# Synopsys Posts Financial Results for Fourth Quarter and Full-Year Fiscal 2005

PRNewswire-FirstCall MOUNTAIN VIEW, Calif.

Synopsys, Inc. (NASDAQ: SNPS), a world leader in semiconductor design software, today reported results for its fourth quarter and fiscal year ended October 31, 2005.

For the fourth quarter of fiscal 2005, Synopsys reported revenue of \$254.8 million, an 11 percent increase compared to \$230.6 million for the fourth quarter of fiscal 2004. Revenue for fiscal year 2005 was \$991.9 million, a decrease of 9 percent from the \$1.09 billion in fiscal 2004. Lower revenue in fiscal 2005 reflects the company's shift to an almost fully ratable license model initiated in the fourth quarter of fiscal 2004, under which more than 90 percent of the company's license revenue is recognized over time rather than upfront in the quarter shipped. As a result, in the fourth quarter approximately 92 percent of revenue came from backlog.

"We had an excellent quarter to complete our fiscal year, with business above target in all product areas, technology indicators consistently strong and sound financial execution. We have a solid foundation for continued growth in fiscal 2006," said Aart de Geus, chairman and chief executive officer of Synopsys.

#### **GAAP Results**

On a generally accepted accounting principles (GAAP) basis, net loss for the fourth quarter of fiscal 2005 was (\$11.1) million, or (\$0.08) per share, compared to net loss of (\$28.4) million, or (\$0.19) per share, for the fourth quarter of fiscal 2004.

GAAP net loss for the fiscal year ended October 31, 2005 was (\$13.1) million, or (\$0.09) per share, compared to net income of \$74.3 million, or \$0.46 per share, for fiscal 2004.

#### Non-GAAP Results

On a non-GAAP basis, net income for the fourth quarter of fiscal 2005 was \$14.9 million, or \$0.10 per share, compared to non-GAAP net income of \$1.8 million, or \$0.01 per share, for the fourth quarter of fiscal 2004.

Non-GAAP net income for the fiscal year ended October 31, 2005 was \$57.5 million, or \$0.39 per share, compared to \$166.4 million, or \$1.04 per share, for fiscal year 2004. Non-GAAP net income consists of GAAP net income excluding, to the extent incurred in a particular quarter or period, amortization of intangible assets and deferred stock compensation, in-process research and development charges, integration and other acquisition-related expenses, facilities and workforce realignment charges, and other significant items which, in the opinion of management are extraordinary. See "GAAP Reconciliation - Reconciliation of Fourth Quarter and Full-Fiscal Year End Results" table below. Fourth quarter and fiscal 2005 non-GAAP net income excludes approximately \$11 million incremental tax expense related to the Company's repatriation of \$360 million in cash from its international subsidiaries. The decreases in GAAP and non-GAAP net income in fiscal year 2005 were due primarily to lower revenues as a result of Synopsys' shift to a more than 90 percent ratable license model.

# **Financial Targets**

Synopsys also announced its operating model targets for the first quarter and full fiscal year 2006. These targets constitute forward-looking information and are based on current expectations. The non-GAAP targets exclude the impact of option expensing required by SFAS 123R, which the Company is required to adopt beginning in the first quarter of fiscal 2006. For a discussion of factors that could cause actual results to differ materially from these targets, see "Forward-Looking Statements" below.

First Quarter of Fiscal 2006 Targets:

- \* Revenue: \$254 million \$262 million
- \* GAAP expenses: \$257 million \$270 million
- \* Non-GAAP expenses: \$225 million \$235 million
- \* Other income and expense: \$0 million \$4 million
- \* Fully diluted outstanding shares: 144 million 150 million
- \* Tax rate applied in non-GAAP net income calculations: 31 percent
- \* GAAP (loss) earnings: \$(0.04) \$0.02 per share
- \* Non-GAAP earnings: \$0.13 \$0.17 per share
- \* Revenue from backlog: more than 95 percent

#### Full-Year Fiscal Year 2006 Targets

- \* Revenue: \$1,055 million \$1,085 million
- \* Fully diluted outstanding shares: 144 million 150 million
- \* Tax rate applied in non-GAAP net income calculations: 31 percent
- \* GAAP earnings: \$0.08 \$0.21 per share \* Non-GAAP earnings: \$0.65 - \$0.73 per share
- \* GAAP cash flow from operations: greater than \$175 million

