

**Synopsys, Inc.**  
**Third Quarter Fiscal Year 2011 Financial Disclosure Supplement**  
**August 17, 2011**

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 17, 2011.

This Supplement contains forward-looking statements relating to expected future revenue from current revenue 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 risks related to changes in demand for Synopsys' products due to fluctuations in demand for its customers' products, our ability to realize the potential financial or strategic benefits of the acquisitions we complete and the difficulties in the integration of the products and operations of acquired companies or assets into our products and operations, the continued uncertainty in the global economy and the semiconductor and electronics industries, willingness or ability of our customers to pay license fees as scheduled or to accept services delivered, cancellation or renegotiation of orders, consolidation among our customers, our inability to recognize revenue from backlog when expected, our ability to deliver the products or services ordered, and other risks as detailed from time to time in our filings with the Securities and

Exchange Commission (SEC), including those described in the “Risk Factors” section of our most recent Quarterly Report on Form 10-Q. In addition, this Supplement contains non-GAAP financial measures as defined by the SEC in Regulation G. Reconciliations of the non-GAAP financial measures to their comparable GAAP measures are included herein.

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

For management reporting purposes, we organize our products and services into four groups: Core EDA (Electronic Design Automation), which includes the Galaxy<sup>™</sup> Design Platform, the Discovery<sup>™</sup> Verification Platform and the FPGA (Field Programmable Gate Array) design products; Intellectual Property (IP) and System-Level Solutions; Manufacturing Solutions; and Professional Services and Other.

Core EDA. Includes Galaxy Design Platform, Discovery Verification Platform and FPGA design products.

*Galaxy.* Our Galaxy Design Platform provides our customers with a single, integrated IC design solution that includes industry leading individual products and incorporates common libraries and consistent timing, delay calculation and constraints throughout the design process. The platform helps reduce design times, decrease integration costs and minimize the risks inherent in advanced, complex IC designs. The principal products included in the Galaxy platform are the IC Compiler physical design solution, Design Compiler<sup>®</sup> logic synthesis product, Galaxy Custom Designer<sup>®</sup> physical design solution for analog/mixed-signal designs, PrimeTime<sup>®</sup>/PrimeTime SI timing analysis products, StarRC<sup>™</sup> product for extraction, and the Hercules<sup>™</sup> and IC Validator physical verification product family.

*Discovery.* Our Discovery Verification Platform is a comprehensive, integrated portfolio of functional, analog/mixed-signal, formal and low-power verification products. The platform includes our simulation and verification products and design-for-verification methodologies, and provides a consistent control environment to help significantly 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, Formality<sup>®</sup> formal verification sign-off solution, NanoSim<sup>®</sup> FastSPICE circuit simulation and analysis product, HSIM<sup>®</sup> hierarchical FastSPICE circuit simulation and analysis product, HSPICE<sup>®</sup> circuit simulator, and CustomSim<sup>™</sup> circuit simulation solution.

*FPGA Design.* FPGAs are complex chips that can be customized or programmed to perform a specific function after they are manufactured. The principal products included

in FPGA Design are Synplify Pro<sup>®</sup> and Premier implementation and Identify<sup>®</sup> debug software tools.

Intellectual Property and System-Level Solutions. Our broad IP portfolio provides customers with high-quality, silicon-proven digital, PHY, analog, verification and memory IP for SoC designs to reduce their design risk and time-to-market. Our IP solutions include the DesignWare<sup>®</sup> Library of infrastructure IP, VCS Verification Library of popular chip function models, and DesignWare Cores, which are pre-designed and pre-verified digital logic and mixed-signal blocks that implement important industry standards, including USB, PCI Express, DDR, SATA, HDMI, Ethernet and MIPI. Our analog IP solutions include analog-to-digital converters, digital-to-analog converters, audio codecs, video analog front ends and touch screen controllers. Our memory IP solutions include embedded memory, including SRAMs and non-volatile memory, logic libraries, embedded test and repair IP and configurable processor cores. Our System-Level solutions enable customers to, among other things, accelerate verification and embedded software development. These solutions include Virtualizer<sup>™</sup>, our next-generation virtual prototyping solution, and Confirma<sup>®</sup> Rapid Prototyping System, the portion of the Certify<sup>®</sup>, Identify Pro, and Synplify Premier software tools used for system verification, and Symphony High Level Synthesis. We also offer specialized System-Level solutions, such as products that focus on interactions with optical components in the system.

