

# PRESS RELEASE

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## Synopsys Posts Strong Financial Results for Fourth Quarter 2002

**MOUNTAIN VIEW, California. December 4, 2002** – Synopsys Inc., (Nasdaq: SNPS) today reported its fourth quarter results for the period that ended on November 2, 2002.

For the fourth quarter of fiscal 2002, Synopsys reported revenue of \$309.3 million and net earnings on a diluted basis excluding amortization of intangible assets, integration expenses, in-process research and development and insurance settlement expense (EBG) of \$73.7 million, or \$0.96 per share, consistent with our positive earnings pre-announcement on November 4, 2002. This represents a 68% increase in revenue and a 146% increase in earnings per share on an EBG basis as compared to the fourth quarter of fiscal 2001 revenue of \$183.6 million and earnings on an EBG basis of \$24.5 million, or \$0.39 per share.

“2002 was a year of tremendous achievement for Synopsys,” said Aart de Geus, Chairman and CEO. “Despite the challenging market environment, we were able to maintain our focus to deliver best-in-class products to our customers. At the same time, we successfully completed the Avant! acquisition, which is the most important strategic acquisition in our company’s history. Though we remain cautious about the overall economic environment, we enter 2003 excited about our prospects ahead.”

For the fiscal year ended November 2, 2002, Synopsys reported revenue of \$906.5 million and net income, on an EBG basis, of \$155.7 million, or \$2.22 per share. Revenue and net income, on an EBG basis, were \$680.4 million and \$71.0 million, or \$1.10 per share, respectively, for the fiscal year ended November 3, 2001.

On a generally accepted accounting principles (GAAP) basis, for the fourth quarter of 2002, net loss after amortization of intangible assets, integration expenses, in-process research and development, and insurance settlement expense, was (\$97.8) million, or (\$1.31) per share, compared to net income of \$20.4 million, or \$0.33 per share, for the fourth quarter of fiscal 2001. For the twelve-month period ended November 2, 2002, net loss, on a GAAP basis, was (\$200.0) million, or (\$2.99) per share, compared to \$56.8 million, or \$0.88 per share, respectively, for the twelve-month period ended November 3, 2001. GAAP results for the fourth quarter and full year reflect the settlement of the litigation between Avant! and Cadence, which, though completed after the end of the fiscal year, is required under GAAP to be included in the 2002 financial results.

### Outlook

Synopsys also announced its guidance targets for the first quarter of fiscal year 2003.

#### First quarter of fiscal year 2003 targets:

- Revenue: between \$262 million and \$273 million;
- Total expenses: between \$203 and \$208 million;
- Other income, net: between \$9 million and \$12 million, including approximately \$5-\$7 million of investment sales gains;
- Average diluted shares outstanding: between 76 million and 79 million;
- Pro forma tax rate: 32.5%; and
- EBG: between \$0.63 and \$0.68 per share.

With respect to the fiscal year 2003, Synopsys expects to manage its business to generate \$3.25 in EBG per share, and to hold total expenses flat at the first quarter fiscal 2003 level.

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.

<i>(in thousands)</i>	<b>Three Months Ended</b>		<b>Fiscal Year Ended</b>	
	<b>October 31,</b>		<b>October 31,</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
Net (loss) income on a GAAP basis	\$ (97,836)	\$ 20,397	\$(199,993)	\$ 56,802
Integration costs	11,262		128,528	
In-process research and development	5,200		87,700	
Amortization of intangible assets and deferred compensation	31,999	4,498	62,585	17,012
Insurance Settlement (Avant!-Cadence litigation)	240,781		240,781	
Tax effect on integration costs, in-process research and development, insurance settlement and amortization of intangibles	(117,733)	(404)	(163,858)	(2,833)
Net income on an EBG basis	<u>\$ 73,673</u>	<u>\$ 24,491</u>	<u>\$155,743</u>	<u>\$ 70,981</u>

The financial statements presented with this release are preliminary and subject to review and adjustment in the ordinary course of the Company's quarterly review process. Final financial statements will be published with the Company's annual report on Form 10-K.

#### **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 661687, beginning at 5:30 p.m. A webcast replay will also be available at <http://www.synopsys.com/corporate/invest/invest.html> from approximately 5:30 p.m. today. 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 at <http://www.synopsys.com/corporate/invest/invest.html>.

## **Forward Looking Statements**

The third 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; 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' report on Form 10-Q filed with the SEC on September 20, 2002 (pp. 35-38). 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)

