

PRESS RELEASE

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Synopsys Posts Financial Results for Fourth Quarter and Fiscal Year End 2001

MOUNTAIN VIEW, California. December 3, 2001 – Synopsys Inc., (Nasdaq: SNPS) today reported its results for the fourth quarter and fiscal year that ended on November 3, 2001.

For the fourth quarter of fiscal 2001, Synopsys reported revenue of \$183.6 million, compared to \$133.2 million for the fourth quarter of 2000, an increase of 38%. For the fourth quarter of fiscal 2001, Synopsys reported net income, on an earnings before goodwill (EBG) basis, of \$24.5 million, or \$0.39 per share, compared to a net loss on an EBG basis of \$21.0 million, or \$0.33 per share, in the fourth quarter of fiscal 2000. EBG represents earnings on a diluted basis excluding amortization of intangible assets and in-process research and development. During the fourth quarter of 2001, Synopsys booked 86% of its product licenses under a ratable license model, under which revenue is recognized ratably over the term of the license rather than upon shipment.

For the fiscal year ended November 3, 2001, Synopsys reported revenue of \$680.4 million and net income, on an EBG basis, of \$71.0 million, or \$1.10 per share. For the fiscal year ended October 28, 2000, revenue and net income on an EBG basis were \$783.8 million and \$112.3 million, or \$1.58 per share, respectively.

On a generally accepted accounting principles (GAAP) basis, for the fourth quarter of 2001, net income after amortization of intangible assets and in-process research and development, was \$20.4 million, or \$0.33 per share, compared to net loss of \$22.3 million, or \$0.34 per share, for the fourth quarter of fiscal 2000. For the twelve-month period ended November 3, 2001, net income on a GAAP basis was \$56.8 million, or \$0.88 per share, compared to net income of \$97.8 million, or \$1.38 per share, for the twelve-month period ended October 28, 2000.

Outlook

Synopsys also announced its operating model targets for the first quarter of fiscal year 2002 and revised targets for the full fiscal year:

First quarter of fiscal year 2002 targets:

- Revenue: between \$174 million and \$178 million;
- Total expenses (EBG basis): between \$162 million and \$166 million;
- Other income: between \$10 million and \$11 million (including approximately \$7 million in gain on the sale of investments held by the Company);
- Pro forma tax rate: 28.5%;
- Outstanding shares: between 63 million and 65 million;
- Earnings before goodwill (EBG): between \$0.24 and \$0.28 per share.

Fiscal year 2002 targets:

With respect to the full fiscal year 2002, Synopsys stated that in light of the difficult economic environment, it is taking a cautious approach to guidance, and therefore is modifying the fiscal year 2002 guidance issued in its press release dated August 22, 2001 in a number of respects:

- For fiscal 2002, Synopsys has established an EBG target for the year of at least \$2.00 per share;
- Synopsys is withdrawing the guidance for revenue and expenses provided in its August 22, 2001 press release. Revenue is expected to be lower than the target range provided

in such press release. Synopsys will reduce its FY 2002 expenses by \$30 million, with further reductions as may be required to meet the earnings target;

- The other target ranges provided on the August 22, 2001 release remain unchanged:
 - Other income: between \$27 million and \$33 million (including approximately \$16 million from the sale of investments held by the Company);
 - Pro forma tax rate: 28.5%;
 - Outstanding shares: between 65 million and 67 million;
- Synopsys expects that perpetual licenses will constitute between 15% and 25% of software licenses in each quarter.

Synopsys will reevaluate its decision regarding the establishment of target ranges at the end of each quarter, and should conditions change sufficiently we will issue revenue guidance.

The foregoing statements do not take into account any effects of Synopsys' proposed mergers with Avant! Corporation or IKOS Systems, Inc.

