

**Synopsys, Inc.**  
**Fourth Quarter Fiscal Year 2008 Financial Disclosure Supplement**  
**December 3, 2008**

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:

| <u>Page</u> | <u>Table</u> | <u>Description</u>                                     |
|-------------|--------------|--|
| 2 – 3       | 1            | Revenue Information by Product Groups                  |
| 4           | 2            | Revenue by Geographic Region                           |
| 5 – 6       | 3            | Summary of License Types                               |
| 7           | 4            | Revenue, Backlog, and Contract Duration                |
| 8           | 5            | Reconciliations of Non-GAAP Financial Measures to GAAP |
| 9 – 10      | 5a,b         | Supplemental GAAP to Non-GAAP Information              |
| 11          | 5c           | Non-GAAP Operating Margin Reconciliation               |

**Cautionary Note**

The information provided herein should be reviewed in conjunction with our earnings results as disclosed on December 3, 2008.

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, changes in technology, our ability to effectively integrate the business and technologies from newly acquired companies and realize expected synergies, inability to recognize revenue from backlog when expected, general economic conditions 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 – 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 Design Platform, the Discovery Verification Platform and the FPGA (Field Programmable Gate Array) design products; Intellectual Property (IP) and Systems; Manufacturing; and Professional Services & Other.

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

*Galaxy.* Our Galaxy Design Platform provides our customers an 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, Custom Designer physical design solution for analog/mixed-signal designs, PrimeTime<sup>®</sup>/PrimeTime<sup>®</sup> SI timing analysis products, Star-RCXT<sup>™</sup> extraction solution, and the Hercules<sup>™</sup> physical verification product family.

*Discovery.* 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, 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, and HSPICE<sup>®</sup> circuit simulator.

*FPGA Design.* Our FPGA design products include Synplify and the portion of Identify, Identify Pro, Synplify Pro, and Synplify Premier used for FPGA design.

Intellectual Property and Systems. Our IP solutions include the DesignWare<sup>®</sup> Library of infrastructure IP, VCS Verification Library of popular chip function models, and DesignWare Cores, pre-designed and pre-verified digital logic and mixed-signal blocks that implement

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-Level solutions include the Innovator virtual platform and Confirma rapid prototyping system, a combination of hardware and software used to accelerate both the functional verification of large designs and development of embedded software.

Manufacturing. Our Manufacturing products and technologies address the mask-making and yield enhancement of very small geometry ICs and include the TCAD device modeling products, Proteus OPC/InPhase optical proximity correction (OPC) products, CATS<sup>®</sup> mask data preparation product, and yield management solutions, including Odyssey and Recipe Manager and Editor (RME).

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 eight 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 – Revenue by Product Groups (Unaudited)**

| (in millions)    | FY2006         | Q107         | Q207         | Q307         | Q407         | FY2007         | Q108         | Q208         | Q308         | Q408         | FY2008         |
|------------------|----------------|--------------|--------------|--------------|--------------|----------------|--------------|--------------|--------------|--------------|----------------|
| Core EDA         | 834.7          | 229.4        | 219.4        | 225.7        | 232.5        | 907.1          | 237.8        | 244.5        | 258.5        | 263.7        | 1004.5         |
| IP & Systems     | 85.9           | 23.4         | 25.0         | 25.0         | 24.4         | 97.8           | 25.2         | 23.8         | 29.8         | 33.5         | 112.2          |
| Manufacturing    | 123.2          | 34.1         | 32.9         | 38.5         | 42.3         | 147.8          | 37.4         | 38.5         | 38.8         | 39.0         | 153.8          |
| Services & Other | 51.7           | 13.3         | 15.7         | 14.8         | 16.0         | 59.8           | 15.1         | 17.8         | 17.0         | 16.6         | 66.5           |
| <b>Total</b>     | <b>1,095.6</b> | <b>300.2</b> | <b>292.9</b> | <b>304.1</b> | <b>315.2</b> | <b>1,212.5</b> | <b>315.5</b> | <b>324.6</b> | <b>344.1</b> | <b>352.8</b> | <b>1,337.0</b> |