Manufacturing Solutions. Our Manufacturing Solutions products and technologies address the mask-making and yield enhancement of very small-geometry ICs, as well as high-level modeling of physical effects within the ICs and include the Technology-CAD (TCAD) device modeling products, Proteus OPC optical proximity correction (OPC) products, CATS<sup>®</sup> mask data preparation product, and Yield Management solutions, including Odyssey and Recipe Manager and Editor (RME), and Yield Explorer.

Professional Services and Other. Our Professional Services group provides a broad range of consulting and design services that address all phases of the SoC development process, including design methodology adoption, specialized systems design services, and turnkey design and training, along with our Lynx Design System, a production-ready chip implementation environment that helps customers improve their productivity and optimally deploy Synopsys tools and methodologies.

The following table summarizes the revenue attributable to these groups as a percentage of total revenue for the last nine quarters and two fiscal years. 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 – Revenue by Product Groups (Unaudited)**

(in millions)	Q309	Q409	FY2009	Q110	Q210	Q310	Q410	FY2010	Q111	Q211	Q311
Core EDA	246.8	246.3	995.8	228.5	240.1	236.3	253.1	958.0	237.2	249.5	247.4
IP & Systems	43.0	39.5	145.6	45.0	45.5	43.8	66.8	201.1	75.8	94.0	88.6
Manufacturing	39.8	38.6	160.3	42.4	38.4	42.3	44.6	167.7	43.0	39.9	40.8
Services & Other	15.6	13.9	58.4	14.2	14.1	14.6	10.9	53.8	8.7	10.3	10.0
<b>Total</b>	<b>345.2</b>	<b>338.3</b>	<b>1,360.0</b>	<b>330.2</b>	<b>338.1</b>	<b>336.9</b>	<b>375.5</b>	<b>1,380.7</b>	<b>364.6</b>	<b>393.7</b>	<b>386.8</b>

  

	Q309	Q409	FY2009	Q110	Q210	Q310	Q410	FY2010	Q111	Q211	Q311
Core EDA	71%	73%	73%	69%	71%	70%	67%	69%	65%	63%	64%
IP & Systems	12%	12%	11%	14%	13%	13%	18%	15%	21%	24%	23%
Manufacturing	12%	11%	12%	13%	11%	13%	12%	12%	12%	10%	11%
Services & Other	5%	4%	4%	4%	4%	4%	3%	4%	2%	3%	3%
<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>

Note: Amounts included in the table above may not foot due to rounding. Product revenue data for 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 maintenance services relate.

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

(in millions)	Q309	Q409	FY2009	Q110	Q210	Q310	Q410	FY2010	Q111	Q211	Q311
North America	175.5	174.0	684.4	163.3	167.0	170.7	189.2	690.2	178.4	193.1	184.0
Europe	47.6	48.9	196.9	43.8	47.5	45.2	47.3	183.8	49.3	50.1	55.5
Japan	65.8	61.7	264.6	64.3	61.9	61.3	68.9	256.5	66.6	71.7	68.0
Asia Pacific	56.3	53.8	214.1	58.8	61.7	59.7	70.0	250.1	70.3	78.8	79.3
<b>Total</b>	<b>345.2</b>	<b>338.3</b>	<b>1,360.0</b>	<b>330.2</b>	<b>338.1</b>	<b>336.9</b>	<b>375.5</b>	<b>1,380.7</b>	<b>364.6</b>	<b>393.7</b>	<b>386.8</b>

  

	Q309	Q409	FY2009	Q110	Q210	Q310	Q410	FY2010	Q111	Q211	Q311
North America	51%	51%	50%	49%	49%	51%	50%	50%	49%	49%	48%
Europe	14%	14%	14%	13%	14%	13%	13%	13%	14%	13%	14%
Japan	19%	18%	19%	19%	18%	18%	18%	19%	18%	18%	18%
Asia Pacific	16%	16%	16%	18%	18%	18%	19%	18%	19%	20%	21%
<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>

