

PRESS RELEASE

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Synopsys Posts Financial Results for Second Quarter 2001

MOUNTAIN VIEW, California. May 23, 2001 – Synopsys Inc., (Nasdaq: SNPS) today reported its second quarter results for the period that ended on May 5, 2001.

For the second quarter of fiscal 2001, Synopsys reported revenue of \$163.5 million and net income, on an earnings before goodwill (EBG) basis, of \$15.8 million, or \$0.24 per share. EBG represents earnings on a diluted basis excluding amortization of intangible assets and in-process research and development. Synopsys booked 77% of its product licenses as subscriptions, versus a target of 75%. As expected, due to the transition to a subscription license model, under which revenue is recognized ratably over the term of the license rather than upon shipment, revenue and net income during the second quarter declined from the same period in fiscal 2000. For the second quarter of fiscal 2000, revenue and net income on an EBG basis were \$204.9 million and \$37.4 million, respectively, or \$0.53 per share.

For the six-month period ended May 5, 2001, Synopsys reported revenue of \$320.7 million and net income, on an EBG basis, of \$28.4 million, or \$0.43 per share. Revenue and net income on an EBG basis were \$421.7 million and \$88.1 million, respectively, or \$1.21 per share, for the six-month period ended April 29, 2000.

On a generally accepted accounting principles (GAAP) basis, for the second quarter of 2001, net income after amortization of intangible assets and in-process research and development, was \$12.5 million, or \$0.19 per share, compared to net income of \$33.6 million, or \$0.47 per share, for the second quarter of fiscal 2000. For the six-month period ended April 29, 2001,

net income was \$22.0 million, or \$0.33 per share, compared to net income of \$78.7 million or \$1.08 per share for the six-month period ended April 30, 2000.

“This was a very strong quarter for Synopsys,” said Aart de Geus, chairman and chief executive officer. “Despite the current economic environment, we continued to enjoy success in key product areas such as physical synthesis and verification. Our transition to a ratable license model is working extremely well, and we continued to build significant backlog during the quarter. “

Outlook

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

Third quarter of fiscal year 2001 targets:

- Revenue: between \$173 million and \$178 million;
- Total expenses (EBG basis): between \$168 million and \$172 million;
- Other income: between \$19 million and \$21 million (including approximately \$13 million from the sale of investments held by the Company);
- Pro forma tax rate: 29%;
- Outstanding shares: between 65 million and 69 million;
- Earnings before goodwill (EBG): between \$0.25 and \$0.29 per share.

Full fiscal year 2001 targets:

- Revenue: between \$680 million and \$690 million;
- Total expenses (EBG basis): between \$670 million and \$675 million;
- Other income: between \$82 million and \$87 million (including approximately \$56 million from the sale of investments held by the Company);
- Pro forma tax rate: 29.5%;
- Outstanding shares: between 65 million and 67 million;
- Earnings before goodwill (EBG): between \$1.05 and \$1.15 per share.

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.

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 580129, beginning at 9:00 p.m. today and ending on June 6, 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 6:00PM today and ending on June 6, 2001.

Forward Looking Statements

The fifth paragraph of this release and the section entitled “Outlook” contain forward-looking statements under the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934. These statements are based on Synopsys’ 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: continued weakness in the semiconductor or electronic systems industries; a lower-than-anticipated level of investment in EDA tools by the Company’s customers; failure to achieve the expected level of sales of the Company’s physical synthesis products; increasing competition in the market for the Company’s products and services; 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 Synopsys with the Securities and Exchange Commission, specifically the most recent reports on Forms 10-K, 10-Q, S-3, and 8-K.

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		Six Months Ended	
	April 30,	April 30,	April 30,	April 30,
	2001	2000	2001	2000
Revenue:				
Product	\$ 33,102	\$ 123,033	\$ 72,294	\$ 253,582
Service	91,501	81,820	178,470	168,139
Subscription license	<u>38,921</u>	<u>-</u>	<u>69,914</u>	<u>-</u>
Total revenue	<u>163,524</u>	<u>204,853</u>	<u>320,678</u>	<u>421,721</u>
Cost of revenue:				
Product	4,845	10,653	11,530	20,939
Service	20,073	19,273	39,269	37,872
Subscription license	<u>6,038</u>	<u>-</u>	<u>12,213</u>	<u>-</u>
Total cost of revenue	<u>30,956</u>	<u>29,926</u>	<u>63,012</u>	<u>58,811</u>
Gross margin	<u>132,568</u>	<u>174,927</u>	<u>257,666</u>	<u>362,910</u>
Operating expenses:				
Research and development	47,636	45,962	93,857	90,229
Sales and marketing	69,202	70,395	138,781	137,391
General and administrative	15,104	14,033	31,793	26,282
Amortization of intangible assets	4,179	3,690	8,351	7,211
In-process research and development and other costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,750</u>
Total operating expenses	<u>136,121</u>	<u>134,080</u>	<u>272,782</u>	<u>262,863</u>
Operating income	(3,553)	40,847	(15,116)	100,047
Other income, net	<u>21,921</u>	<u>9,694</u>	<u>47,402</u>	<u>18,634</u>
Income before provision for income taxes	18,368	50,541	32,286	118,681
Provision for income taxes	<u>5,878</u>	<u>16,967</u>	<u>10,332</u>	<u>40,004</u>
Net income	<u>\$ 12,490</u>	<u>\$ 33,574</u>	<u>\$ 21,954</u>	<u>\$ 78,677</u>
Basic earnings per share:				
Net income	<u>\$ 0.21</u>	<u>\$ 0.49</u>	<u>\$ 0.35</u>	<u>\$ 1.12</u>
Weighted average common shares	<u>60,776</u>	<u>69,153</u>	<u>62,822</u>	<u>70,054</u>
Diluted earnings per share:				
Net income	<u>\$ 0.19</u>	<u>\$ 0.47</u>	<u>\$ 0.33</u>	<u>\$ 1.08</u>
Weighted average common shares and equivalents	<u>65,384</u>	<u>71,089</u>	<u>66,836</u>	<u>72,964</u>

