

Synopsys, Inc.
Fourth Quarter Fiscal Year 2009 Financial Disclosure Supplement
December 2, 2009

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 December 2, 2009.

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 risks related to the current severe downturn and uncertainty in the general economy and semiconductor and electronics industries, our customers' willingness or ability to make committed payments, changes in technology, our customers' willingness to accept services delivered, our ability to deliver the products or services ordered, our ability to effectively integrate the business and technologies from newly acquired companies and realize expected synergies, our inability to recognize revenue from backlog when expected, 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™ Design Platform, the Discovery™ 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 which includes industry leading individual products and which 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® logic synthesis product, Galaxy Custom Designer™ physical design solution for analog/mixed-signal designs, PrimeTime®/PrimeTime SI timing analysis products, Star-RCXT™ extraction solution, and the Hercules™ and IC Validator™ physical verification product family.

Discovery. Our Discovery Verification Platform is an integrated and comprehensive portfolio of functional, analog/mixed-signal, formal and low-power verification solutions. 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® comprehensive RTL verification solution, Formality® formal verification sign-off solution, NanoSim® FastSPICE circuit simulation and analysis product, HSIM® hierarchical FastSPICE circuit simulation and analysis product, HSPICE® circuit simulator, and CustomSim™ circuit simulation solution.

FPGA Design. The principal products included in FPGA Design are Synplify® software and the portion of the Identify®, Identify Pro, Synplify Pro®, and Synplify Premier software tools used for FPGA design.

Intellectual Property and System-Level Solutions. Our broad IP portfolio provides customers with silicon-proven digital, PHY, analog and verification IP for SoC designs to reduce their design risk and time-to-market. Our IP solutions include the DesignWare® 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, 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 System-Level solutions enable customers to, among other things, accelerate verification and embedded software development. These solutions include the Innovator virtual platform and Confirma™ rapid prototyping system, the portion of the Certify®, Identify Pro, and Synplify Premier software tools used for system verification, and Symphony High Level Synthesis.

Manufacturing Solutions. Our Manufacturing Solutions products and technologies address the mask-making and yield enhancement of very small-geometry ICs, as well as very high-level modeling of physical effects within the ICs and include the Technology-CAD (TCAD) device modeling products, Proteus OPC/iN-Phase® optical proximity correction (OPC) products, CATS® 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 portfolio of consulting and design services covering all critical phases of the SoC development process, including design methodology assistance, specialized systems design services, turnkey design and training, along with the Lynx Design System, a highly automated environment for implementing chips.

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)	FY2007	Q108	Q208	Q308	Q408	FY2008	Q109	Q209	Q309	Q409	FY2009
Core EDA	907.1	237.8	244.5	258.5	262.2	1,003.0	252.4	250.5	247.0	246.5	996.5
IP & Systems	97.8	25.2	23.8	29.8	35.0	113.7	32.5	30.3	42.8	39.3	144.9
Manufacturing	147.8	37.4	38.5	38.8	39.0	153.8	40.9	40.9	39.8	38.6	160.3
Services & Other	59.8	15.1	17.8	17.0	16.6	66.5	13.9	15.1	15.6	13.9	58.4
Total	1,212.5	315.5	324.6	344.1	352.8	1,337.0	339.8	336.8	345.2	338.3	1,360.0

	FY2007	Q108	Q208	Q308	Q408	FY2008	Q109	Q209	Q309	Q409	FY2009
Core EDA	75%	75%	75%	75%	74%	75%	74%	74%	72%	73%	73%
IP & Systems	8%	8%	7%	9%	10%	9%	10%	9%	12%	12%	11%
Manufacturing	12%	12%	12%	11%	11%	12%	12%	12%	12%	11%	12%
Services & Other	5%	5%	6%	5%	5%	5%	4%	4%	5%	4%	4%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

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)	FY2007	Q108	Q208	Q308	Q408	FY2008	Q109	Q209	Q309	Q409	FY2009
North America	635.9	165.4	165.3	170.5	179.9	681.2	169.8	165.2	175.5	174.0	684.4
Europe	189.0	49.3	48.8	47.9	51.8	197.7	49.1	51.4	47.6	48.9	196.9
Japan	193.9	52.5	60.1	74.0	62.6	249.2	69.9	67.2	65.8	61.7	264.6
Asia Pacific	193.7	48.3	50.5	51.7	58.5	208.9	50.9	53.1	56.3	53.8	214.1
Total	1,212.5	315.5	324.6	344.1	352.8	1,337.0	339.8	336.8	345.2	338.3	1,360.0