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 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 3:00 p.m., Pacific Time. A live Webcast of the call will be available from On24 i-network at <http://www.on24.com/clients/default/event.html?eventid=113> or through a link on 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 615293, beginning at 11:45 p.m. today and ending on December 21, 2001. A Webcast replay will also be available from On24 i-network at <http://www.on24.com/clients/default/event.html?eventid=113> or through a link on corporate web site at <http://www.synopsys.com/corporate/invest/invest.html> from approximately 9:30 p.m. today and ending on December 21, 2001. Copies of the prepared remarks of Aart de Geus, Chairman and Chief Executive Officer of Synopsys, and Brad Henske, Chief Financial Officer, will be posted on Synopsys' corporate website following the call at <http://www.synopsys.com/corporate/invest/invest.html>.

Forward Looking Statements

This press release 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. Factors that could cause results to differ from these statements include: continued or increased weakness in the semiconductor or electronic systems industries; decreased visibility into Synopsys future business resulting from the current economic climate; a lower-than-anticipated level of purchases of software or consulting services 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 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 Synopsys' report on Form 10-Q filed with the Securities and Exchange Commission on September 18, 2001 (pp. 21-23). Synopsys is under no obligation to (and expressly disclaims any such obligation to) update or alter their forward-looking statements whether as a result of new information, future events or otherwise.

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.

Condensed Consolidated Statements of Income (1)

(in thousands, except per share data)

	Three Months Ended October 31,		Fiscal Year Ended October 31,	
	2001	2000	2001	2000
	<i>(unaudited)</i>			
Revenue:				
Product	\$ 46,772	\$ 37,147	\$ 163,924	\$ 434,077
Service	81,933	87,170	341,833	340,796
Ratable license	<u>54,857</u>	<u>8,905</u>	<u>174,593</u>	<u>8,905</u>
Total revenue	<u>183,562</u>	<u>133,222</u>	<u>680,350</u>	<u>783,778</u>
Cost of revenue:				
Product	4,296	3,977	20,479	35,085
Service	20,023	20,719	79,747	80,442
Ratable license	<u>10,072</u>	<u>8,947</u>	<u>29,896</u>	<u>8,947</u>
Total cost of revenue	<u>34,391</u>	<u>33,643</u>	<u>130,122</u>	<u>124,474</u>
Gross margin	<u>149,171</u>	<u>99,579</u>	<u>550,228</u>	<u>659,304</u>
Operating expenses:				
Research and development	46,592	48,728	189,831	189,280
Sales and marketing	66,219	77,662	273,954	288,762
General and administrative	18,749	16,993	69,682	59,248
Amortization of intangible assets	4,498	4,173	17,012	15,129
In-process research and development and other costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,750</u>
Total operating expenses	<u>136,058</u>	<u>147,556</u>	<u>550,479</u>	<u>554,169</u>
Operating income (loss)	13,113	(47,977)	(251)	105,135
Other income, net	<u>16,883</u>	<u>13,372</u>	<u>83,784</u>	<u>40,803</u>
Income before provision for income taxes	29,996	(34,605)	83,533	145,938
Provision for (benefit from) income taxes	<u>9,599</u>	<u>(12,335)</u>	<u>26,731</u>	<u>48,160</u>
Net income	<u>\$ 20,397</u>	<u>\$ (22,270)</u>	<u>\$ 56,802</u>	<u>\$ 97,778</u>
Basic earnings per share:				
Net income	<u>\$ 0.34</u>	<u>\$ (0.34)</u>	<u>\$ 0.94</u>	<u>\$ 1.43</u>
Weighted average common shares	<u>59,229</u>	<u>64,583</u>	<u>60,601</u>	<u>68,510</u>
Diluted earnings per share:				
Net income	<u>\$ 0.33</u>	<u>\$ (0.34)</u>	<u>\$ 0.88</u>	<u>\$ 1.38</u>
Weighted average common shares and equivalents	<u>62,449</u>	<u>64,583</u>	<u>64,659</u>	<u>70,998</u>