  

|                  | FY2006      | Q107        | Q207        | Q307        | Q407        | FY2007      | Q108        | Q208        | Q308        | Q408        | FY2008      |
|------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Core EDA         | 76%         | 76%         | 75%         | 74%         | 74%         | 75%         | 75%         | 75%         | 75%         | 75%         | 75%         |
| IP & Systems     | 8%          | 8%          | 9%          | 8%          | 8%          | 8%          | 8%          | 7%          | 9%          | 10%         | 8%          |
| Manufacturing    | 11%         | 11%         | 11%         | 13%         | 13%         | 12%         | 12%         | 12%         | 11%         | 11%         | 12%         |
| Services & Other | 5%          | 4%          | 5%          | 5%          | 5%          | 5%          | 5%          | 6%          | 5%          | 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> |

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 maintenance services relate.

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

| (in millions) | FY2006         | Q107         | Q207         | Q307         | Q407         | FY2007         | Q108         | Q208         | Q308         | Q408         | FY2008         |
|---------------|----------------|--------------|--------------|--------------|--------------|----------------|--------------|--------------|--------------|--------------|----------------|
| North America | 583.4          | 155.2        | 154.8        | 158.4        | 167.4        | 635.9          | 165.4        | 165.3        | 170.5        | 179.9        | 681.2          |
| Europe        | 174.9          | 48.2         | 45.1         | 47.7         | 48.0         | 189.0          | 49.3         | 48.8         | 47.9         | 51.8         | 197.7          |
| Japan         | 184.3          | 50.6         | 46.0         | 48.6         | 48.7         | 193.9          | 52.5         | 60.1         | 74.0         | 62.6         | 249.2          |
| Asia Pacific  | 153.0          | 46.2         | 46.9         | 49.5         | 51.1         | 193.7          | 48.3         | 50.5         | 51.7         | 58.5         | 208.9          |
| <b>Total</b>  | <b>1,095.6</b> | <b>300.2</b> | <b>292.9</b> | <b>304.1</b> | <b>315.2</b> | <b>1,212.5</b> | <b>315.5</b> | <b>324.6</b> | <b>344.1</b> | <b>352.8</b> | <b>1,337.0</b> |

|               | FY2006      | Q107        | Q207        | Q307        | Q407        | FY2007      | Q108        | Q208        | Q308        | Q408        | FY2008      |
|---------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| North America | 53%         | 52%         | 53%         | 52%         | 53%         | 52%         | 52%         | 51%         | 50%         | 51%         | 51%         |
| Europe        | 16%         | 16%         | 15%         | 16%         | 15%         | 16%         | 16%         | 15%         | 14%         | 15%         | 15%         |
| Japan         | 17%         | 17%         | 16%         | 16%         | 15%         | 16%         | 17%         | 19%         | 22%         | 18%         | 19%         |
| Asia Pacific  | 14%         | 15%         | 16%         | 16%         | 16%         | 16%         | 15%         | 16%         | 15%         | 17%         | 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> |

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 Types:** Our time-based licenses are licenses on which we recognize revenue over time.

Technology Subscription Licenses (TSLs):

We typically recognize revenue from TSL licenses (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 payments 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 installment payments 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.

Perpetual Licenses with

Extended Payment Terms:

Perpetual licenses continue for as long as the customer renews maintenance, plus an additional twenty years. We recognize the perpetual license fee as customer installment payments become due and payable in the event less than a substantial portion of the perpetual license fee is due within one year of shipment. 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 License Types:**

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 and FPGA design products in full upon shipment of the software and hardware 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.