	FY2007	Q108	Q208	Q308	Q408	FY2008	Q109	Q209	Q309	Q409	FY2009
North America	52%	52%	51%	50%	51%	51%	50%	49%	51%	51%	50%
Europe	16%	16%	15%	14%	15%	15%	14%	15%	14%	14%	14%
Japan	16%	17%	19%	22%	18%	19%	21%	20%	19%	18%	19%
Asia Pacific	16%	15%	16%	15%	17%	16%	15%	16%	16%	16%	16%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

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 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.

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 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: Upfront term licenses are for a finite term. We recognize revenue from term licenses in full upon shipment of the software 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, we recognize revenue from the hardware sales ratably over the term of the software license period, or as customer’s 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, Backlog, and Contract Duration (Unaudited)

	FY2007	Q108	Q208	Q308	Q408	FY2008	Q109	Q209	Q309	Q409	FY2009
Avg renewable license duration (yrs) ¹	~3.5	~3	~3	~3	~3	~3	~2.7	~3.4	~2.8	~2.9	~3.1
Aggregate backlog ²	\$2.5 bn					\$2.6 bn					\$2.2 bn
- Turns to annual revenue in subsequent fiscal year ³	>80% of '08 rev					>80% of '09 rev					>80% of '10 rev
Revenue Mix (in millions) ⁴											
- TBL	1,004.0	267.9	278.2	289.3	290.5	1,125.8	285.1	284.0	284.4	285.1	1,138.6
- Upfront	67.5	12.5	12.2	20.6	26.1	71.4	18.3	16.0	19.0	16.2	69.5
- Service ⁵	140.9	35.1	34.1	34.3	36.2	139.7	36.4	36.8	41.8	37.0	152.0
Revenue Mix (% of total rev) ⁴											
- TBL	83%	85%	86%	84%	82%	84%	84%	84%	82%	84%	84%
- Upfront	6%	4%	4%	6%	7%	5%	5%	5%	5%	5%	5%
- Service ⁵	12%	11%	11%	10%	10%	10%	11%	11%	12%	11%	11%

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

(2) Synopsys reports backlog once per year. Synopsys' aggregate backlog was approximately \$2.2 billion on October 31, 2009, representing a 14% decrease from backlog of \$2.6 billion on October 31, 2008. This decrease was primarily due to the timing of large contract renewals, and to a lesser extent, the removal of less than \$50 million in 2009 backlog due to customer bankruptcies during the year. Aggregate backlog represents the portion of committed orders that has not yet been recognized as revenue. We expect backlog to fluctuate from quarter to quarter and year to year for several reasons, including specific timing and duration of large customer agreements and the schedule of when portions of that backlog are recognized as revenue. As an illustration, for a single customer contract, associated backlog is high at the beginning of a renewable contract, low just prior to renewal of the contract and high again when the contract is renewed. Low backlog attributable to a particular contract is typically associated with an impending renewal and may not be an indicator of likelihood of renewal or future revenue from such customer. Accordingly, we expect aggregate backlog to fluctuate depending upon the number and dollar amount of contracts at particular stages in their renewal cycle and therefore, such fluctuations are not a reliable indicator of future sales. Furthermore, backlog, particularly longer-term 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 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 our Current Report on Form 8-K filed with the SEC on December 2, 2009 available at 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, Three Months (Unaudited, in thousands, except per share amounts)