#### **GAAP** Reconciliation

Synopsys management evaluates and makes operating decisions about the Company's business operations primarily based on the bookings, revenue and direct, ongoing and recurring costs of those operations. Management does not believe amortization of intangible assets and deferred stock compensation, in- process research and development charges, integration and other acquisition- related expenses, equity plan-related compensation expenses, facilities and workforce realignment charges and other significant extraordinary items are ongoing and recurring operating costs of its core software, intellectual property and service business operations. Therefore, management adjusts the following GAAP financial measures included in this earnings release to exclude such costs, to the extent incurred in a particular quarter: total cost of revenue, gross margin, total operating expenses, operating (loss) income, (loss) income before (benefit from) provision for income taxes, (benefit from) provision for income taxes, net (loss) income and net (loss) income per share.

For each such measure, excluding these costs provides management with more consistent, comparable information about the Company's core profitability. For example, since the Company does not acquire businesses on a predictable cycle, management would have difficulty evaluating the Company's profitability as measured by gross margin, operating margin, income before taxes and net income on a period-to-period basis unless it excluded acquisition-related charges. Similarly, the Company does not undertake significant restructuring or realignments on a regular basis, and, as a result, excludes associated charges in order to enable better and more consistent evaluations of the Company's operating expenses before and after such actions are taken. Management also uses these measures to help it make budgeting decisions, for example, as between product development expenses (which affect cost of revenue and gross margin) and research and development, sales and marketing and general and administrative expenses (which affect operating expenses and operating margin). Finally, the availability of such information helps management track performance to both internal and externally communicated financial targets and to its competitors' operating results.

Management recognizes that the use of these non-GAAP measures has certain limitations, including the fact that management must exercise judgment in determining whether certain types of charges, such as those relating to workforce reductions executed in the ordinary course, should be excluded from non-GAAP results. However, management believes that, although it is important for investors to understand GAAP measures, providing investors with these non-GAAP measures gives them additional important information to enable them to assess, in a way management assesses, Synopsys' current and future continuing operations.

Reconciliation of Fourth Quarter and Full-Fiscal Year End Results

The following tables reconcile the specific items excluded from GAAP in the calculation of non-GAAP earnings per share and non-GAAP expenses for the fourth quarter and fiscal year 2005.

GAAP to Non-GAAP Reconciliation of Fourth Quarter and Fiscal Year Results

```
Income Statement Reconciliation Three Months Ended Twelve Months Ended
(in thousands)
                         October 31,
                                       October 31,
                    2005 2004 2005 2004
GAAP net (loss) income
                            $(11,141) $(28,382) $(13,144) $74,337
Amortization of intangible assets
and deferred stock compensation 16,948 34,536 115,278 137,463
Merger termination fee
                                        -- 10,000
In-process research and development -- 1.638 5.700
Work force realignment charges
at a lower cost than estimated
                                     (3)
                                                510
                                -- (33,000)
Litigation settlement
Tax effect (1)
                        9,138 (5,992) (17,291) (57,517)
Non-GAAP net income
                             $14,945 $1,797 $57,543 $166,431
```

(1) The Company's fourth quarter and fiscal year 2005 GAAP results include \$11 million in incremental tax expense related to the repatriation of \$360 million in cash from its international subsidiaries. This incremental tax expense has been excluded from non-GAAP results.

Three Months
Earnings Per Share Reconciliation
October 31,
2005 2004

Twelve Months
Ended
Ended
Cottober 31,
2005 2004

```
GAAP earnings (loss) per share
                                   $(0.08) $(0.19) $(0.09) $0.46
Amortization of intangible assets and
deferred stock compensation
                                          0.23
                                   0.12
                                                 0.79
Merger termination fee
                                                0.06
In-process research and development
                                            0.01
                                                   0.04
                                                          0.01
Work force realignment charges
at a lower cost than estimated
                                                   0.01
Litigation settlement
                                         (0.23)
                            0.06 (0.04) (0.12) (0.36)
Tax effect (1)
Non-GAAP earnings (loss) per share
                                      $0.10 $0.01
                                                     $0.39 $1.04
Shares used in non-GAAP calculation 146,681 151,727 146,258 159,991
```

(1) The Company's fourth quarter and fiscal year 2005 GAAP results include \$11 million in incremental tax expense related to the repatriation of \$360 million in cash from its international subsidiaries. This incremental tax expense has been excluded from non-GAAP results.

