

# PRESS RELEASE

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## **Synopsys Posts Financial Results for Fiscal First Quarter 2003**

**MOUNTAIN VIEW, Calif. February 19, 2003** – Synopsys Inc., (Nasdaq: SNPS) today reported its first quarter results for the period that ended on February 1, 2003.

For the first quarter of fiscal 2003, Synopsys reported revenue of \$268.1 million and net income, on an earnings before goodwill (EBG) basis, of \$52.5 million, or \$0.68 per share. This represents a 53% increase in revenue, a 203% increase in net income on an EBG basis, and a 152% increase in EBG per share compared to first quarter fiscal 2002 revenue of \$175.5 million, net income on an EBG basis of \$17.3 million and EBG per share of \$0.27. EBG represents earnings on a diluted basis excluding amortization of intangible assets.

On a generally accepted accounting principles (GAAP) basis, for the first quarter of fiscal 2003, net income after amortization of intangible assets was \$34.4 million, or \$0.45 per share, compared to net income of \$14.1 million, or \$0.22 per share, for the first quarter of fiscal 2002. This represents a 145% increase in GAAP basis net income versus the same quarter last year.

“Synopsys continues to exhibit strong financial discipline, resulting in a good first quarter, despite a turbulent economic backdrop,” said Aart de Geus, chairman and CEO of Synopsys. “Looking forward, we will continue to manage the company for steady revenue and earnings growth in 2003.”

## **Outlook**

Synopsys also announced its operating model targets for the second quarter of fiscal year 2003 and the full fiscal year. For the convenience of investors, in view of the Company’s proposed acquisition of Numerical Technologies, Inc., these targets assume the completion of the proposed acquisition before March 31, 2003. Completion of this transaction is subject to a number of conditions, including receipt of regulatory clearances.

Second quarter of fiscal 2003 targets:

- Revenue: between \$275 million and \$289 million;
- Total expenses (EBG basis): between \$207 million and \$214 million;
- Other income: between \$7 million and \$10 million;
- Fully diluted outstanding shares: between 74 million and 78 million;
- Pro forma tax rate: 32.5%;
- Earnings before goodwill (EBG): between \$0.67 and \$0.72 per share; and
- Perpetual licenses as a percentage of product bookings: 22%-27%.

Fiscal year 2003 targets:

- Revenue: between \$1.130 - \$1.180 billion;
- Earnings before goodwill (EBG): between \$2.95 - \$3.10;
- Perpetual licenses as a percentage of product bookings: 20%-25%; and
- Subscription license duration: 3 – 3.25 years.

### **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 amortization of intangible assets.

| <i>(in thousands)</i>  | <b><u>Three Months Ended</u></b> |                    |
|--|----------------------------------|--------------------|
|  | <b><u>January 31,</u></b>        |                    |
|  | <b><u>2003</u></b>               | <b><u>2002</u></b> |
| Net income on a GAAP basis   | \$ 34,385                        | \$ 14,052          |
| Amortization of intangible assets, net of tax effects<br>of \$10,701 in 2003 and \$777 in 2002 | <u>18,082</u>                    | <u>3,267</u>       |
| Net income on an EBG basis   | <u>\$ 52,467</u>                 | <u>\$ 17,319</u>   |

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

### **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 at 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 674441, beginning at 5:30 p.m. Pacific Time today. A Webcast replay will also be available at <http://www.synopsys.com/corporate/invest/invest.html> from approximately 5:30 p.m. Pacific Time today and ending on March 3, 2003. Following the call, copies of the prepared remarks of Aart de Geus, chairman and chief executive officer of Synopsys, and Steve Shevick, chief financial officer, will be posted on corporate website at <http://www.synopsys.com/corporate/invest/invest.html>.

### **About Synopsys**

Synopsys, Inc. (Nasdaq:SNPS) is the world leader in electronic design automation (EDA) software for integrated circuit (IC) design. The company delivers technology-leading IC design and verification platforms to the global electronics market, enabling the development of complex systems-on-chips (SoCs). Synopsys also provides intellectual property and design services to simplify the design process and accelerate time-to-market for its customers. Synopsys is headquartered in Mountain View, California, and is located in more than 60 offices throughout North America, Europe, Japan and Asia. Visit Synopsys online at <http://www.synopsys.com>.

