

PRESS RELEASE

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Synopsys Posts Financial Results for First Quarter 2002

MOUNTAIN VIEW, California. February 20, 2002 – Synopsys Inc., (Nasdaq: SNPS) today reported its first quarter results for the period that ended on February 2, 2002.

For the first quarter of fiscal 2002, Synopsys reported revenue of \$175.5 million and net income, on an earnings before goodwill (EBG) basis, of \$17.3 million, or \$0.27 per share. This represents a 12% increase in revenue and a 37% increase in net income on an EBG basis as compared to the first quarter of fiscal 2001 revenue of \$157.2 million and net income on an EBG basis of \$12.7 million, or \$0.19 per share. EBG represents earnings on a diluted basis excluding amortization of intangible assets and in-process research and development, if any. Total software revenue grew 19% versus the same quarter last year.

On a generally accepted accounting principles (GAAP) basis, for the first quarter of 2002, net income after amortization of intangible assets and in-process research and development, was \$14.1 million, or \$0.22 per share, compared to net income of \$9.5 million, or \$0.15 per share, for the first quarter of fiscal 2001.

Outlook

Synopsys also announced its operating model targets for the second quarter of fiscal year 2002 (excluding the effects of the proposed mergers with Avant! Corporation and IKOS Systems, Inc.):

Second quarter of fiscal 2002 targets:

- Revenue: between \$183 million and \$187 million;
- Total expenses (EBG basis): between \$162 million and \$164 million;
- Other income: between \$10 million and \$12 million (including approximately \$7 million from the sale of investments held by the Company);
- Fully diluted outstanding shares: between 65 million and 67 million;
- Earnings before goodwill (EBG): between \$0.34 and \$0.38 per share.

In addition, Synopsys also reaffirmed its EBG target of at least \$2.00 per share for fiscal year 2002 (without taking into effect Synopsys' proposed mergers with Avant! Corporation and IKOS Systems, Inc.).

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.

GAAP Reconciliation

The Company presents unaudited pro forma condensed consolidated statements of income. These statements are not presented in accordance with, or as an alternative to, financial statements prepared in accordance with GAAP and may be different from pro

forma statements presented by other companies. Pro forma earnings is computed by adjusting GAAP earnings for the effects of the following items.

<i>(in thousands)</i>	<u>Three Months Ended</u>	
	<u>2002</u>	<u>2001</u>
Net income on a GAAP basis	\$ 14,052	\$ 9,465
Amortization of intangible assets, net of tax effects of \$777 in 2002 and \$973 in 2001	<u>3,267</u>	<u>3,199</u>
Net income on an EBG basis	<u>\$ 17,319</u>	<u>\$ 12,664</u>

Forward Looking Statements

This press release contains forward-looking statements under 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 or contribute to such differences include: continued or increased weakness in the semiconductor or electronic systems industries; a lower-than-anticipated level of purchases of tools 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; the possibility that we may sell fewer perpetual licenses than expected, adverse reactions to the proposed transactions with Avant! Corporation and IKOS Systems, Inc. by customers, suppliers and strategic partners and the ability to retain key management and technical personnel. 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, and S-4.

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 On24 Inc. at <http://www.on24.com/synopsys/index.html?215> or through a link on Synopsys' 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 624932, beginning at 5:30 p.m. today and ending on March 1, 2002. A Webcast replay will also be available from On24 Inc. at <http://www.on24.com/synopsys/index.html?215> or through a link on Synopsys' corporate web site at <http://www.synopsys.com/corporate/invest/invest.html> from approximately 5:30 p.m. today and ending on March 1, 2002. 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>.

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)