Reconciliation of Estimated Target Operating Results

The following tables reconcile the specific items excluded from GAAP in the calculation of target non-GAAP operating results for the periods indicated below:

GAAP to non-GAAP Reconciliation of Target First Quarter Fiscal Year 2006 **Targets** (in thousands, except per share data) Range for Three Months Ending January 31, 2006 Low High Target GAAP expenses \$257,000 \$270,000 Adjustment: Estimated impact of amortization of intangible assets (15,000)(16,000)Estimated impact of stock compensation expense (17,000)(19,000)Target non-GAAP expenses \$225,000 \$235,000

> Range for Three Months Ending January 31, 2006

Low High

Target GAAP earnings (loss) per share \$(0.04) \$0.02

Adjustment:

Estimated impact of amortization of

intangible assets per share 0.11 0.10

Estimated impact of stock compensation

 expense per share
 0.13
 0.12

 Net non-GAAP tax effect
 (0.07)
 (0.07)

 Target non-GAAP earnings per share
 \$0.13
 \$0.17

Shares used in non-GAAP calculation (midpoint

of target range) 147,000 147,000

GAAP to Non-GAAP Reconciliation of Target Fiscal Year 2006 Targets

Range for Fiscal Year Ending October 31, 2006 Low High

Target GAAP earnings per share \$0.08 \$0.21

Adjustment:

Estimated impact of amortization of

intangible assets per share 0.37 0.36

Estimated impact of stock compensation expense per share 0.46 0.44

Net non-GAAP tax effect (0.26) (0.28)

Target non-GAAP earnings per share \$0.65 0.73

Shares used in non-GAAP calculation (midpoint

of target range) 147,000 147,000

In connection with this earnings release, Synopsys is making available to investors supplemental financial information which can be found on Synopsys' website at http://www.synopsys.com/corporate/invest/finsupp/q405.pdf . Synopsys currently intends to provide this information on a guarterly 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 <a href="http://www.synopsys.com/corporate/invest/invest.html">http://www.synopsys.com/corporate/invest/invest.html</a>. A recording of the call will be available by calling 1-800-475-6701 (320-365-3844 for international callers), access code 801529, beginning at 5:30 p.m. Pacific Time today. A webcast replay will also be available at <a href="http://www.synopsys.com/corporate/invest/invest.html">http://www.synopsys.com/corporate/invest/invest.html</a> from approximately 5:30 p.m. Pacific Time today through the time of the announcement of Synopsys' results for the first quarter of fiscal 2006 in February 2006. In addition, Synopsys will post copies of the prepared remarks of Aart de Geus, chairman and chief executive officer, and Rex Jackson, acting chief financial officer, senior vice president and general counsel, on its website at <a href="http://www.synopsys.com/corporate/invest/invest.html">http://www.synopsys.com/corporate/invest/invest.html</a> following the call.

## Effectiveness of Information

The targets included in this release, the statements made during the earnings conference call and the information contained in the financial supplement represent Synopsys' expectations and beliefs as of the date of this release only. Although this press release, copies of the prepared remarks of the chief executive officer and acting chief financial officer made during the call and the financial supplement will remain available on Synopsys' website through the date of the first quarter earnings call in February 2006, their continued availability through such date does not mean that Synopsys is reaffirming or confirming their continued validity. Synopsys does not currently intend to report on its progress during the first quarter of fiscal 2006 or comment to analysts or investors on, or otherwise update, the targets given in this earnings release until it releases such results in February 2006. Furthermore, Synopsys is under no obligation to (and expressly disclaims any such obligation to) update or alter any of the forward-looking statements made in this earnings release, the conference call or the financial supplement whether as a result of new information, future events or unless otherwise required by law.

## Availability of Final Financial Statements

Synopsys will include final financial statements for the full year fiscal 2005 with its Annual Report on Form 10-K to be filed in January 2006.

# About Synopsys

Synopsys, Inc. is a world leader in electronic design automation (EDA) software for semiconductor design. The company delivers technology-leading semiconductor design and verification platforms and IC manufacturing software products to the global electronics market, enabling the development and production of complex systems-on-chips. 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 has offices in more than 60 locations throughout North America, Europe, Japan and Asia. Visit Synopsys online at <a href="http://www.synopsys.com/">http://www.synopsys.com/</a>.