	Three Months Ended October 31, 2009		
	GAAP	Adjustments (1)	Non-GAAP
Cost of revenue:			
License	\$ 47,332	\$ (1,903)	\$ 45,429
Maintenance and service	17,331	(619)	16,712
Amortization of intangible assets	8,509	(8,509)	-
Operating expenses:			
Research and development	\$ 114,116	\$ (7,354)	\$ 106,762
Sales and marketing	86,247	(3,842)	82,405
General and administrative	35,492	(7,837)	27,655
In-process research and development	1,200	(1,200)	-
Amortization of intangible assets	3,129	(3,129)	-
Operating income	\$ 24,922	\$ 34,393	\$ 59,315
Other income, net	\$ 6,891	\$ (2,880)	\$ 4,011
Provision for income taxes	\$ 12,285	\$ 1,543	\$ 13,828
Net income	\$ 19,528	\$ 29,970	\$ 49,498
Net income per share (Diluted)	\$ 0.13	\$ 0.20	\$ 0.33

Shares used in computing per share amounts:

Diluted	149,332	149,332
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- (1) Adjustments consist of stock compensation, changes in fair value of non-qualified deferred compensation plan obligation, amortization of intangible assets, in-process research and development charges, and a facility restructuring charge. For the quarter ended October 31, 2009, total stock compensation of \$14.1 million was as follows: cost of revenue \$2.2 million; research & development \$6.0 million; sales & marketing \$3.0 million; general & administrative \$2.9 million. During the quarter ended October 31, 2009, the change in the fair value of the non-qualified deferred compensation was an increase of \$2.9 million (cost of revenue \$0.4 million, research & development \$1.3 million, sales & marketing \$0.8 million, general & administrative \$0.4 million), and a corresponding increase to other income, net.

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

	Twelve Months Ended October 31, 2009		
	GAAP	Adjustments (1)	Non-GAAP
Cost of revenue:			
License	\$ 175,620	\$ (7,484)	\$ 168,136
Maintenance and service	65,368	(2,406)	62,962
Amortization of intangible assets	32,662	(32,662)	-
Operating expenses:			
Research and development	\$ 419,908	\$ (28,254)	\$ 391,654
Sales and marketing	324,124	(14,829)	309,295
General and administrative	119,100	(17,458)	101,642
In-process research and development	2,200	(2,200)	-
Amortization of intangible assets	12,812	(12,812)	-
Operating income	\$ 208,251	\$ 118,105	\$ 326,356
Other income, net	\$ 24,819	\$ (8,957)	\$ 15,862
Provision for income taxes	\$ 65,389	\$ 21,534	\$ 86,923
Net income	\$ 167,681	\$ 87,614	\$ 255,295
Net income per share (Diluted)	\$ 1.15	\$ 0.60	\$ 1.75

Shares used in computing per share amounts:

Diluted	145,857	145,857
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Adjustments consist of stock compensation, changes in fair value of non-qualified deferred compensation plan obligation, amortization of intangible assets, in-process research and development charges, and a facility restructuring charge. For the twelve months ended October 31, 2009, total stock compensation of \$56.9 million as follows: cost of revenue \$8.8 million; research & development \$24.2 million; sales & marketing \$12.2 million; general & administrative \$11.7 million. During the twelve months ended October 31, 2009, the change in the fair value of the non-qualified deferred compensation was an increase of \$9.0 million (cost of revenue \$1.1 million, research & development \$4.0 million, sales & marketing \$2.6 million, general & administrative \$1.3 million), and a corresponding decrease 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 and twelve months ended October 31, 2009:

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

	<u>Three Months Ended</u> <u>October 31, 2009</u>	<u>Twelve Months Ended</u> <u>October 31, 2009</u>
GAAP operating margin	7.4%	15.3%
Amortization of intangible assets	3.4%	3.3%
Stock compensation	4.2%	4.2%
In-process research and development	0.4%	0.2%
Facility restructuring charge	1.3%	0.3%
Change in value of non-qualified deferred compensation	0.8%	0.7%
Non-GAAP operating margin	<u>17.5%</u>	<u>24.0%</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 2009 earnings release available on the Company's website at www.synopsys.com/Company/InvestorRelations/Pages/FinancialNews.aspx and our Current Report on Form 8-K filed with the SEC on December 2, 2009.

Effectiveness of Information

The information contained in this Supplement represents Synopsys' expectations and beliefs as of December 2, 2009, the date of this Supplement only. Although this Supplement will remain available on Synopsys' website through the date of the first quarter fiscal 2010 earnings call in February 2010, 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 2010 or comment to analysts or investors on, or otherwise update, the information contained in this Supplement.