10 per share.

Synopsys also announced its preliminary operating model targets for fiscal year 2003. For the year, Synopsys is targeting revenue of approximately \$1.3 billion, total expenses of approximately \$920 million, a pro forma tax rate of 32.5%, average diluted shares outstanding between 80 million and 84 million, and pro forma earnings above \$3.25 per share. Synopsys' target range for Technology Subscription Licenses (TSLs) as a proportion of software license orders is 73% to 78%, and the expected duration of TSLs of 3 to 3.25 years. Synopsys is not announcing a target for other income and expense, and expects that gain on the sale of investments will become somewhat more volatile going forward, since a number of the investments it will be acquiring in connection with its acquisition of Avant! are marked to market on a quarterly basis.

Synopsys cautioned that the foregoing targets are preliminary and subject to revision in whole or in part, as a result of changes in overall economic conditions, developments in its business or other reasons. Fiscal year 2003 quarterly targets are not being announced at this time, and no implication should be drawn from the foregoing guidance as to performance in any particular quarter. Quarterly performance may vary widely. In addition, the foregoing targets assume that expenditures for research and development in the semiconductor company customers will grow 5-7% in 2003. Any deviation of actual results from such assumption could materially affect Synopsys' financial performance.

The foregoing statements are forward-looking statements. Factors that could cause actual results to differ materially from those expected include, but are not limited to, the factors noted in the “Forward Looking Statements” section below, and in Synopsys’ filings with the Securities and Exchange Commission.

### **Effectiveness of Guidance**

The targets set forth above represent the Company’s expectations only as of the date of this release and should not be viewed as a statement about the Company’s expectations after this date. Although this release will remain available on the Company’s website, its continued availability does not indicate that the Company is reaffirming or confirming its continued validity. The Company will not report on its progress during the quarter or comment to analysts or investors on, or otherwise update, such targets until it releases its quarterly results.

### **GAAP Reconciliation**

The Company presents unaudited pro forma condensed consolidated statements of income. These statements are not presented in accordance with, or as an alternative to, financial statements prepared in accordance with GAAP and may be different from pro forma statements presented by other companies. Pro forma earnings is computed by adjusting GAAP earnings for the effects of the following items.

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>April 30,</b>		<b>April 30,</b>	
<i>(in thousands)</i>	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
Net income on a GAAP basis	\$ 21,380	\$ 12,490	\$ 35,432	\$ 21,954
Amortization of intangible assets, net of tax of \$660 and \$1,437 for the three- and six-month periods in 2002 and \$886 and \$1,859 for the three- and six-month periods in 2001, respectively	3,696	3,293	6,963	6,492
Net income on an EBG basis	<u>\$ 25,076</u>	<u>\$ 15,783</u>	<u>\$ 42,395</u>	<u>\$ 28,446</u>

### **Additional Financial Information Available on Synopsys Website**

In connection with the issuance of this press release, Synopsys is making available to investors certain current and historical information regarding its performance in geographic markets and product categories. The information can be found at <http://www.synopsys.com/corporate/invest/invest.html>. Synopsys currently intends to provide this information on a quarterly basis.

### **Earnings Call Open to Investors**

Synopsys will hold a conference call for financial analysts and investors today at 2:00 p.m., Pacific Time. A live Webcast of the call will be available from Synopsys' corporate website at <http://www.synopsys.com/corporate/invest/invest.html>. A recording of the call will be available by calling 1-800-475-6701 (320-365-3844 for international callers), access code 638106, beginning at 5:30 p.m. today and ending on June 15, 2002. A Webcast replay will also be available from Synopsys' corporate web site at <http://www.synopsys.com/corporate/invest/invest.html> from approximately 5:30 p.m. today and ending on June 15, 2002. Copies of the prepared remarks of Aart de Geus, Chairman and Chief Executive Officer of Synopsys, and Brad Henske, Chief Financial Officer, will be posted on Synopsys' corporate website following the call at <http://www.synopsys.com/corporate/invest/invest.html>.

