

PRESS RELEASE

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Synopsis Posts Financial Results for First Quarter 2001 Strong Performance Driven by Orders and Product Momentum

MOUNTAIN VIEW, California, February 21, 2001 – Synopsis, Inc., (Nasdaq: SNPS) today reported its first quarter results for the period that ended on February 3, 2001.

For the first quarter of fiscal 2001, Synopsis reported revenue of \$157.1 million and net income, on an earnings before goodwill (EBG) basis, of \$12.7 million, or \$0.19 per share. EBG represents earnings on a fully diluted basis excluding amortization of intangible assets and in-process research and development. As expected, due to the Company's transition to a subscription license model, under which revenue is generally recognized ratably over the term of the contract, first quarter revenue and net income on an EBG basis, declined from the same period last year. Revenue and net income on an EBG basis were \$216.9 million and \$50.7 million, respectively, or \$0.68 per share, in the first quarter of fiscal year 2000.

On a generally accepted accounting principles (GAAP) basis, net income after amortization of intangible assets and in-process research and development, was \$9.5 million, or \$0.15 per share, compared with net income of \$45.1 million, or \$0.61 per share, for the first quarter of fiscal 2000.

“On every metric, this was an excellent quarter for Synopsys,” noted Dr. Aart de Geus, Chairman and CEO. “Orders were strong, our key products gained momentum, our subscription license model began paying significant dividends. Our next generation physical synthesis products are performing very well and are being successfully deployed across a broad range of customers.”

Outlook

Synopsys also announced its operating model targets for the second quarter of fiscal year 2001 and for the full fiscal year.

Second quarter of fiscal year 2001 targets:

- Revenue: between \$160 million and \$165 million;
- Total expenses (EBG basis): between \$162 million and \$166 million;
- Other income: between \$20 million and \$22 million (including approximately \$15 million from the sale of investments held by the Company);
- Pro forma tax rate: 30%;
- Outstanding shares: between 65 million and 69 million;
- Earnings before goodwill (EBG): between \$0.18 and \$0.22 per share.

Full fiscal year 2001 targets:

- Revenue: between \$680 million and \$690 million;
- Total expenses (EBG basis): between \$675 million and \$680 million;
- Other income: between \$75 million and \$80 million (including approximately \$50 million from the sale of investments held by the Company);
- Pro forma tax rate: 30%;
- Outstanding shares: between 66 million and 71 million;
- Earnings before goodwill (EBG): between \$1.00 and \$1.10 per share.

The foregoing statements are forward-looking statements, and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expected. Such risks and uncertainties 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.

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 industry market segments. 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 <http://www.StreetFusion.com> or through a link on our 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 558792, beginning at 9:00 p.m. today and ending on March 3, 2001. A Webcast replay will also be available from <http://www.StreetFusion.com> or through a link on our website at <http://www.synopsys.com/corporate/invest/invest.html> from approximately 6:00PM today and ending on March 3, 2001.

Forward Looking Statements

The fourth paragraph of this release, including statements concerning continued success of the Company's physical synthesis products, and the section entitled "Outlook", including all statements regarding expected future performance, contain forward-looking statements under the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934. These statements are based on Synopsis' current expectations and beliefs. Actual results could differ materially from the results implied by these statements. Factors that could cause results to differ from these statements include: increasing competition in the market for the Company's products and services; failure to achieve the expected level of sales of the Company's physical synthesis products; weakness in the semiconductor or electronic systems industries; a lower-than-anticipated level of investment in EDA tools by the Company's customers; and customer reaction to the Company's new license model, including specifically the possibility that we may sell fewer perpetual licenses than expected. 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 Synopsis with the Securities and Exchange Commission, specifically the most recent reports on Forms 10-K, 10-Q, S-3, and 8-K.

About Synopsis

Synopsis, 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. Synopsis also provides consulting and support services to simplify the overall IC design process and accelerate time to market for its customers. Visit Synopsis at <http://www.synopsys.com>.

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

SYNOPSYS, INC.

Unaudited Condensed Consolidated Statements of Income (in thousands, except per share data)

| | Three Months Ended ⁽¹⁾ | |
|--|---|---|
| | <u>January 31,</u> <u>2001</u> | <u>January 31,</u> <u>2000</u> |
| Revenue: | | |
| Product | \$ 39,192 | \$ 130,549 |
| Service | 86,969 | 86,319 |
| Subscription license | <u>30,993</u> | <u>--</u> |
| Total revenue | <u>157,154</u> | <u>216,868</u> |
| Cost of revenue: | | |
| Product | 6,685 | 10,286 |
| Service | 19,196 | 18,599 |
| Subscription license | <u>6,175</u> | <u>--</u> |
| Total cost of revenue | <u>32,056</u> | <u>28,885</u> |
| Gross margin | <u>125,098</u> | <u>187,983</u> |
| Operating expenses: | | |
| Research and development | 46,221 | 44,267 |
| Sales and marketing | 69,579 | 66,996 |
| General and administrative | 16,689 | 12,249 |
| Amortization of intangible assets | 4,172 | 3,521 |
| In-process research and development and other costs | <u>--</u> | <u>1,750</u> |
| Total operating expenses | <u>136,661</u> | <u>128,783</u> |
| Operating income | (11,563) | 59,200 |
| Other income, net | <u>25,481</u> | <u>8,940</u> |
| Income before provision for income taxes | 13,918 | 68,140 |
| Provision for income taxes | <u>4,454</u> | <u>23,037</u> |
| Net income | <u>\$ 9,464</u> | <u>\$ 45,103</u> |
| Basic earnings per share: | | |
| Net income | <u>\$ 0.15</u> | <u>\$ 0.64</u> |
| Weighted average common shares | <u>61,901</u> | <u>70,284</u> |
| Diluted earnings per share: | | |
| Net income | <u>\$ 0.15</u> | <u>\$ 0.61</u> |
| Weighted average common shares and equivalents | <u>65,243</u> | <u>74,281</u> |