**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.

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

|  | FY2006          | Q107  | Q207  | Q307  | Q407  | FY2007          | Q108  | Q208  | Q308  | Q408  | FY2008          |
|--|-----------------|-------|-------|-------|-------|-----------------|-------|-------|-------|-------|-----------------|
| Avg renewable license duration (yrs) <sup>1</sup>                | 3               | 2.9   | 2.6   | >4    | ~3    | ~3.5            | ~3    | ~3    | ~3    | ~3    | ~3              |
| Aggregate backlog <sup>2</sup>                                   | \$2.0 bn        |       |       |       |       | \$2.5 bn        |       |       |       |       | \$2.6 bn        |
| - Turns to annual revenue in subsequent fiscal year <sup>3</sup> | >80% of '07 rev |       |       |       |       | >80% of '08 rev |       |       |       |       | >80% of '09 rev |
| Revenue Mix (in millions) <sup>4</sup>                           |                 |       |       |       |       |                 |       |       |       |       |                 |
| - TBL  | 874.9           | 251.6 | 243.1 | 251.4 | 257.9 | 1,004.0         | 267.9 | 278.2 | 289.3 | 290.5 | 1,125.8         |
| - Upfront  | 63.1            | 13.5  | 14.6  | 19.0  | 20.4  | 67.5            | 12.5  | 12.2  | 20.6  | 26.1  | 71.4            |
| - Service <sup>5</sup>   | 157.6           | 35.1  | 35.2  | 33.7  | 36.9  | 140.9           | 35.1  | 34.1  | 34.3  | 36.2  | 139.7           |
| Revenue Mix (% of total rev) <sup>4</sup>                        |                 |       |       |       |       |                 |       |       |       |       |                 |
| - TBL  | 80%             | 84%   | 83%   | 83%   | 82%   | 83%             | 85%   | 86%   | 84%   | 82%   | 84%             |
| - Upfront  | 6%              | 4%    | 5%    | 6%    | 6%    | 6%              | 4%    | 4%    | 6%    | 7%    | 5%              |
| - Service <sup>5</sup>   | 14%             | 12%   | 12%   | 11%   | 12%   | 12%             | 11%   | 11%   | 10%   | 10%   | 10%             |

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

(2) Aggregate backlog is composed of deferred revenue, operational backlog and financial backlog as of the end of the applicable fiscal year. 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. The increase in aggregate backlog from fiscal year end 2007 to fiscal year end 2008 was driven in part by certain positive currency benefit associated with the strengthening Yen during the fourth quarter of fiscal year 2008. The increase in aggregate backlog from fiscal year end 2006 to fiscal year end 2007 results primarily from an increase in the weighted average length of our contracts caused by the extended length of a large customer agreement.

(3) Amount of projected subsequent annual revenue expected to come from aggregate 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.

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

Please see the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 3 2008 available at [www.sec.gov](http://www.sec.gov) for the reasons why Synopsys believes that the presentation of non-GAAP financial measures herein provide useful information to our shareholders regarding our financial condition and results of operations and the purpose for which management uses such non-GAAP financial measures.

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

**Supplemental GAAP to Non-GAAP information**

*(unaudited, in thousands, except per share amounts)*

|                                   | Three Months Ended October 31, 2008 |                 |            |
|-----------------------------------|-------------------------------------|-----------------|------------|
|                                   | GAAP                                | Adjustments (1) | Non-GAAP   |
| <b>Cost of revenue:</b>           |                                     |                 |            |
| License                           | \$ 45,213                           | \$ (1,142)      | \$ 44,071  |
| Maintenance and service           | 15,440                              | (359)           | 15,081     |
| Amortization of intangible assets | 6,215                               | (6,215)         | -          |
| <b>Operating expenses:</b>        |                                     |                 |            |
| Research and development          | \$ 102,564                          | \$ 3,025        | \$ 105,589 |
| Sales and marketing               | 87,706                              | 714             | 88,420     |
| General and administrative        | 27,328                              | (37)            | 27,291     |
| Amortization of intangible assets | 3,035                               | (3,035)         | -          |
| Operating income                  | \$ 65,304                           | \$ 7,049        | \$ 72,353  |
| Other income, net                 | \$ (9,584)                          | \$ 16,867       | \$ 7,283   |
| Provision for income taxes        | \$ 9,323                            | \$ 7,635        | \$ 16,958  |
| Net income                        | \$ 46,397                           | \$ 16,281       | \$ 62,678  |
| Net income per share (Diluted)    | \$ 0.32                             | \$ 0.11         | \$ 0.43    |

Shares used in computing per share amounts:

|         |         |         |
|---------|---------|---------|
| Diluted | 145,638 | 145,638 |
|---------|---------|---------|