	Three Months Ended October 31,		Fiscal Year Ended October 31,	
	2002	2001	2002	2001
Revenue:				
Product	\$ 93,249	\$ 46,772	\$ 245,193	\$ 163,924
Service	78,965	81,933	287,747	341,833
Ratable license	137,042	54,857	373,594	174,593
Total Revenue	309,256	183,562	906,534	680,350
Cost of Revenue:				
Product	3,632	4,296	15,319	20,479
Service	20,273	20,023	78,167	79,747
Ratable license	11,416	10,072	45,737	29,896
Amortization of intangible assets and deferred compensation	20,570	-	33,936	-
Total cost of revenue	55,891	34,391	173,159	130,122
Gross Margin	253,365	149,171	733,375	550,228
Operating expenses:				
Research and development	68,609	46,592	225,545	189,831
Sales and marketing	72,687	66,219	264,809	273,954
General and administrative	20,308	18,748	78,461	69,681
Amortization of intangible assets & deferred compensation	11,429	4,498	28,649	17,012
Merger related costs	11,262	-	128,528	-
In-process research & development	5,200	-	87,700	-
Total operating expenses	189,495	136,057	813,692	550,478
Operating income (loss)	63,870	13,114	(80,317)	(250)
Other (expense) income, net	(242,325)	16,882	(208,623)	83,783
(Loss) income before (benefit) provision for income taxes	(178,455)	29,996	(288,940)	83,533
(Benefit) provision for income taxes	(80,619)	9,599	(88,947)	26,731
Net (loss) income	\$ (97,836)	\$ 20,397	\$ (199,993)	\$ 56,802
Basic earnings per share:				
Net (loss) income	\$ (1.31)	\$ 0.34	\$ (2.99)	\$ 0.94
Weighted average common shares	74,820	59,229	66,808	60,601
Diluted earnings per share:				
Net (loss) income	\$ (1.31)	\$ 0.33	\$ (2.99)	\$ 0.88
Weighted average common shares and equivalents	74,820	62,449	66,808	64,659

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

# SYNOPSYS, INC.

## Condensed Consolidated Balance Sheets (1)

(\$ in thousands)

	October 31, 2002	October 31, 2001
	<i>(unaudited)</i>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 312,580	\$ 271,696
Short-term investments	102,153	204,740
Cash, cash equivalents and short-term investments	414,733	476,436
Accounts receivable, net of allowances of \$11,565 and \$11,027, respectively	207,206	146,294
Deferred tax assets	282,867	149,239
Prepaid expenses and other	24,509	19,413
Total current assets	929,315	791,382
Property and equipment, net	185,040	192,304
Long-term investments	39,386	61,699
Goodwill, net	434,554	35,077
Intangible assets, net	355,334	3,197
Long-term deferred taxes and other assets	35,085	45,248
Total assets	\$ 1,978,714	\$ 1,128,907
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 246,789	\$ 135,272
Current portion of long-term debt	1,423	535
Accrued income taxes	169,912	110,561
Deferred revenue	359,245	290,052
Total current liabilities	777,369	536,420
Deferred compensation and other long-term liabilities	36,387	17,124
Long-term deferred revenue	51,477	89,707
Stockholders' equity:		
Preferred stock, \$.01 par value; 2,000 shares authorized; no shares outstanding	--	--
Common stock, \$.01 par value; 400,000 shares authorized; 73,562 and 59,428 shares outstanding, respectively.	735	595
Additional paid-in capital	1,039,386	575,403
Retained earnings	198,863	436,662
Treasury stock, at cost	(116,499)	(531,117)
Deferred stock compensation	(8,858)	--
Accumulated other comprehensive income	(146)	4,113
Total stockholders' equity	1,113,481	485,656
Total liabilities and stockholders' equity	\$ 1,978,714	\$ 1,128,907

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

## SYNOPSIS, INC.

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

(\$ in thousands, except per-share data)

	Three Months Ended October 31,		Fiscal Year Ended October 31,	
	2002	2001	2002	2001
Revenue:				
Product	\$ 93,249	\$ 46,772	\$ 245,193	\$ 163,924
Service	78,965	81,933	287,747	341,833
Ratable license	137,042	54,857	373,594	174,593
Total Revenue	<u>309,256</u>	<u>183,562</u>	<u>906,534</u>	<u>680,350</u>
Cost of Revenue:				
Product	3,632	4,296	15,319	20,479
Service	20,273	20,023	78,167	79,747
Ratable license	11,416	10,072	45,737	29,896
Total cost of revenue	<u>35,321</u>	<u>34,391</u>	<u>139,223</u>	<u>130,122</u>
Gross Margin	<u>273,935</u>	<u>149,171</u>	<u>767,311</u>	<u>550,228</u>
Operating expenses:				
Research and development	68,609	46,592	225,545	189,831
Sales and marketing	72,687	66,219	264,809	273,954
General and administrative	20,308	18,748	78,461	69,681
Total operating expenses	<u>161,604</u>	<u>131,559</u>	<u>568,815</u>	<u>533,466</u>
Operating income	112,331	17,612	198,496	16,762
Other (loss) income, net	(1,544)	16,882	32,158	83,783
Income before provision for income taxes	110,787	34,494	230,654	100,545
Provision for income taxes	37,114	10,003	74,911	29,564
Net income	<u>\$ 73,673</u>	<u>\$ 24,491</u>	<u>\$ 155,743</u>	<u>\$ 70,981</u>
Basic earnings per share:				
Net income	<u>\$ 0.98</u>	<u>\$ 0.41</u>	<u>\$ 2.33</u>	<u>\$ 1.17</u>
Weighted average common shares	<u>74,820</u>	<u>59,229</u>	<u>66,808</u>	<u>60,601</u>
Diluted earnings per share:				
Net income	<u>\$ 0.96</u>	<u>\$ 0.39</u>	<u>\$ 2.22</u>	<u>\$ 1.10</u>
Weighted average common shares and equivalents	<u>76,407</u>	<u>62,449</u>	<u>70,154</u>	<u>64,659</u>

(1) The Company's fiscal year and fourth quarter ends on the Saturday nearest to October 31. 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, integration expenses, in-process research and development and insurance settlement expense, if any.