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

## Table 3 – Summary of License Types

### Time-Based License

<b>Revenue:</b>	Revenue that is recognized as “time-based license revenue” in our statement of operations comes from the following types of license arrangements:
Technology Subscription Licenses (TSLs):	We typically recognize revenue from TSL fees (which include bundled maintenance) ratably over the term of the license period, or as customer installments become due and payable, whichever is later.
Term Licenses with Extended Payment Terms:	Term licenses are for a finite term. For term licenses in which less than 75% of the term license fee is due within one year from shipment, we recognize revenue as customer installment payments become due and payable. Maintenance is purchased separately for the first year and may be renewed annually for the balance of the license term. Revenue from maintenance fees is recognized ratably over the maintenance period to the extent cash has been received and is reported as “maintenance and service revenue” in our statement of operations.
Perpetual Licenses with Extended Payment Terms:	Perpetual licenses continue for as long as the customer renews maintenance, plus an additional twenty years. For perpetual licenses in which less than 75% of the perpetual license fee is payable within one year from shipment, we recognize revenue as customer installment payments become due and payable. Maintenance is purchased separately on an annual basis. Revenue from maintenance fees is recognized ratably over the maintenance period to the extent cash has been received and is reported as “maintenance and service revenue” in our statement of operations.
<b>Upfront License Revenue:</b>	Revenue that is recognized as “upfront license revenue” in our statement of operations comes from the following types of license arrangements:
Perpetual Licenses:	Perpetual licenses continue for as long as the customer renews maintenance, plus an additional twenty years. We recognize revenue from perpetual licenses in full upon shipment of the software if payment terms require the customer to pay at least 75% 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. Revenue from maintenance fees is recognized ratably over the maintenance period to the extent cash has been received and is reported as “maintenance and service revenue” in our statement of operations.
Upfront Term Licenses:	Term licenses are for a finite term. We recognize revenue from term licenses in full upon shipment of the software (“upfront”) if payment terms require the customer to pay at least 75% of the term license fee within one year from shipment and all other revenue recognition criteria are met. Maintenance is purchased separately for the first year and may be renewed annually for the balance of the license term. Revenue

from maintenance fees is recognized ratably over the maintenance period to the extent cash has been received and is reported as “maintenance and service revenue” in our statement of operations.

**Renewable Licenses:**

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.

**Hardware Sales:**

We generally recognize revenue from hardware sales in full upon shipment if all other revenue recognition criteria are met. Revenue attributable to these hardware sales is reported as “upfront license revenue” in the consolidated statement of operations. If a technology subscription license is incorporated into the hardware sales, we recognize revenue from the hardware sales ratably over the term of the software license period, or as customer installments become due and payable, whichever is later, and report such revenue in “time-based license revenue” in the consolidated statement of operations.

**Table 4 – Revenue and Contract Duration (Unaudited)**

	Q309	Q409	FY2009	Q110	Q210	Q310	Q410	FY2010	Q111	Q211	Q311
Avg renewable license duration (yrs) <sup>1</sup>	~2.8	~2.9	~3.1	3.2	~2.5	~3	2.8	3	~2.5	~2.8	~2.7
Backlog <sup>2</sup>			\$2.2 bn					\$2.4 bn			
- Portion of projected revenue to come from backlog <sup>3</sup>			>80% of '10 rev					>80% of '11 rev			
Revenue Mix (in millions) <sup>4</sup>											
- Time-Based License <sup>6</sup>	285.6	289.9	1,150.5	272.5	288.7	286.6	310.7	1,158.4	295.6	318.8	322.1
- Upfront	17.8	11.4	57.6	20.4	12.7	14.7	20.8	68.6	26.5	25.0	19.0
- Service <sup>5</sup>	41.8	37.0	152.0	37.2	36.7	35.7	43.9	153.6	42.5	49.9	45.6
Revenue Mix (% of total rev) <sup>4</sup>											
- Time-Based License <sup>6</sup>	83%	86%	85%	83%	85%	85%	83%	84%	81%	81%	83%
- Upfront	5%	3%	4%	6%	4%	4%	6%	5%	7%	6%	5%
- Service <sup>5</sup>	12%	11%	11%	11%	11%	11%	12%	11%	12%	13%	12%

(1) Average renewable license duration represents the average duration of the license arrangements closed in the period reported.