(1) The Company's fourth quarter and fiscal year end on the Saturday nearest to October 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>October 31, 2001</u>	<u>October 31, 2000</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 271,696	\$ 152,705
Short-term investments	204,740	280,545
Accounts receivable, net	146,294	146,863
Prepaid expenses, deferred taxes and other	<u>168,652</u>	<u>104,408</u>
Total current assets	<u>791,382</u>	<u>684,521</u>
Property and equipment, net	192,304	157,243
Long-term investments	61,699	126,741
Intangible assets, net	35,077	51,776
Other assets	<u>48,445</u>	<u>30,712</u>
Total assets	<u>\$1,128,907</u>	<u>\$1,050,993</u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 134,966	\$ 139,290
Current portion of long-term debt	535	6,416
Accrued income taxes	110,867	56,304
Deferred revenue	<u>379,759</u>	<u>150,654</u>
Total current liabilities	<u>626,127</u>	<u>352,664</u>
Long-term debt	73	564
Other liabilities	17,051	14,936
Stockholders' equity:		
Capital stock	575,998	559,345
Retained earnings	436,662	405,419
Treasury stock, at cost	(531,117)	(329,493)
Accumulated other comprehensive income	<u>4,113</u>	<u>47,558</u>
Total stockholders' equity	<u>485,656</u>	<u>682,829</u>
Total liabilities and stockholders' equity	<u>\$1,128,907</u>	<u>\$1,050,993</u>

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

SYNOPSISYS, INC.

Unaudited Pro Forma Condensed Consolidated Statements of Income (1) (2) (in thousands, except per share data)

	Three Months Ended October 31,		Fiscal Year Ended October 31,	
	2001	2000	2001	2000
Revenue:				
Product	\$ 46,772	\$ 37,147	\$ 163,924	\$ 434,077
Service	81,933	87,170	341,833	340,796
Ratable license	<u>54,857</u>	<u>8,905</u>	<u>174,593</u>	<u>8,905</u>
Total revenue	<u>183,562</u>	<u>133,222</u>	<u>680,350</u>	<u>783,778</u>
Cost of revenue:				
Product	4,296	3,977	20,479	35,085
Service	20,023	20,719	79,747	80,442
Ratable license	<u>10,072</u>	<u>8,947</u>	<u>29,896</u>	<u>8,947</u>
Total cost of revenue	<u>34,391</u>	<u>33,643</u>	<u>130,122</u>	<u>124,474</u>
Gross margin	<u>149,171</u>	<u>99,579</u>	<u>550,228</u>	<u>659,304</u>
Operating expenses:				
Research and development	46,592	48,728	189,831	189,280
Sales and marketing	66,219	77,662	273,954	288,762
General and administrative	<u>18,749</u>	<u>16,993</u>	<u>69,682</u>	<u>59,248</u>
Total operating expenses	<u>131,560</u>	<u>143,383</u>	<u>533,467</u>	<u>537,290</u>
Operating income	17,611	(43,804)	16,761	122,014
Other income, net	<u>16,883</u>	<u>13,372</u>	<u>83,784</u>	<u>40,803</u>
Income before provision for income taxes	34,494	(30,432)	100,545	162,817
Provision for (benefit from) income taxes	<u>10,003</u>	<u>(9,434)</u>	<u>29,564</u>	<u>50,473</u>
Net income	<u>\$ 24,491</u>	<u>\$ (20,998)</u>	<u>\$ 70,981</u>	<u>\$ 112,344</u>
Basic earnings per share:				
Net income	<u>\$ 0.41</u>	<u>\$ (0.33)</u>	<u>\$ 1.17</u>	<u>\$ 1.64</u>
Weighted average common shares	<u>59,229</u>	<u>64,583</u>	<u>60,601</u>	<u>68,510</u>
Diluted earnings per share:				
Net income	<u>\$ 0.39</u>	<u>\$ (0.33)</u>	<u>\$ 1.10</u>	<u>\$ 1.58</u>
Weighted average common shares and equivalents	<u>62,449</u>	<u>64,583</u>	<u>64,659</u>	<u>70,998</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 fourth quarter and fiscal year end on the Saturday nearest to October 31. For ease of presentation, the condensed consolidated financial statements refer to a calendar month end.