- (1) Adjustments consist of share-based compensation, 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, and other significant items. For the quarter ended October 31, 2008, total share-based compensation of \$14.7 million as follows: cost of revenue \$2.5 million; research & development \$6.3 million; sales & marketing \$3.3 million; general & administrative \$2.6 million. During the quarter ended October 31, 2008, the change in the fair value of the non-qualified plan obligation was a decrease of \$16.9 million in compensation expense (\$1.0 million cost of revenue, \$9.3 million research & development, \$4.1 million sales & marketing, \$2.5 million general & administrative), and a corresponding decrease to other income, net

**Table 5b – Supplemental GAAP to Non-GAAP Information, Twelve Months (Unaudited, in thousands, except per share amounts)**

**Supplemental GAAP to Non-GAAP information**

*(unaudited, in thousands, except per share amounts)*

|                                     | Twelve Months Ended October 31, 2008 |                 |            |
|-------------------------------------|--------------------------------------|-----------------|------------|
|                                     | GAAP                                 | Adjustments (1) | Non-GAAP   |
| <b>Cost of revenue:</b>             |                                      |                 |            |
| License                             | \$ 171,974                           | \$ (6,591)      | \$ 165,383 |
| Maintenance and service             | 63,596                               | (3,223)         | 60,373     |
| Amortization of intangible assets   | 23,326                               | (23,326)        | -          |
| <b>Operating expenses:</b>          |                                      |                 |            |
| Research and development            | \$ 394,747                           | \$ (14,960)     | \$ 379,787 |
| Sales and marketing                 | 334,779                              | (10,097)        | 324,682    |
| General and administrative          | 103,852                              | (7,834)         | 96,018     |
| In-process research and development | 4,800                                | (4,800)         | -          |
| Amortization of intangible assets   | 20,765                               | (20,765)        | -          |
| Operating income                    | \$ 219,112                           | \$ 91,596       | \$ 310,708 |
| Other income, net                   | \$ (156)                             | \$ 22,767       | \$ 22,611  |
| Provision for income taxes (2)      | \$ 28,978                            | \$ 51,483       | \$ 80,461  |
| Net income                          | \$ 189,978                           | \$ 62,880       | \$ 252,858 |
| Net income per share (Diluted)      | \$ 1.29                              | \$ 0.42         | \$ 1.71    |

Shares used in computing per share amounts:

|         |         |         |
|---------|---------|---------|
| Diluted | 147,672 | 147,672 |
|---------|---------|---------|

(1) Adjustments consist of share-based compensation, 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, and other significant items. For the fiscal year ended October 31, 2008, total share-based compensation of \$65.5 million as follows: cost of revenue \$11.2 million; research & development \$27.5 million; sales & marketing \$15.6 million; general & administrative \$11.2 million. During the fiscal year ended October 31, 2008, the change in the fair value of the non-qualified plan obligation was a decrease of \$22.8 million in compensation expense (\$1.4 million cost of revenue, \$12.5 million research & development, \$5.5 million sales & marketing, \$3.4 million general & administrative), and a corresponding decrease to other income, net.

(2) Adjustments include an one-time tax benefit from IRS settlement of \$17.3M.

## 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 and twelve months ended October 31, 2008:

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

### Non-GAAP Operating Margin Reconciliation

|  | <u>Three Months Ended</u><br><u>October 31, 2008</u> | <u>Twelve Months Ended</u><br><u>October 31, 2008</u> |
|--|--|---|
| GAAP operating margin                                  | 18.5%  | 16.4%   |
| Amortization of intangible assets                      | 2.6%   | 3.3%  |
| Share-based compensation                               | 4.2%   | 4.9%  |
| In-process research and development                    | 0.0%   | 0.4%  |
| Change in value of non-qualified deferred compensation | -4.8%  | -1.8%   |
| Non-GAAP operating margin                              | <u>20.5%</u>   | <u>23.2%</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 fourth quarter and full fiscal year 2008 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 December 3, 2008, the date of this supplement only. Although this supplement will remain available on Synopsys' website through the date of the first quarter fiscal 2009 earnings call in February 2009, 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 first quarter of fiscal 2009 or comment to analysts or investors on, or otherwise update, the information contained in this supplement.