## Forward-Looking Statements

The statements made in this press release regarding projected financial results in the sections entitled "Financial Targets," and "GAAP Reconciliation - Reconciliation of Estimated Target Operating Results" and certain statements made in the earnings conference call are 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 due to a number of uncertainties, including but not limited to the risk of:

- \* weakness or continued budgetary caution in the semiconductor or electronic systems industries;
- \* lower-than-expected research and development spending by semiconductor and electronic systems companies;
- \* lower-than-anticipated purchases or delays in purchases of software or consulting services by Synopsys' customers, including delays in the renewal, or non-renewal, of Synopsys' license arrangements with major customers;
- \* unexpected changes in the mix of time-based licenses and upfront licenses:
- \* lower-than-expected bookings of licenses on which revenue is recognized upfront;
- \* lower-than-anticipated new IC design starts;
- \* competition in the market for Synopsys' products and services;
- $^{\star}$  failure to continue to improve Synopsys' existing products;
- \* failure to successfully develop additional intellectual property blocks for Synopsys' IP business or to develop and integrate its design for manufacturing products;
- \* difficulties in the ongoing integration of the products and operations

- of acquired companies or assets into Synopsys' products and operations;
- \* continued downward pressure on maintenance orders, adversely affecting Synopsys' future level of service revenue.

In addition, Synopsys' target operating expenses and earnings per share on a GAAP basis for the fiscal quarter ending January 31, 2006 and earnings per share and estimated operating cash flow on a GAAP basis for fiscal year 2006 could differ materially from the targets stated under "Financial Targets" above for a number of reasons, including (i) a determination by Synopsys that any portion of its intangible assets have become impaired, (ii) changes in deferred stock compensation expenses caused by employee terminations, (iii) application of the actual consolidated GAAP tax rate for such periods, and (iv) integration and other acquisition-related expenses, amortization of additional intangible assets and deferred stock compensation associated with future acquisitions, if any, and (v) increases or decreases in equity plan- related compensation expenses.

For further discussion of these and other factors that may cause results to differ from those projected in this release, readers are referred to the reports which Synopsys has filed with the Securities and Exchange Commission (SEC), and which are available at www.sec.gov, particularly the information contained in Part I, Item 2 of Synopsys' Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2005 filed with the SEC on September 6, 2005 under the caption entitled "Factors That May Affect Future Results." 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.

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

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               SYNOPSYS, INC.
  Unaudited Condensed Consolidated Statements of Operations (1)
        (in thousands, except per share data)
                                     Three Months Ended
             Three Months Ended
             October 31, 2005
                                   October 31, 2004
                        Non-GAAP GAAP
           GAAP
                                                Non-GAAP
           Basis Adjustments Basis Basis Adjustments Basis
Revenue:
Time-based
             $192.916
 license
                         -- $192.916 $165.302
                                               -- $165.302
Upfront license 16,314
                         -- 16,314 18,301
                                              -- 18,301
              45,608 -- 45,608 46,952 -- 46,952
Service
 Total revenue 254,838 -- 254,838 230,555
                                                -- 230,555
Cost of revenue:
              28.294
                         -- 28,294 23,587
                                             -- 23,587
License
Maintenance and
 services
              17,209
                         -- 17,209 17,079
                                             -- 17,079
Amortization of
 intangible assets
 and deferred stock
 compensation
                 9,303 (9,303)
                                  -- 26.055 (26.055)
 Total cost of
 revenue
               54,806 (9,303) 45,503 66,721 (26,055) 40,666
Gross margin
                200,032 9,303 209,335 163,834 26,055 189,889
Operating expenses:
Research and
 development
                80,840
                           -- 80,840 76,337
                                                -- 76,337
Sales and marketing 82,608
                             -- 82,608 86,346
                                                  -- 86,346
General and
              27,384
                          -- 27,384 25,742
                                               3 25,745
 administrative
In-process research
                               -- 1,638 (1,638)
 and development
Amortization of
 intangible assets
 and deferred stock
 compensation
                 7,645 (7,645)
                                  -- 8,481 (8,481)
 Total operating
               198,477 (7,645) 190,832 198,544 (10,116) 188,428
 expenses
```