(1) The Company's second quarter ends on the Saturday nearest to April 30. 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>April 30, 2001</u> <i>(unaudited)</i>	<u>October 31, 2000</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 145,590	\$ 153,120
Short-term investments	247,109	282,519
Accounts receivable, net	132,291	146,449
Prepaid expenses, deferred taxes and other	<u>95,301</u>	<u>102,433</u>
Total current assets	<u>620,291</u>	<u>684,521</u>
Property and equipment, net	166,419	157,243
Long-term investments	102,580	126,741
Intangible assets, net	43,677	51,776
Other assets	<u>49,459</u>	<u>30,712</u>
Total assets	<u>\$ 982,426</u>	<u>\$1,050,993</u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 104,701	\$ 139,290
Current portion of long-term debt	1,624	6,416
Accrued income taxes	41,623	56,304
Deferred revenue	<u>257,322</u>	<u>150,654</u>
Total current liabilities	<u>405,270</u>	<u>352,664</u>
Long-term debt	454	564
Derivative liability	12,030	-
Deferred compensation	16,503	14,936
Stockholders' equity:		
Capital stock	568,109	559,345
Retained earnings	412,726	405,419
Treasury stock, at cost	(456,132)	(329,493)
Accumulated other comprehensive income	<u>23,466</u>	<u>47,558</u>
Total stockholders' equity	<u>548,169</u>	<u>682,829</u>
Total liabilities and stockholders' equity	<u>\$ 982,426</u>	<u>\$1,050,993</u>

(1) The Company's second quarter and fiscal year end on the Saturday nearest to April 30 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>Six Months Ended</u>	
	<u>April 30,</u> <u>2001</u>	<u>April 30,</u> <u>2000</u>	<u>April 30,</u> <u>2001</u>	<u>April 30,</u> <u>2000</u>
Revenue:				
Product	\$ 33,102	\$ 123,033	\$ 72,294	\$ 253,582
Service	91,501	81,820	178,470	168,139
Subscription license	<u>38,921</u>	<u>-</u>	<u>69,914</u>	<u>-</u>
Total revenue	<u>163,524</u>	<u>204,853</u>	<u>320,678</u>	<u>421,721</u>
Cost of revenue:				
Product	4,845	10,653	11,530	20,939
Service	20,073	19,273	39,269	37,872
Subscription license	<u>6,038</u>	<u>-</u>	<u>12,213</u>	<u>-</u>
Total cost of revenue	<u>30,956</u>	<u>29,926</u>	<u>63,012</u>	<u>58,811</u>
Gross margin	<u>132,568</u>	<u>174,927</u>	<u>257,666</u>	<u>362,910</u>
Operating expenses:				
Research and development	47,636	45,962	93,857	90,229
Sales and marketing	69,202	70,395	138,781	137,391
General and administrative	<u>15,104</u>	<u>14,033</u>	<u>31,793</u>	<u>26,282</u>
Total operating expenses	<u>131,942</u>	<u>130,390</u>	<u>264,431</u>	<u>253,902</u>
Operating income	626	44,537	(6,765)	109,008
Other income, net	<u>21,921</u>	<u>9,694</u>	<u>47,402</u>	<u>18,634</u>
Income before provision for income taxes	22,547	54,231	40,637	127,642
Provision for income taxes	<u>6,764</u>	<u>16,812</u>	<u>12,191</u>	<u>39,569</u>
Net income	<u>\$ 15,783</u>	<u>\$ 37,419</u>	<u>\$ 28,446</u>	<u>\$ 88,073</u>
Basic earnings per share:				
Net income	<u>\$ 0.26</u>	<u>\$ 0.54</u>	<u>\$ 0.45</u>	<u>\$ 1.26</u>
Weighted average common shares	<u>60,766</u>	<u>69,153</u>	<u>62,822</u>	<u>70,054</u>
Diluted earnings per share:				
Net income	<u>\$ 0.24</u>	<u>\$ 0.53</u>	<u>\$ 0.43</u>	<u>\$ 1.21</u>
Weighted average common shares and equivalents	<u>65,384</u>	<u>71,089</u>	<u>66,836</u>	<u>72,964</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 second quarter ends on the Saturday nearest to April 30. For ease of presentation, the condensed consolidated financial statements refer to a calendar month end.