### **Forward Looking Statements**

The fourth paragraph of this press release and the section entitled "Outlook" contain forward-looking statements within the meaning of the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934. Actual results could differ materially from those described by these statements. Factors that could cause results to differ from these statements include: slower than assumed growth in research and development spending by semiconductor companies, continued or increased weakness in the semiconductor or electronic systems industries; difficulties encountered in the integration of Avant!'s products and operations into Synopsys, which could materially interfere with sales efforts; a lower-than-anticipated level of purchases of software or consulting services by the Company's customers; and increasing competition in the market for the Company's products and services. For further discussion of these and other factors that may cause

results to differ from those projected in this release, readers are referred to documents filed by Synopsys with the Securities and Exchange Commission, specifically Synopsys' registration statement on Form S-4 filed with the Securities and Exchange Commission on May 2, 2002 (pp. 15-19), and its report on Form 10-Q filed with the SEC on March 18, 2002 (pp. 21-27). Synopsys is under no obligation to (and expressly disclaims any such obligation to) update or alter these forward-looking statements whether as a result of new information, future events or otherwise.

### **About Synopsys**

Synopsys, Inc. (Nasdaq: SNPS), headquartered in Mountain View, California, creates leading electronic design automation (EDA) tools for the global electronics market. The company delivers advanced design technologies and solutions to developers of complex integrated circuits, electronic systems, and systems on a chip. Synopsys also provides consulting and support services to simplify the overall IC design process and accelerate time to market for its customers. Visit Synopsys at <http://www.synopsys.com>.

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Synopsys is a registered trademark of Synopsys, Inc. All other trademarks mentioned in this release are the intellectual property of their respective owners.

**SYNOPSYS, INC.**  
**Unaudited Condensed Consolidated Statements of Income (1)**  
*(in thousands, except per share data)*

	<b>Three Months Ended April 30,</b>		<b>Six Months Ended April 30,</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
<b>Revenue:</b>				
Product	\$ 52,293	\$ 33,102	\$ 91,848	\$ 72,294
Service	65,765	91,501	134,858	178,470
Ratable license	67,580	38,921	134,477	69,914
Total Revenue	<u>185,638</u>	<u>163,524</u>	<u>361,183</u>	<u>320,678</u>
<b>Cost of Revenue:</b>				
Product	3,221	4,956	7,287	9,547
Service	17,391	19,922	38,075	40,290
Ratable license	13,780	6,078	24,220	13,175
Total cost of revenue	<u>34,392</u>	<u>30,956</u>	<u>69,582</u>	<u>63,012</u>
Gross Margin	<u>151,246</u>	<u>132,568</u>	<u>291,601</u>	<u>257,666</u>
<b>Operating expenses:</b>				
Research and development	46,649	47,636	95,355	93,857
Sales and marketing	63,201	69,202	123,000	138,781
General and administrative	17,537	15,104	36,245	31,793
Amortization of intangible assets	4,356	4,179	8,400	8,351
Total operating expenses	<u>131,743</u>	<u>136,121</u>	<u>263,000</u>	<u>272,782</u>
Operating income	19,503	(3,553)	28,601	(15,116)
Other income, net	<u>11,213</u>	<u>21,921</u>	<u>22,294</u>	<u>47,402</u>
Income before provision for income taxes	30,716	18,368	50,895	32,286
Provision for income taxes	9,336	5,878	15,463	10,332
Net income	<u>\$ 21,380</u>	<u>\$ 12,490</u>	<u>\$ 35,432</u>	<u>\$ 21,954</u>
<b>Basic earnings per share:</b>				
Net income	<u>\$ 0.35</u>	<u>\$ 0.21</u>	<u>\$ 0.58</u>	<u>\$ 0.35</u>
Weighted average common shares	<u>61,232</u>	<u>60,776</u>	<u>60,670</u>	<u>62,822</u>
<b>Diluted earnings per share:</b>				
Net income	<u>\$ 0.33</u>	<u>\$ 0.19</u>	<u>\$ 0.55</u>	<u>\$ 0.33</u>
Weighted average common shares and equivalents	<u>64,934</u>	<u>65,384</u>	<u>64,956</u>	<u>66,836</u>

- (1) The Company's fiscal year and second quarter ends on the Saturday nearest to October 31 and to April 30, respectively. For presentation purposes, the condensed consolidated financial statements refer to a calendar month end.

