

**Synopsys, Inc.**  
**Third Quarter Fiscal Year 2007 Financial Disclosure Supplement**  
**August 22, 2007**

To enhance the level of disclosure we provide and help investors gain better insight into our business, we are providing investors the following financial information:

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**Cautionary Note**

The information provided herein should be reviewed in conjunction with our earnings results as disclosed on August 22, 2007.

This Supplement contains forward-looking statements relating to expected future revenue from current aggregate backlog. These statements are 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 due to a number of uncertainties, including, but not limited to our ability to deliver the products or services ordered, our customers' willingness to accept services delivered, our customers' willingness or ability to make committed payments and other risks as detailed from time to time in our SEC filings, including those described in the "Risk Factors" section in our most recent Quarterly Report on Form 10-Q.

In addition, this Supplement contains non-GAAP financial measures as defined by the Securities and Exchange Commission in Regulation G. Reconciliations of the non-GAAP financial measures to their comparable GAAP measures are included herein.

## **Table 1 – Quarterly Revenue Information by Product Groups**

For management reporting purposes, we organize our products and services into five groups: Galaxy Design Platform, Discovery Verification Platform, Intellectual Property and Systems, Design for Manufacturing and Professional Services & Other. The combination of our Galaxy Design Platform and Discovery Verification Platform makes up core Electronic Design Automation (EDA).

Galaxy Design Platform. Our Galaxy Design Platform provides our customers a single, integrated IC design solution which incorporates common libraries and consistent timing, delay calculation and constraints throughout the design process. The principal products included in the Galaxy platform are the IC Compiler physical design solution, Design Compiler<sup>®</sup> logic synthesis product, Physical Compiler<sup>®</sup> physical synthesis product, Astro<sup>™</sup> advanced physical design system, NanoTime and PrimeTime<sup>®</sup>/PrimeTime<sup>®</sup> SI timing analysis products, Formality<sup>®</sup> formal verification sign-off solution, Star RXCT<sup>™</sup> extraction solution, Hercules<sup>™</sup> physical verification product family and PrimeYield tool suite for yield enhancement.

Discovery Verification Platform. Our Discovery Verification Platform combines our simulation and verification products and design-for-verification methodologies, and provides a consistent control environment to improve the speed, breadth and accuracy of our customers' verification efforts. The principal products included in the Discovery platform are the VCS<sup>®</sup> comprehensive RTL verification solution, Vera<sup>®</sup> testbench generator, NanoSim<sup>®</sup> FastSPICE circuit simulation and analysis product, HSPICE<sup>®</sup> circuit simulator, and our Discovery AMS mixed-signal verification solution.

Intellectual Property and Systems. Our IP solutions include our DesignWare<sup>®</sup> Foundation Library of basic chip elements, VCS Verification Library of popular chip function models and DesignWare Cores, pre-designed and pre-verified digital and mixed-signal design blocks that implement many of the most important industry standards, including USB (1.1, 2.0 and On-the-Go), PCI (PCI, PCI-X and PCI-Express), Serial ATA, Ethernet, AMBA 2.0, AMBA 3 and OCP. Our System solutions include our Innovator virtual platform and System Studio system-level design solution.

Design for Manufacturing. Our Design for Manufacturing products and technologies address the mask-making, yield enhancement and test-chip challenges of very small geometry ICs and include our TCAD device modeling products, Proteus™/InPhase optical proximity correction products, phase-shift masking technologies, SiVL® layout verification product, and CATS® mask data preparation product.

Professional Services & Other. Our Professional Services group provides consulting services, including design methodology assistance, specialized systems design services, turnkey design and training.

The following table summarizes the revenue attributable to these groups as a percentage of total revenue for the last eleven quarters. We include revenue from companies or products we have acquired during the periods covered from the acquisition date through the end of the relevant periods.

**Table 1 – Quarterly Revenue by Product Groups (Unaudited)**

(in millions)	Q105	Q205	Q305	Q405	FY2005	Q106	Q206	Q306	Q406	FY2006	Q107	Q207	Q307
Galaxy Design Platform	142.5	135.1	138.9	136.8	553.4	142.9	141.3	142.8	140.5	567.5	151.1	143.4	144.7
Discovery Verification Platform	52.1	50.6	54.0	59.2	215.9	61.5	64.0	72.3	69.5	267.3	78.3	76.0	81.0
<b>Core EDA</b>	<b>194.7</b>	<b>185.7</b>	<b>193.0</b>	<b>196.0</b>	<b>769.3</b>	<b>204.3</b>	<b>205.3</b>	<b>215.1</b>	<b>210.0</b>	<b>834.7</b>	<b>229.4</b>	<b>219.4</b>	<b>225.7</b>
IP	15.3	18.7	17.7	20.4	72.1	16.8	20.9	22.2	26.0	85.9	23.4	25.0	25.0
DFM	23.5	25.1	28.2	24.8	101.6	26.8	34.1	28.7	33.7	123.2	34.1	32.9	38.5
Services & Other	7.8	14.8	12.7	13.6	48.9	12.3	14.5	11.3	13.7	51.7	13.3	15.7	14.8
<b>Total</b>	<b>241.3</b>	<b>244.3</b>	<b>251.5</b>	<b>254.8</b>	<b>991.9</b>	<b>260.2</b>	<b>274.8</b>	<b>277.2</b>	<b>283.4</b>	<b>1,095.6</b>	<b>300.2</b>	<b>292.9</b>	<b>304.1</b>