## **Forward Looking Statements**

The third paragraph of this press release and the section entitled “Outlook” contains 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. In particular, the operating model targets included under the “Outlook” section assume completion of the Company’s pending cash tender offer for Numerical Technologies, Inc. Such completion is subject to a number of conditions, including the tender of a majority of the outstanding shares and receipt of regulatory clearances. In particular, on February 10, 2003, the Company refiled with the Federal Trade Commission and the Antitrust Division of the Department of Justice its Notification and Report Form under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the “HSR Act”), with respect to the tender offer. The waiting period under the HSR Act will expire at 11:59 P.M. on Monday, February 24, 2003, unless such period is earlier terminated by the FTC and the Antitrust Division or extended by the FTC or the Antitrust Division of the Department of Justice. Unless the waiting period has been terminated prior to the scheduled expiration of the Offer, Synopsys will, subject to the terms and conditions of the Merger Agreement and the Offer, extend the Offer period until Monday, February 24. If the transaction is completed, the actual impact of the transaction on the Company’s financial performance will depend upon the date of completion. If the transaction is not completed the Company’s results may differ from the targets specified.

Additional 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 continued integration of Avant!’s products and operations into Synopsys; if the Company’s pending tender offer for Numerical Technologies, Inc. is completed, difficulties encountered in the integration of Numerical’s products and operations into Synopsys; the possibility that the Company may sell fewer perpetual licenses than expected; a lower-than-anticipated level of purchases of software or consulting services by the Company’s customers; the effect of international political conflict or hostilities on customer purchases; fluctuations in foreign currency exchange

rates; 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-K, as amended, filed with the SEC on January 31, 2003 (pp. 45-49). 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.

###

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><u>Three Months Ended</u></b> |                    |
|--|----------------------------------|--------------------|
|  | <b><u>January 31,</u></b>        |                    |
|  | <b><u>2003</u></b>               | <b><u>2002</u></b> |
| Revenue:   |                                  |                    |
| Product  | \$ 54,520                        | \$ 39,555          |
| Service  | 72,387                           | 69,093             |
| Ratable license  | <u>141,229</u>                   | <u>66,897</u>      |
| Total revenue  | <u>268,136</u>                   | <u>175,545</u>     |
| Cost of revenue:   |                                  |                    |
| Product  | 3,753                            | 4,066              |
| Service  | 22,020                           | 20,684             |
| Ratable license  | 12,786                           | 10,440             |
| Amortization of intangible assets and deferred<br>stock compensation | <u>19,903</u>                    | <u>--</u>          |
| Total cost of revenue  | <u>58,462</u>                    | <u>35,190</u>      |
| Gross margin   | <u>209,674</u>                   | <u>140,355</u>     |
| Operating expenses:  |                                  |                    |
| Research and development   | 67,269                           | 48,706             |
| Sales and marketing  | 71,238                           | 59,799             |
| General and administrative   | 22,551                           | 18,708             |
| Amortization of intangible assets and deferred<br>stock compensation | <u>8,880</u>                     | <u>4,044</u>       |
| Total operating expenses   | <u>169,938</u>                   | <u>131,257</u>     |
| Operating income   | 39,736                           | 9,098              |
| Other income, net  | <u>9,210</u>                     | <u>11,081</u>      |
| Income before provision for income taxes                             | 48,946                           | 20,179             |
| Provision for income taxes   | <u>14,561</u>                    | <u>6,127</u>       |
| Net income   | <u>\$ 34,385</u>                 | <u>\$ 14,052</u>   |
| Basic earnings per share:  |                                  |                    |
| Net income   | <u>\$ 0.46</u>                   | <u>\$ 0.23</u>     |
| Weighted average common shares                                       | <u>74,065</u>                    | <u>60,136</u>      |
| Diluted earnings per share:  |                                  |                    |
| Net income   | <u>\$ 0.45</u>                   | <u>\$ 0.22</u>     |
| Weighted average common shares and equivalents                       | <u>76,639</u>                    | <u>65,011</u>      |

