

PRESS RELEASE

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Synopsis Posts Financial Results for Third Quarter 2001

MOUNTAIN VIEW, California. August 22, 2001 – Synopsis Inc., (Nasdaq: SNPS) today reported its third quarter results for the period that ended on August 4, 2001.

For the third quarter of fiscal 2001, Synopsis reported revenue of \$176.1 million and net income, on an earnings before goodwill (EBG) basis, of \$18.0 million, or \$0.28 per share. EBG represents earnings on a diluted basis excluding amortization of intangible assets and in-process research and development. Synopsis booked 71% of its product licenses under its ratable license model, within the Company's target range of 70% to 80%. Under this license model, introduced in the fourth quarter of 2000 revenue is recognized ratably over the term of the license rather than upon shipment. As expected, revenue and net income during the third quarter of fiscal 2001, declined in comparison to the same period in fiscal 2000. Sequentially, however, Synopsis has recorded increasing revenue in each quarter since the introduction of its ratable license model, including \$133.2 million in the fourth quarter of 2000 and \$157.2 million, \$163.5 million and \$176.1 million for the first, second and third quarters of 2001, respectively. For the third quarter of fiscal 2000, revenue and net income on an EBG basis were \$228.8 million and \$45.3 million, or \$0.65 per share, respectively.

For the nine-month period ended August 4, 2001, Synopsis reported revenue of \$496.8 million and net income, on an EBG basis, of \$46.5 million, or \$0.71 per share. For the nine-month period ended July 29, 2000, revenue and net income on an EBG basis were \$650.6 million and \$133.3 million, or \$1.84 per share, respectively.

On a generally accepted accounting principles (GAAP) basis, for the third quarter of 2001, net income after amortization of intangible assets and in-process research and development, was \$14.4 million, or \$0.22 per share, compared to net income of \$41.4 million, or \$0.59 per share, for the third quarter of fiscal 2000. For the nine-month period ended August 4, 2001, net income was \$36.4 million, or \$0.56 per share, compared to net income of \$120.0 million or \$1.65 per share for the nine-month period ended July 29, 2000.

Synopsys will provide its operating model targets for the remainder of fiscal 2001 and for fiscal 2002 during the earnings call and in a separate press release to be released later today.

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 <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 593957, beginning at 5:30 p.m. today and ending on August 31, 2001. A Webcast replay will also be available from <http://www.StreetFusion.com> or through a link on our web site at <http://www.synopsys.com/corporate/invest/invest.html> from approximately 5:00 p.m. today and ending on August 31, 2001.

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, INC.

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

| | <u>Three Months Ended</u> | | <u>Nine Months Ended</u> | |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | <u>July 31,</u> <u>2001</u> | <u>July 31,</u> <u>2000</u> | <u>July 31,</u> <u>2001</u> | <u>July 31,</u> <u>2000</u> |
| Revenue: | | | | |
| Product | \$ 44,858 | \$ 143,348 | \$ 117,152 | \$ 396,930 |
| Service | 81,430 | 85,487 | 259,900 | 253,626 |
| Ratable license | <u>49,822</u> | <u>-</u> | <u>119,736</u> | <u>-</u> |
| Total revenue | <u>176,110</u> | <u>228,835</u> | <u>496,788</u> | <u>650,556</u> |
| Cost of revenue: | | | | |
| Product | 6,086 | 10,169 | 17,616 | 31,108 |
| Service | 19,158 | 21,851 | 58,427 | 59,723 |
| Ratable license | <u>7,476</u> | <u>-</u> | <u>19,689</u> | <u>-</u> |
| Total cost of revenue | <u>32,720</u> | <u>32,020</u> | <u>95,732</u> | <u>90,831</u> |
| Gross margin | <u>143,390</u> | <u>196,815</u> | <u>401,056</u> | <u>559,725</u> |
| Operating expenses: | | | | |
| Research and development | 49,382 | 50,323 | 143,239 | 140,552 |
| Sales and marketing | 68,954 | 73,709 | 207,735 | 211,100 |
| General and administrative | 19,140 | 15,973 | 50,933 | 42,255 |
| Amortization of intangible assets | 4,163 | 3,745 | 12,514 | 10,956 |
| In-process research and development and other costs | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,750</u> |
| Total operating expenses | <u>141,639</u> | <u>143,750</u> | <u>414,421</u> | <u>406,613</u> |
| Operating income | 1,751 | 53,065 | (13,365) | 153,112 |
| Other income, net | <u>19,499</u> | <u>8,797</u> | <u>66,901</u> | <u>27,431</u> |
| Income before provision for income taxes | 21,250 | 61,862 | 53,536 | 180,543 |
| Provision for income taxes | <u>6,800</u> | <u>20,491</u> | <u>17,132</u> | <u>60,495</u> |
| Net income | <u>\$ 14,450</u> | <u>\$ 41,371</u> | <u>\$ 36,404</u> | <u>\$ 120,048</u> |
| Basic earnings per share: | | | | |
| Net income | <u>\$ 0.24</u> | <u>\$ 0.61</u> | <u>\$ 0.60</u> | <u>\$ 1.71</u> |
| Weighted average common shares | <u>60,048</u> | <u>68,278</u> | <u>61,050</u> | <u>70,026</u> |
| Diluted earnings per share: | | | | |
| Net income | <u>\$ 0.22</u> | <u>\$ 0.59</u> | <u>\$ 0.56</u> | <u>\$ 1.65</u> |
| Weighted average common shares and equivalents | <u>64,887</u> | <u>69,603</u> | <u>65,362</u> | <u>72,591</u> |

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

SYNOPSYS, INC.