```
Operating (loss)
income
               1,555 16,948 18,503 (34,710) 36,171 1,461
Other income, net 2,779
                            -- 2,779 1,143
                                                 -- 1,143
Income before
provision for
income taxes
                 4.334 16.948 21.282 (33.567) 36.171 2.604
Provision for
income taxes (2) 15,475 (9,138) 6,337 (5,185) 5,992
Net (loss) income $(11,141) $26,086 $14,945 $(28,382) $30,179 $1,797
Basic earnings
per share:
 Net (loss) income
 per share
               $(0.08)
                             $0.10 $(0.19)
                                                 $0.01
 Weighted-average
 common shares 145,190
                                145,190 151,124
                                                      151,124
Diluted earnings
per share:
 Net (loss) income
 per share
               $(0.08)
                             $0.10 $(0.19)
                                                 $0.01
 Weighted-average
 common shares
 and equivalents 145,190
                               146.681 151.124
                                                     151.727
```

- (1) The Company's fiscal year and fourth quarter ends on the Saturday nearest to October 31. For presentation purposes, the unaudited condensed consolidated financial statements refer to a calendar month end.
- (2) The Company's fourth quarter and fiscal year 2005 GAAP results include \$11 million in incremental tax expense related to the repatriation of \$360 million in cash from its international subsidiaries. This incremental tax expense has been excluded from non-GAAP results.

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SYNOPSYS, INC.
  Unaudited Condensed Consolidated Statements of Operations (1)
        (in thousands, except per share data)
             Twelve Months Ended
                                       Twelve Months Ended
              October 31, 2005
                                    October 31, 2004
                        Non-GAAP GAAP
                                                Non-GAAP
           GAAP
           Basis Adjustments Basis Basis Adjustments Basis
Revenue:
Time-based
license
             $743,723
                         -- $743,723 $663,244
                                                -- $663,244
               60,466
                           -- 60,466 215,955
Upfront license
                                               -- 215.955
Service
             187,742
                         -- 187,742 212,905
                                               -- 212,905
Total revenue
                991,931
                           -- 991,931 1,092,104
                                                  -- 1,092,104
Cost of revenue:
                         -- 101,610 66,782
License
              101,610
                                             111 66,893
Maintenance and
              70,473
                         -- 70,473 87,705
services
                                             197 87,902
Amortization of
intangible assets
and deferred
stock
                 81,786 (81,786)
                                   -- 102,572(102,572)
compensation
 Total cost of
  revenue
              253,869 (81,786) 172,083 257,059(102,264) 154,795
Gross margin
                738,062 81,786 819,848 835,045 102,264 937,309
Operating expenses:
Research and
development
                315,730
                            -- 315,730 285,281
                                                 754 286,035
Sales and
              330,537
                          -- 330,537 302,372 580 302,952
marketing
General and
administrative 102,040
                           -- 102,040 121,547 (12,152) 109,395
In-process research
and development
                   5,700
                          (5,700)
                                        1,638 (1,638)
Amortization of
intangible assets
and deferred stock
compensation
                 33,492 (33,492)
                                    -- 34,891 (34,891)
 Total operating
               787,499 (39,192) 748,307 745,729 (47,347) 698,382
  expenses
Operating (loss)
              (49,437) 120,978 71,541 89,316 149,611 238,927
income
Other income
               45,195 (33,000) 12,195 2,276
(expense), net
                                                     2.276
```

```
(Loss) income before
(benefit from)
provision for income
              (4,242) 87,978 83,736 91,592 149,611 241,203
taxes
(Benefit from)
provision for
income taxes (2) 8,902 17,291 26,193 17,255 57,517 74,772
Net (loss) income $(13,144) $70,687 $57,543 $74,337 $92,094 $166,431
Basic earnings
per share:
 Net (loss) income
                             $0.40
                                     $0.48
                                                  $1.08
 per share
               $(0.09)
 Weighted-average
 common shares 144,970
                                 144,970 154,439
                                                       154,439
Diluted earnings
per share:
 Net (loss) income
 per share
               $(0.09)
                             $0.39
                                     $0.46
                                                  $1.04
 Weighted-average
 common shares
 and equivalents 144,970
                               146,258 159,991
                                                      159,991
```

- (1) The Company's fiscal year and fourth quarter ends on the Saturday nearest to October 31. For presentation purposes, the unaudited condensed consolidated financial statements refer to a calendar month end.
- (2) The Company's fourth quarter and fiscal year 2005 GAAP results include \$11 million in incremental tax expense related to the repatriation of \$360 million in cash from its international subsidiaries. This incremental tax expense has been excluded from non-GAAP results.

SYNOPSYS, INC.