  

	Q105	Q205	Q305	Q405	FY2005	Q106	Q206	Q306	Q406	FY2006	Q107	Q207	Q307
Galaxy Design Platform	59%	55%	55%	54%	56%	55%	51%	51%	50%	52%	50%	49%	48%
Discovery Verification Platform	22%	21%	22%	23%	22%	24%	23%	26%	25%	24%	26%	26%	27%
<b>Core EDA</b>	<b>81%</b>	<b>76%</b>	<b>77%</b>	<b>77%</b>	<b>78%</b>	<b>79%</b>	<b>75%</b>	<b>78%</b>	<b>74%</b>	<b>76%</b>	<b>76%</b>	<b>75%</b>	<b>74%</b>
IP	6%	8%	7%	8%	7%	7%	8%	8%	9%	8%	8%	9%	8%
DFM	10%	10%	11%	10%	10%	10%	12%	10%	12%	11%	11%	11%	13%
Services & Other	3%	6%	5%	5%	5%	5%	5%	4%	5%	5%	4%	5%	5%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Note: Amounts included in the table above may not foot due to rounding. Product revenue data for multi-region, multi-product transactions is determined using management methodologies and allocations and is therefore subject to certain assumptions. In addition, we allocate maintenance revenue to the products to which those support services relate.

**Table 2 – Quarterly Revenue by Geographic Region (Unaudited)**

(in millions)	Q105	Q205	Q305	Q405	FY2005	Q106	Q206	Q306	Q406	FY2006	Q107	Q207	Q307
North America	131.7	129.6	134.5	136.3	532.1	139.9	148.1	146.7	148.6	583.4	155.2	154.8	158.4
Europe	36.7	39.9	39.8	41.0	157.5	41.6	42.1	46.5	44.7	174.9	48.2	45.1	47.7
Japan	46.0	40.8	39.8	40.0	166.7	41.9	49.1	45.1	48.3	184.3	50.6	46.0	48.6
Asia Pacific	26.9	34.0	37.4	37.4	135.7	36.8	35.5	38.9	41.8	153.0	46.2	46.9	49.5
<b>Total</b>	<b>241.3</b>	<b>244.3</b>	<b>251.5</b>	<b>254.8</b>	<b>991.9</b>	<b>260.2</b>	<b>274.8</b>	<b>277.2</b>	<b>283.4</b>	<b>1,095.6</b>	<b>300.2</b>	<b>292.9</b>	<b>304.1</b>

	Q105	05Q2	Q305	Q405	FY2005	Q106	Q206	Q306	Q406	FY2006	Q107	Q207	Q307
North America	55%	53%	53%	53%	54%	54%	54%	53%	52%	53%	52%	53%	52%
Europe	15%	16%	16%	16%	16%	16%	15%	17%	16%	16%	16%	15%	16%
Japan	19%	17%	16%	16%	17%	16%	18%	16%	17%	17%	17%	16%	16%
Asia Pacific	11%	14%	15%	15%	14%	14%	13%	14%	15%	14%	15%	16%	16%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Note: Amounts included in the table above may not foot due to rounding. Geographic revenue data for multi-region, multi-product transactions determined using management methodologies and allocations and is therefore subject to certain assumptions.