Condensed Consolidated Balance Sheets (1)

(in thousands)

| | <u>July 31, 2001</u> <i>(unaudited)</i> | <u>October 31, 2000</u> |
|---|--|-------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 134,504 | \$ 153,120 |
| Short-term investments | 174,371 | 282,519 |
| Accounts receivable, net | 131,721 | 146,449 |
| Prepaid expenses, deferred taxes and other | <u>98,557</u> | <u>102,433</u> |
| Total current assets | <u>539,153</u> | <u>684,521</u> |
| Property and equipment, net | 173,661 | 157,243 |
| Long-term investments | 88,222 | 126,741 |
| Intangible assets, net | 39,428 | 51,776 |
| Other assets | <u>53,570</u> | <u>30,712</u> |
| Total assets | <u>\$ 894,034</u> | <u>\$1,050,993</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 120,980 | \$ 139,290 |
| Current portion of long-term debt | 535 | 6,416 |
| Accrued income taxes | 36,690 | 56,304 |
| Deferred revenue | <u>250,752</u> | <u>150,654</u> |
| Total current liabilities | <u>408,957</u> | <u>352,664</u> |
| Long-term debt | 123 | 564 |
| Derivative liability | 7,161 | - |
| Deferred compensation | 17,717 | 14,936 |
| Stockholders' equity: | | |
| Capital stock | 574,377 | 559,345 |
| Retained earnings | 421,507 | 405,419 |
| Treasury stock, at cost | (552,174) | (329,493) |
| Accumulated other comprehensive income | <u>16,366</u> | <u>47,558</u> |
| Total stockholders' equity | <u>460,076</u> | <u>682,829</u> |
| Total liabilities and stockholders' equity | <u>\$ 894,034</u> | <u>\$1,050,993</u> |

(1) The Company's third quarter and fiscal year end on the Saturday nearest to July 31 and to October 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) (2) (in thousands, except per share data)

| | <u>Three Months Ended</u> | | <u>Nine Months Ended</u> | |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | <u>July 31,</u> <u>2001</u> | <u>July 31,</u> <u>2000</u> | <u>July 31,</u> <u>2001</u> | <u>July 31,</u> <u>2000</u> |
| Revenue: | | | | |
| Product | \$ 44,858 | \$ 143,348 | \$ 117,152 | \$ 396,930 |
| Service | 81,430 | 85,487 | 259,900 | 253,626 |
| Ratable license | 49,822 | - | 119,736 | - |
| Total revenue | <u>176,110</u> | <u>228,835</u> | <u>496,788</u> | <u>650,556</u> |
| Cost of revenue: | | | | |
| Product | 6,086 | 10,169 | 17,616 | 31,108 |
| Service | 19,158 | 21,851 | 58,427 | 59,723 |
| Ratable license | 7,476 | - | 19,689 | - |
| Total cost of revenue | <u>32,720</u> | <u>32,020</u> | <u>95,732</u> | <u>90,831</u> |
| Gross margin | <u>143,390</u> | <u>196,815</u> | <u>401,056</u> | <u>559,725</u> |
| Operating expenses: | | | | |
| Research and development | 49,382 | 50,323 | 143,239 | 140,552 |
| Sales and marketing | 68,954 | 73,709 | 207,735 | 211,100 |
| General and administrative | 19,140 | 15,973 | 50,933 | 42,255 |
| Total operating expenses | <u>137,476</u> | <u>140,005</u> | <u>401,907</u> | <u>393,907</u> |
| Operating income | 5,914 | 56,810 | (851) | 165,818 |
| Other income, net | <u>19,499</u> | <u>8,797</u> | <u>66,901</u> | <u>27,431</u> |
| Income before provision for income taxes | 25,413 | 65,607 | 66,050 | 193,249 |
| Provision for income taxes | 7,370 | 20,338 | 19,561 | 59,907 |
| Net income | <u>\$ 18,043</u> | <u>\$ 45,269</u> | <u>\$ 46,489</u> | <u>\$ 133,342</u> |
| Basic earnings per share: | | | | |
| Net income | <u>\$ 0.30</u> | <u>\$ 0.66</u> | <u>\$ 0.76</u> | <u>\$ 1.90</u> |
| Weighted average common shares | <u>60,048</u> | <u>68,278</u> | <u>61,050</u> | <u>70,026</u> |
| Diluted earnings per share: | | | | |
| Net income | <u>\$ 0.28</u> | <u>\$ 0.65</u> | <u>\$ 0.71</u> | <u>\$ 1.84</u> |
| Weighted average common shares and equivalents | <u>64,887</u> | <u>69,603</u> | <u>65,362</u> | <u>72,591</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 third quarter ends on the Saturday nearest to July 31. For ease of presentation, the condensed consolidated financial statements refer to a calendar month end.