(1) The Company's first quarter ends on the Saturday nearest to January 31. For ease of presentation, the condensed consolidated financial statements refer to a calendar month end.

SYNOPSYS, INC.

Condensed Consolidated Balance Sheets (in thousands)

| | <u>January 31, 2001</u> ⁽¹⁾ | <u>October 31, 2000</u> ⁽¹⁾ |
|---|--|--|
| | <i>(unaudited)</i> | |
| ASSETS | | |
| Current assets: | | |
| Cash, cash equivalents and short-term investments | \$ 328,922 | \$ 435,639 |
| Accounts receivable, net | 145,247 | 146,449 |
| Prepaid expenses, deferred taxes and other | <u>99,352</u> | <u>102,433</u> |
| Total current assets | <u>573,521</u> | <u>684,521</u> |
| Property and equipment, net | 162,558 | 157,243 |
| Long-term investments | 128,228 | 126,741 |
| Other assets | <u>91,304</u> | <u>82,488</u> |
| Total assets | <u>\$ 955,611</u> | <u>\$1,050,993</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 95,506 | \$ 139,290 |
| Current portion of long-term debt | 3,520 | 6,416 |
| Accrued income taxes | 43,032 | 56,304 |
| Deferred revenue | <u>220,373</u> | <u>150,654</u> |
| Total current liabilities | <u>362,431</u> | <u>352,664</u> |
| Long-term debt | 504 | 564 |
| Deferred compensation | 19,744 | 14,936 |
| Other | 3,915 | -- |
| Stockholders' equity: | | |
| Capital stock | 562,276 | 559,345 |
| Retained earnings | 408,042 | 405,419 |
| Treasury stock, at cost | (438,907) | (329,493) |
| Accumulated other comprehensive income | <u>37,606</u> | <u>47,558</u> |
| Total stockholders' equity | <u>569,017</u> | <u>682,829</u> |
| Total liabilities and stockholders' equity | <u>\$ 955,611</u> | <u>\$1,050,993</u> |

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

SYNOPSYS, INC.

Unaudited Pro Forma Condensed Consolidated Statements of Income ⁽¹⁾ (in thousands, except per share data)

| | <u>Three Months Ended</u> ⁽²⁾ | |
|---|--|-----------------------------------|
| | <u>January 31,</u> <u>2001</u> | <u>January 31,</u> <u>2000</u> |
| Revenue: | | |
| Product | \$ 39,192 | \$ 130,549 |
| Service | 86,969 | 86,319 |
| Subscription license | <u>30,993</u> | <u>--</u> |
| Total revenue | <u>157,154</u> | <u>216,868</u> |
| Cost of revenue: | | |
| Product | 6,685 | 10,286 |
| Service | 19,196 | 18,599 |
| Subscription license | <u>6,175</u> | <u>--</u> |
| Total cost of revenue | <u>32,056</u> | <u>28,885</u> |
| Gross margin | <u>125,098</u> | <u>187,983</u> |
| Operating expenses: | | |
| Research and development | 46,221 | 44,267 |
| Sales and marketing | 69,579 | 66,996 |
| General and administrative | <u>16,689</u> | <u>12,249</u> |
| Total operating expenses | <u>132,489</u> | <u>123,512</u> |
| Operating income | (7,391) | 64,471 |
| Other income, net | <u>25,481</u> | <u>8,940</u> |
| Income before provision for income taxes | 18,090 | 73,411 |
| Provision for income taxes | <u>5,427</u> | <u>22,757</u> |
| Net income | <u>\$ 12,663</u> | <u>\$ 50,654</u> |
| Basic earnings per share: | | |
| Net income | <u>\$ 0.20</u> | <u>\$ 0.72</u> |
| Weighted average common shares | <u>61,901</u> | <u>70,785</u> |
| Diluted earnings per share: | | |
| Net income | <u>\$ 0.19</u> | <u>\$ 0.68</u> |
| Weighted average common shares and equivalents | <u>65,243</u> | <u>74,281</u> |

(1) Amounts and per share data for the periods presented exclude amortization of intangible assets and in-process research and development.

(2) The Company's first quarter ends on the Saturday nearest to January 31. For ease of presentation, the condensed consolidated financial statements refer to a calendar month end.