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

## SYNOPSYS, INC.

### Condensed Consolidated Balance Sheets <sup>(1)</sup> (in thousands, except par value per share amounts)

|  | <b>January 31,</b><br><b><u>2003</u></b><br><b>(unaudited)</b> | <b>October 31,</b><br><b><u>2002</u></b> |
|--|--|--|
| <b>ASSETS</b>  |  |  |
| Current assets:  |  |  |
| Cash and cash equivalents  | \$ 347,339   | \$ 312,580                               |
| Short-term investments   | <u>122,921</u>   | <u>102,153</u>                           |
| Cash, cash equivalents and short-term investments  | 470,260  | 414,733                                  |
| Accounts receivable, net of allowances of \$11,325<br>and \$11,565, respectively                                   | 220,573  | 207,206                                  |
| Deferred taxes   | 288,920  | 282,867                                  |
| Prepaid expenses and other   | <u>27,795</u>  | <u>24,509</u>                            |
| Total current assets   | 1,007,548  | 929,315                                  |
| Property and equipment, net  | 182,454  | 185,040                                  |
| Long-term investments  | 30,368   | 39,386                                   |
| Goodwill, net  | 435,767  | 434,554                                  |
| Intangible assets, net   | 327,652  | 355,334                                  |
| Long-term deferred taxes and other assets  | <u>34,226</u>  | <u>35,085</u>                            |
| Total assets   | <u>\$ 2,018,015</u>  | <u>\$ 1,978,714</u>                      |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |  |  |
| Current liabilities:   |  |  |
| Accounts payable and accrued liabilities   | \$ 194,641   | \$ 246,789                               |
| Current portion of long-term debt  | 78   | 1,423                                    |
| Accrued income taxes   | 164,136  | 169,912                                  |
| Deferred revenue   | <u>383,558</u>   | <u>359,245</u>                           |
| Total current liabilities  | 742,413  | 777,369                                  |
| Deferred compensation and other long-term liabilities  | 45,153   | 36,387                                   |
| Long-term deferred revenue   | 41,562   | 51,477                                   |
| Stockholders' equity   |  |  |
| Preferred stock, \$.01 par value; 2,000 shares<br>authorized; no shares outstanding                                | —  | —  |
| Common stock, \$.01 par value; 400,000 shares<br>authorized; 74,330 and 73,562 shares outstanding,<br>respectively | 743  | 735                                      |
| Additional paid-in capital   | 1,042,483  | 1,039,386                                |
| Retained earnings  | 225,842  | 198,863                                  |
| Treasury stock, at cost  | (83,999)   | (116,499)                                |
| Deferred stock compensation  | (7,351)  | (8,858)                                  |
| Accumulated other comprehensive (loss) income  | <u>11,169</u>  | <u>(146)</u>                             |
| Total stockholders' equity   | <u>1,188,887</u>   | <u>1,113,481</u>                         |
| Total liabilities and stockholders' equity   | <u>\$ 2,018,015</u>  | <u>\$ 1,978,714</u>                      |

(1) The Company's fiscal year and first quarter ends on the Saturday nearest to October 31 and to January 31, 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 <sup>(1)</sup> <sup>(2)</sup> (in thousands, except per share data)

|  | <b><u>Three Months Ended</u></b> |                    |
|--|----------------------------------|--------------------|
|  | <b><u>January 31,</u></b>        |                    |
|  | <b><u>2003</u></b>               | <b><u>2002</u></b> |
| Revenue:                                       |                                  |                    |
| Product  | \$ 54,520                        | \$ 39,555          |
| Service  | 72,387                           | 69,093             |
| Ratable license                                | <u>141,229</u>                   | <u>66,897</u>      |
| Total revenue                                  | <u>268,136</u>                   | <u>175,545</u>     |
| Cost of revenue:                               |                                  |                    |
| Product  | 3,753                            | 4,066              |
| Service  | 22,020                           | 20,684             |
| Ratable license                                | <u>12,786</u>                    | <u>10,440</u>      |
| Total cost of revenue                          | <u>38,559</u>                    | <u>35,190</u>      |
| Gross margin                                   | <u>229,577</u>                   | <u>140,355</u>     |
| Operating expenses:                            |                                  |                    |
| Research and development                       | 67,269                           | 48,706             |
| Sales and marketing                            | 71,238                           | 59,799             |
| General and administrative                     | <u>22,551</u>                    | <u>18,708</u>      |
| Total operating expenses                       | <u>161,058</u>                   | <u>127,213</u>     |
| Operating income                               | 68,519                           | 13,142             |
| Other income, net                              | <u>9,210</u>                     | <u>11,081</u>      |
| Income before provision for income taxes       | 77,729                           | 24,223             |
| Provision for income taxes                     | <u>25,262</u>                    | <u>6,904</u>       |
| Net income                                     | <u>\$ 52,467</u>                 | <u>\$ 17,319</u>   |
| Basic earnings per share:                      |                                  |                    |
| Net income                                     | <u>\$ 0.71</u>                   | <u>\$ 0.29</u>     |
| Weighted average common shares                 | <u>74,065</u>                    | <u>60,136</u>      |
| Diluted earnings per share:                    |                                  |                    |
| Net income                                     | <u>\$ 0.68</u>                   | <u>\$ 0.27</u>     |
| Weighted average common shares and equivalents | <u>76,639</u>                    | <u>65,011</u>      |

- (1) The Company's fiscal year and first quarter ends on the Saturday nearest to October 31 and to January 31, 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.