## Table 3 – Summary of License Types

### License Types

<b>Time-Based Licenses:</b>	Our time-based licenses are licenses for a finite term on which we recognize revenue over time.
Technology Subscription Licenses (TSLs):	We typically recognize revenue from TSL license fees (which include bundled maintenance) ratably over the term of the license period. However, where we offer extended payment terms (i.e., where a substantial portion of the arrangement fee is due more than one year from shipment), we recognize revenue from TSLs in an amount equal to the lesser of the ratable portion of the entire fee or customer installment as they become due and payable.
Term Licenses with Extended Payment Terms:	For term licenses where less than a substantial portion of the term license fee is due within one year from shipment, we recognize revenue as customer installments become due and payable. Maintenance is purchased separately on an annual basis. Maintenance revenue is recognized ratably over the maintenance term and is included in the maintenance and service line of our statement of operations.
<b>Upfront Licenses:</b>	Our upfront licenses are licenses on which we recognize the license revenue upon shipment of software.
Perpetual Licenses:	Perpetual licenses continue for as long as the customer renews maintenance, plus an additional twenty years. We recognize the perpetual license fee in full upon shipment of the software if payment terms require the customer to pay a substantial portion of the perpetual license fee within one year from shipment and all other revenue recognition criteria are met. Maintenance is purchased separately on an annual basis. Maintenance revenue is recognized ratably over the maintenance term and is included in the maintenance and service line of our statement of operations.
Upfront Term Licenses:	Upfront term licenses, like term licenses with extended payment terms, are for a finite term. We recognize term license fees in full upon shipment of the software if payment terms require the customer to pay a substantial portion of the term license fee within one year from shipment and all other revenue recognition criteria are met. Maintenance is purchased separately on an annual basis. Maintenance revenue is recognized ratably over the maintenance term and is included in the maintenance and service line of our statement of operations.
<b>Renewable Licenses:</b>	We sometimes refer to TSLs and term licenses (including both upfront term licenses and term licenses with extended payment terms), either individually or collectively, as “renewable licenses” because the customer must purchase an extension or a new license in order to continue using the software after the specified term of the contract expires.

**Table 4 – Orders, Backlog and Revenue Disclosure (Unaudited)**  
(in millions except where noted)

Orders Data	Q105	Q205	Q305	Q405	FY2005	Q106	Q206	Q306	Q406	FY2006	Q107	Q207	Q307
Avg renewable license duration (yrs)	3.0	2.9	3.1	2.8	2.9	2.7	3.2	2.9	3.1	3.0	2.9	2.6	>4
Aggregate backlog *					\$1.9 bn					\$2.0 bn			
- Turns to revenue in four quarters	\$780	\$820	\$820	\$870		\$890	\$930	\$940	\$980		\$980	\$970	\$1,020
License Mix													
- Upfront licenses	3%	6%	8%	4%	5%	6%	8%	6%	5%	6%	5%	7%	<5%
- TBL licenses **	97%	94%	92%	96%	95%	94%	92%	94%	95%	94%	95%	93%	>95%

Revenue Data	Q105	Q205	Q305	Q405	FY2005	Q106	Q206	Q306	Q406	FY2006	Q107	Q207	Q307
Revenue	\$241.3	\$244.3	\$251.5	\$254.8	\$991.9	\$260.2	\$274.8	\$277.2	\$283.4	\$1,095.6	\$300.2	\$292.9	\$304.1
% of revenue coming from backlog	91%	92%	91%	92%		96%	90%	95%	93%		96%	94%	>90%
Revenue Mix ***													
- Upfront	5%	7%	6%	6%	6%	3%	9%	5%	5%	6%	4%	5%	6%
- TBL	77%	72%	75%	76%	75%	81%	76%	81%	81%	80%	84%	83%	83%
- Service ****	18%	21%	19%	18%	19%	16%	14%	14%	14%	14%	12%	12%	11%

\* Aggregate backlog is composed of deferred revenue, operational backlog and financial backlog. Deferred revenue represents that portion of orders for software products, license maintenance and other services which have been delivered and billed to the customer but on which the revenue has not yet been earned. Operational backlog consists of orders for software products and maintenance that have not been shipped and orders for consulting services that have not been performed and accepted. Financial backlog consists of future installments not yet due and payable under existing time-based licenses and maintenance contracts. In the case of a TSL, financial backlog includes the full amount of the committed non-cancelable order, less any amount of revenue that has been recognized on such TSL.

\*\* Includes perpetual licenses for which revenue is being recognized ratably as well as term licenses for which revenue is recognized as installment payments become due because less than 75% of the license fee is due within one year from shipment.

\*\*\* Revenue Mix may not add to 100% due to rounding.

\*\*\*\* Includes maintenance on term and perpetual licenses.

## **Reconciliations of non-GAAP Financial Measures to GAAP**

Synopsys' management evaluates and makes decisions about its business operations primarily based on the bookings, revenue and the direct, ongoing and recurring costs of those operations. Management does not believe amortization of intangible assets, in-process research and development charges, integration and other acquisition-related expenses, facilities and workforce realignment charges and other significant infrequent items are ongoing and recurring operating costs of its core software and service business operations. In addition, while share-based compensation expense calculated in accordance with FAS 123R and changes in the fair value of the Company's non-qualified deferred compensation plan obligations constitutes an ongoing and recurring expense of the Company, such expenses are excluded from non-GAAP results because they are not expenses that typically require or will require cash settlement by the Company and because such expenses are not used by management to assess the core performance of the Company's business operations. Therefore, management adjusts the following GAAP financial measures to exclude these costs, to the extent incurred in a particular quarter: total cost of revenue, gross margin, total operating expenses, operating income (loss), income (loss) before provision (benefit) for income taxes, provision (benefit) for income taxes, net income (loss) and net income (loss) per share.