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

October 31, 2005 October 31, 2004

# ASSETS:

Current assets:

Cash and cash equivalents \$404.436 \$346.709 Short-term investments 182,070 232,320 Total cash, cash equivalents and short-term investments 586.506 579.029

Accounts receivable, net of allowances of \$4,003 and \$7,113,

respectively 100,178 132,258 Deferred taxes 194,288 125,601 Income taxes receivable 48,370 46,583

Prepaid expenses and other current

assets 16,924 29,562 913,033 Total current assets 946,266 Property and equipment, net 170,195 178,155 Long-term investments 8,092 12,831 Goodwill 728.979 593.706 Intangible assets, net 142,519 198,069 Long-term deferred taxes 82,384 146,360 Other assets 61,828 50,033 Total assets \$2,140,263 \$2,092,187

## LIABILITIES AND STOCKHOLDERS' EQUITY:

Current liabilities:

Accounts payable and accrued liabilities \$231,077

\$184,146 Current portion of long-term debt 282 Accrued income taxes 169.632 188.096 Deferred revenue 415,689 368,913 Total current liabilities 816,680 741,155 Deferred compensation and other

51,794 liabilities 63,841

Long-term deferred revenue 42,019 34,189

Stockholders' equity:

Common stock, \$0.01 par value per share; 400,000 shares authorized; 145,897 and 147,378 shares

1,474 outstanding, respectively 1,459 Additional paid-in capital 1,260,405 1,240,568 Retained earnings 173,442 202,146

Treasury stock, at cost; 11,259 and

9,759 shares, respectively (199,482)(175,762)Deferred stock compensation (2,100)(2,732)Accumulated other comprehensive loss (16,001)(645)1,265,049 Total stockholders' equity 1,217,723 Total liabilities and stockholders' equity \$2,140,263 \$2,092,187

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

For presentation purposes, the unaudited condensed consolidated financial statements refer to a calendar month end.

#### SYNOPSYS, INC.

Unaudited Condensed Consolidated Statements of Cash Flows (1) (in thousands)

Twelve Months Ended October 31,

CASH FLOWS FROM OPERATING ACTIVITIES:

Net (loss) income \$(13,144) \$74,337

Adjustments to reconcile net income

to net cash provided

by operating activities:

Amortization and depreciation 171,510 192,774

Deferred taxes (13,611) (50,855) In-process research and development 5,700 1

In-process research and development 5,700 1,638 Write-down of long-term investments 3,582 3,658

Tax benefit associated with stock

options 6,175 30,532

Provision for doubtful accounts (4,094) (927)

Net change in unrecognized gains and

losses on

foreign exchange contracts (15,982) (14,019)

Loss (gain) on sale of short- and

long-term investments 502 (833)

Net changes in operating assets and

liabilities:

 Accounts receivable
 56,842
 70,511

 Income taxes receivable
 (1,787)
 25,541

Prepaid expenses and other current

assets 13,055 (10,260) Other assets (11,616) (11,318)

Accounts payable and accrued

liabilities 22,513 (26,906)

Accrued income taxes (7,851) (13,829)
Deferred revenue 45,125 (17,721)

Deferred compensation and other

liabilities 12,271 11,714

Net cash provided by operating

activities 269,190 264,037

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sales and maturities of

short-term

investments 422,523 992,300

Purchases of short-term investments (372,984) (1,050,524)

Proceeds from sale of long-term

investments - 412

Purchases of long-term investments - (6,339)

Purchases of property and equipment,

net (43,563) (45,005)

Cash paid for acquisitions, net of

cash received (174,498) (60,138)

Capitalization of software development costs (2,953) (2,739)

(172,033)

Net cash used in investing activities (171,475) CASH FLOWS FROM FINANCING ACTIVITIES:

 Proceeds from credit facility
 75,000
 200,000

 Payments on credit facility
 (75,000)
 (200,000)

 Issuances of common stock
 48,616
 156,719

 Purchases of treasury stock
 (88,385)
 (423,305)

 Net cash used in financing activities
 (39,769)
 (266,586)

Effect of exchange rate changes on

cash (219) (3,017)

Net decrease in cash and cash

equivalents 57,727 (177,599)

Cash and cash equivalents, beginning

of period 346,709 524,308

Cash and cash equivalents, end of

period \$404,436 \$346,709

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

For presentation purposes, the unaudited condensed consolidated financial statements refer to a calendar month end.

SOURCE: Synopsys, Inc.

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Huygen, +1-650-584-4547, both of Synopsys, Inc.

Web site: http://www.synopsys.com/