	<u>Three Months Ended</u>	
	<u>January 31,</u>	
	<u>2002</u>	<u>2001</u>
Revenue:		
Product	\$ 39,555	\$ 39,192
Ratable license	66,897	30,993
Service	<u>69,093</u>	<u>86,969</u>
Total revenue	<u>175,545</u>	<u>157,154</u>
Cost of revenue:		
Product	4,066	4,590
Ratable license	10,440	7,097
Service	<u>20,684</u>	<u>20,368</u>
Total cost of revenue	<u>35,190</u>	<u>32,055</u>
Gross margin	<u>140,355</u>	<u>125,099</u>
Operating expenses:		
Research and development	48,706	46,221
Sales and marketing	59,799	69,579
General and administrative	18,708	16,689
Amortization of intangible assets	<u>4,044</u>	<u>4,172</u>
Total operating expenses	<u>131,257</u>	<u>136,661</u>
Operating income (loss)	9,098	(11,562)
Other income, net	<u>11,081</u>	<u>25,481</u>
Income before provision for income taxes	20,179	13,919
Provision for income taxes	<u>6,127</u>	<u>4,454</u>
Net income	<u>\$ 14,052</u>	<u>\$ 9,465</u>
Basic earnings per share:		
Net income	<u>\$ 0.23</u>	<u>\$ 0.15</u>
Weighted average common shares	<u>60,136</u>	<u>61,901</u>
Diluted earnings per share:		
Net income	<u>\$ 0.22</u>	<u>\$ 0.15</u>
Weighted average common shares and equivalents	<u>65,011</u>	<u>65,243</u>

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

SYNOPSYS, INC.

Condensed Consolidated Balance Sheets (1) (in thousands)

	<u>January 31, 2002</u>	<u>October 31, 2001</u>
	<i>(unaudited)</i>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 231,969	\$ 271,696
Short-term investments	206,790	204,740
Accounts receivable, net	146,331	146,294
Deferred taxes	152,134	149,239
Prepaid expenses and other	<u>30,943</u>	<u>19,413</u>
Total current assets	<u>768,167</u>	<u>791,382</u>
Property and equipment, net	198,091	192,304
Long-term investments	65,405	61,699
Intangible assets, net	30,922	35,077
Other assets	<u>52,232</u>	<u>48,445</u>
Total assets	<u>\$ 1,114,817</u>	<u>\$ 1,128,907</u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 105,608	\$ 134,966
Current portion of long-term debt	536	535
Accrued income taxes	55,772	110,867
Deferred revenue	<u>295,828</u>	<u>290,052</u>
Total current liabilities	<u>457,744</u>	<u>536,420</u>
Deferred compensation and other liabilities	22,689	17,124
Long-term deferred revenue	78,554	89,707
Stockholders' equity:		
Capital stock	584,522	575,998
Retained earnings	439,748	436,662
Treasury stock, at cost	(477,823)	(531,117)
Accumulated other comprehensive income	<u>9,383</u>	<u>4,113</u>
Total stockholders' equity	<u>555,830</u>	<u>485,656</u>
Total liabilities and stockholders' equity	<u>\$ 1,114,817</u>	<u>\$ 1,128,907</u>

- (1) The Company's fiscal year and first quarter ends on the Saturday nearest to October 31 and to January 31, respectively. For presentation purposes, 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>January 31,</u>	
	<u>2002</u>	<u>2001</u>
Revenue:		
Product	\$ 39,555	\$ 39,192
Ratable license	66,897	30,993
Service	<u>69,093</u>	<u>86,969</u>
Total revenue	<u>175,545</u>	<u>157,154</u>
Cost of revenue:		
Product	4,066	4,590
Ratable license	10,440	7,097
Service	<u>20,684</u>	<u>20,368</u>
Total cost of revenue	<u>35,190</u>	<u>32,055</u>
Gross margin	<u>140,355</u>	<u>125,099</u>
Operating expenses:		
Research and development	48,706	46,221
Sales and marketing	59,799	69,579
General and administrative	<u>18,708</u>	<u>16,689</u>
Total operating expenses	<u>127,213</u>	<u>132,489</u>
Operating income (loss)	13,142	(7,390)
Other income, net	<u>11,081</u>	<u>25,481</u>
Income before provision for income taxes	24,223	18,091
Provision for income taxes	<u>6,904</u>	<u>5,427</u>
Net income	<u>\$ 17,319</u>	<u>\$ 12,664</u>
Basic earnings per share:		
Net income	<u>\$ 0.29</u>	<u>\$ 0.20</u>
Weighted average common shares	<u>60,136</u>	<u>61,901</u>
Diluted earnings per share:		
Net income	<u>\$ 0.27</u>	<u>\$ 0.19</u>
Weighted average common shares and equivalents	<u>65,011</u>	<u>65,243</u>

- (1) The Company's fiscal year and first quarter ends on the Saturday nearest to October 31 and to January 31, respectively. For presentation purposes, the condensed consolidated financial statements refer to a calendar month end.
- (2) Amounts and per share data for the periods presented exclude amortization of intangible assets and in-process research and development, if any.