## SYNOPSYS, INC.

### Condensed Consolidated Balance Sheets (1) (in thousands)

	April 30, 2002	October 31, 2001
	<i>(unaudited)</i>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 483,570	\$ 271,696
Short-term investments	48,170	204,740
Accounts receivable, net	151,953	146,294
Deferred taxes	152,486	149,239
Prepaid expenses and other	30,919	19,413
Total current assets	867,098	791,382
Property and equipment, net	194,225	192,304
Long-term investments	54,634	61,699
Intangible assets, net	26,974	35,077
Other assets	53,358	48,445
Total assets	\$ 1,196,289	\$ 1,128,907
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 108,741	\$ 135,272
Current portion of long-term debt	515	535
Accrued income taxes	55,756	110,561
Deferred revenue	327,319	290,052
Total current liabilities	492,331	536,420
Deferred compensation and other liabilities	23,392	17,124
Long-term deferred revenue	69,545	89,707
Stockholders' equity:		
Capital stock	589,211	575,998
Retained earnings	451,318	436,662
Treasury stock, at cost	(434,937)	(531,117)
Accumulated other comprehensive income	5,429	4,113
Total stockholders' equity	611,021	485,656
Total liabilities and stockholders' equity	\$ 1,196,289	\$ 1,128,907

- (1) The Company's fiscal year and second quarter ends on the Saturday nearest to October 31 and to April 30, respectively. For presentation purposes, the condensed consolidated financial statements refer to a calendar month end.



## SYNOPSYS, INC.

### Unaudited Pro Forma Condensed Consolidated Statements of Income (1) (2)

*(in thousands, except per share data)*

	Three Months Ended April 30,		Six Months Ended April 30,	
	2002	2001	2002	2001
Revenue:				
Product	\$ 52,293	\$ 33,102	\$ 91,848	\$ 72,294
Service	65,765	91,501	134,858	178,470
Ratable license	67,580	38,921	134,477	69,914
Total Revenue	185,638	163,524	361,183	320,678
Cost of Revenue:				
Product	3,221	4,956	7,287	9,547
Service	17,391	19,922	38,075	40,290
Ratable license	13,780	6,078	24,220	13,175
Total cost of revenue	34,392	30,956	69,582	63,012
Gross Margin	151,246	132,568	291,601	257,666
Operating expenses:				
Research and development	46,649	47,636	95,355	93,857
Sales and marketing	63,201	69,202	123,000	138,781
General and administrative	17,537	15,104	36,245	31,793
Total operating expenses	127,387	131,942	254,600	264,431
Operating income (loss)	23,859	626	37,001	(6,765)
Other income, net	11,213	21,921	22,294	47,402
Income before provision for income taxes	35,072	22,547	59,295	40,637
Provision for income taxes	9,996	6,764	16,900	12,191
Net income	\$ 25,076	\$ 15,783	\$ 42,395	\$ 28,446
Basic earnings per share:				
Net income	\$ 0.41	\$ 0.26	\$ 0.70	\$ 0.45
Weighted average common shares	61,232	60,776	60,670	62,822
Diluted earnings per share:				
Net income	\$ 0.39	\$ 0.24	\$ 0.65	\$ 0.43
Weighted average common shares and equivalents	64,934	65,384	64,956	66,836

- (1) The Company's fiscal year and second quarter ends on the Saturday nearest to October 31 and to April 30, respectively. For presentation purposes, the condensed consolidated financial statements refer to a calendar month end.
- (2) Amounts and per share data for the periods presented exclude amortization of intangible assets and in-process research and development, if any.