For each such measure, excluding these costs provides management with more consistent, comparable information about the Company's core performance. For example, since the Company does not acquire businesses on a predictable cycle, management would have difficulty evaluating the Company's performance as measured by gross margin, operating margin, income before taxes and net income on a period-to-period basis unless it excluded acquisition-related charges. Similarly, the Company does not undertake significant restructuring or realignments on a predictable cycle, and thus excludes associated charges in order to enable better and more consistent evaluations of the Company's operating expenses before and after such actions are taken. Management also uses these measures to help it make budgeting decisions, for example, as between product development expenses (which affect cost of revenue and gross margin) and research and development, sales and marketing and general and administrative expenses (which affect operating expenses and operating margin). Finally, the availability of such information helps management track performance to both internal and externally communicated financial targets and to its competitors' operating results.

Management recognizes that the use of these non-GAAP measures has certain limitations, including the fact that management must exercise judgment in determining whether certain types of charges, such as those relating to workforce reductions executed in the ordinary course, should be excluded from non-GAAP results. However,

management believes that, although it is important for investors to understand GAAP measures, providing investors with these non-GAAP measures gives them additional important information to enable them to assess, in a way management assesses, Synopsys' current and future continuing operations.

**Table 5a – Supplemental GAAP to Non-GAAP information (Unaudited)**

	Three Months Ended July 31, 2007		
	GAAP	Adjustments (1)	Non-GAAP
<b>Cost of revenue:</b>			
License	\$ 37,092	\$ (2,080)	\$ 35,012
Maintenance and service	15,763	(746)	15,017
Amortization of intangible assets	5,536	(5,536)	-
<b>Operating expenses:</b>			
Research and development	\$ 94,365	\$ (8,257)	\$ 86,108
Sales and marketing	95,417	(4,819)	90,598
General and administrative	24,177	(3,706)	20,471
In-process research and development	2,100	(2,100)	-
Amortization of intangible assets	6,650	(6,650)	-
Operating income	\$ 22,998	\$ 33,894	\$ 56,892
Other income, net	\$ 10,829	\$ (3,498)	\$ 7,331
Provision for income taxes	\$ 8,972	\$ 7,552	\$ 16,524
Net income	\$ 24,855	\$ 22,844	\$ 47,699
Net income per share (Diluted)	\$ 0.17	\$ 0.15	\$ 0.32
<b>Shares used in computing per share amounts:</b>			
Basic	<u>143,820</u>		<u>143,820</u>
Diluted	<u>149,709</u>		<u>149,709</u>

(1) Adjustments consist of share-based compensation and related tax effect under FAS 123(R), changes in fair value of non-qualified deferred compensation plan obligation and to the extent incurred amortization of intangible assets, in-process research and development charges, integration and other significant items, which in the opinion of management are extraordinary. For the quarter ended July 31, 2007, total share-based compensation of \$16.1 million as follows: cost of revenue \$2.6 million; research & development \$6.3 million; sales & marketing \$4.0 million; general & administrative \$3.2 million. During the quarter ended July 31, 2007, the change in the fair value of the non-qualified plan obligation was an increase of \$3.5 million in compensation expense (\$0.3 million cost of revenue, \$1.9 million research & development, \$0.8 million sales & marketing, \$0.5 million general & administrative), and a corresponding increase to other income, net.

## Non-GAAP Basis Operating Margin Reconciliation

Non-GAAP operating margin represents, for a given period, total non-GAAP operating income as a percentage of revenue for such period. The following table reconciles operating margin on a GAAP basis to operating margin on a non-GAAP basis for the three months ended July 31, 2007:

**Table 5b – Non-GAAP Operating Margin Reconciliation (Unaudited)**

	<b>Three Months Ended July 31, 2007</b>
GAAP operating margin	7.6%
Amortization of intangible assets	4.0%
Share-based compensation	5.3%
In-process research and development	0.7%
Change in value of non-qualified deferred compensation	1.1%
Non-GAAP operating margin	<u>18.7%</u>

Certain other non-GAAP data used by management, as well as the reconciliation of such data to their most directly comparable GAAP measures, is contained in the third quarter fiscal year 2007 earnings release available on the Company's website at [www.synopsys.com/corporate/invest/](http://www.synopsys.com/corporate/invest/).

### Effectiveness of Information

The information contained in this financial supplement represents Synopsys' expectations and beliefs as of August 22, 2007, the date of this supplement only. Although this supplement will remain available on Synopsys' website through the date of the fourth quarter fiscal 2007 earnings call in December 2007, its continued availability through such date does not mean that Synopsys is reaffirming or confirming its continued validity. Synopsys does not currently intend to, and assumes no obligation to, report on its progress during the fourth quarter of fiscal 2007 or comment to analysts or investors on, or otherwise update, the information contained in this supplement.