(2) Synopsis' backlog was approximately \$2.4 billion on October 31, 2010, representing a 9% increase from backlog of \$2.2 billion on October 31, 2009. This increase resulted primarily from the timing of large contract renewals and backlog acquired from the various acquisitions which occurred in fiscal 2010, and to a lesser extent, by the strength of the Yen in fiscal 2010. Backlog represents committed orders that are expected to be recognized as revenue over the following three years. Backlog may not be a reliable predictor of our future sales as business conditions may change and technologies may evolve, and customers may seek to renegotiate their arrangements or default on their payment obligation. For this and other reasons, we may not be able to recognize expected revenue from backlog when anticipated.

(3) Amount of projected subsequent fiscal year revenue expected to come from backlog as of the end of the applicable fiscal year.

(4) Amounts may not foot due to rounding.

(5) Includes maintenance on term and perpetual licenses.

(6) Beginning in fiscal 2010, Synopsis recorded 'contingent revenue' as time-based revenue. Contingent revenue results from arrangements in which portions of revenue are contingent upon the occurrence of uncertain future events, such as royalty arrangements. Contingent revenue is recognized if and when the applicable event occurs. Historically, such arrangements were reported as upfront revenue and were approximately one percent of our total revenue. This reclassification from upfront revenue to time-based revenue is reflected for prior periods in the table above.

## Table 5 – Reconciliations of Non-GAAP Financial Measures to GAAP

Please see our Current Report on Form 8-K filed with the SEC on August 17, 2011 available at [www.sec.gov](http://www.sec.gov) for the reasons why Synopsys believes that the presentation of non-GAAP financial measures provides useful information to our shareholders regarding our financial condition and results of operations and the purposes for which management uses such non-GAAP financial measures.

### Table 5a – Supplemental GAAP to Non-GAAP Information (Unaudited, in thousands, except per share amounts)

	Three Months Ended July 31, 2011		
	GAAP	Adjustments (1)	Non-GAAP
Cost of revenue:			
License	\$ 52,089	\$ (1,087)	\$ 51,002
Maintenance and service	19,275	(294)	18,981
Amortization of intangible assets	13,368	(13,368)	-
Operating expenses:			
Research and development	\$ 122,547	\$ (4,292)	\$ 118,255
Sales and marketing	90,732	(2,092)	88,640
General and administrative	27,052	(2,778)	24,274
Amortization of intangible assets	3,553	(3,553)	-
Operating income	\$ 58,179	\$ 27,464	\$ 85,643
Other income (expense), net	\$ (2,212)	\$ 2,774	\$ 562
Provision for income taxes	\$ 3,885	\$ 14,226	\$ 18,111
Net income	\$ 52,082	\$ 16,012	\$ 68,094
Net income per share (Diluted)	\$ 0.35	\$ 0.11	\$ 0.46

Shares used in computing per share amounts:

Diluted	148,045	148,045
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- (1) The adjustments to the various line items resulted from excluding the following aggregate expenses from non-GAAP measures: stock compensation of \$13.5 million, amortization of intangible assets of \$16.9 million, acquisition-related costs of \$0.2 million, and changes in the fair value of the non-qualified deferred compensation plan of \$2.8 million, and tax adjustments.



## 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, 2011:

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

	<b>Three Months Ended July 31, 2011</b>
GAAP operating margin	15.0%
Amortization of intangible assets	4.4%
Stock compensation	3.5%
Acquisition-related costs	-0.1%
Change in value of non-qualified deferred compensation	-0.7%
Non-GAAP operating margin	<u>22.1%</u>

Certain other non-GAAP data used by management, as well as the reconciliation of such data to its most directly comparable GAAP measures, is contained in the third quarter fiscal year 2011 earnings release available on Synopsys's website at [www.synopsys.com/Company/InvestorRelations/Pages/FinancialNews.aspx](http://www.synopsys.com/Company/InvestorRelations/Pages/FinancialNews.aspx) and our Current Report on Form 8-K filed with the SEC on August 17, 2011.

### Effectiveness of Information

The information contained in this Supplement represents Synopsys' expectations and beliefs as of August 17, 2011, the date of this Supplement only. Although this Supplement will remain available on Synopsys' website through the date of the fourth quarter fiscal 2011 earnings call in November 2011, 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 2011 or comment to analysts or investors on, or otherwise update, the information contained in this Supplement.