



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 5, 2012.

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 our 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™ 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 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® logic synthesis product, Galaxy Custom Designer® physical design solution for analog/mixed-signal designs, PrimeTime®/PrimeTime SI timing analysis products, StarRC™ product for extraction, and IC Validator for physical verification.

*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® comprehensive RTL verification solution, CustomSim™ FastSPICE circuit simulation and analysis product, HSPICE® circuit simulator, CustomExplorer™ Ultra mixed-signal regression and analysis environment and Formality® formal verification sign-off 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® and Premier implementation and Identify® 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<sup>®</sup>, 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 tool, Confirma<sup>®</sup> rapid prototyping system, and a hybrid prototyping solution that combines virtual and FPGA-based prototypes, 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 and process simulation products, Proteus<sup>™</sup> 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<sup>®</sup>.

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<sup>™</sup> 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 eight 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)	Q111	Q211	Q311	Q411	FY2011	Q112	Q212	Q312	Q412	FY2012
Core EDA	237.2	249.5	247.4	246.6	980.7	269.9	276.8	273.9	276.1	1,096.7
IP & Systems	75.8	94.0	88.6	94.5	353.0	100.1	99.0	116.0	125.7	440.8
Manufacturing	43.0	39.9	40.8	39.9	163.5	45.1	44.2	42.4	41.7	173.4
Services & Other	8.7	10.3	10.0	9.5	38.4	10.4	12.6	11.4	10.7	45.1
<b>Total</b>	<b>364.6</b>	<b>393.7</b>	<b>386.8</b>	<b>390.5</b>	<b>1,535.6</b>	<b>425.5</b>	<b>432.6</b>	<b>443.7</b>	<b>454.2</b>	<b>1,756.0</b>

	Q111	Q211	Q311	Q411	FY2011	Q112	Q212	Q312	Q412	FY2012
Core EDA	65%	63%	64%	63%	64%	63%	64%	62%	61%	62%
IP & Systems	21%	24%	23%	24%	23%	24%	23%	26%	28%	25%
Manufacturing	12%	10%	11%	10%	11%	11%	10%	10%	9%	10%
Services & Other	2%	3%	3%	2%	3%	2%	3%	3%	2%	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>

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)	Q111	Q211	Q311	Q411	FY2011	Q112	Q212	Q312	Q412	FY2012
North America	178.4	193.1	184.0	190.5	745.9	205.0	213.8	222.8	224.5	866.1
Europe	49.3	50.1	55.5	52.1	207.1	54.6	58.2	58.1	54.8	225.8
Japan	66.6	71.7	68.0	68.9	275.2	77.1	71.9	71.1	69.3	289.4
Asia Pacific	70.3	78.8	79.3	79.1	307.5	88.7	88.6	91.8	105.6	374.7
<b>Total</b>	<b>364.6</b>	<b>393.7</b>	<b>386.8</b>	<b>390.5</b>	<b>1,535.6</b>	<b>425.5</b>	<b>432.6</b>	<b>443.7</b>	<b>454.2</b>	<b>1,756.0</b>

	Q111	Q211	Q311	Q411	FY2011	Q112	Q212	Q312	Q412	FY2012
North America	49%	49%	48%	49%	49%	48%	49%	50%	49%	49%
Europe	14%	13%	14%	13%	13%	13%	13%	13%	12%	13%
Japan	18%	18%	18%	18%	18%	18%	17%	16%	15%	16%
Asia Pacific	19%	20%	21%	20%	20%	21%	20%	21%	23%	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>

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

**Revenue:** 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):

TSLs are licenses bundled with maintenance for a finite term. We typically recognize revenue from TSL fees 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 Revenue:** 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 recognize revenue from hardware sales in full upon shipment if all other revenue recognition criteria are met. Hardware sales have not been material to our total revenue and, therefore, revenue attributable to these hardware sales is reported as “upfront license revenue” in the consolidated statements of operations. We infrequently enter into multiple-element arrangements that contain both software and non-software deliverables such as hardware. Revenue allocated to the hardware is recognized upon delivery if all other revenue recognition criteria are met. Revenue allocated to the software is recognized according to the methods described above depending on the software license type (TSL, term license or perpetual license).

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

	Q111	Q211	Q311	Q411	FY2011	Q112	Q212	Q312	Q412	FY2012
Avg renewable license duration (yrs) <sup>1</sup>	~2.5	~2.8	~2.7	~2.7	~2.7	~2.6	~2.7	~2.5	~2.8	~2.7
Backlog <sup>2</sup> - Portion of projected revenue to come from backlog <sup>3</sup>					\$2.5 bn >80% of '12 rev					\$2.7 bn ~80% of '13 rev
Revenue Mix (in millions) <sup>4</sup>										
- Time-Based License	295.6	318.8	322.1	323.8	1,260.3	355.9	363.6	362.8	367.0	1,449.3
- Upfront	26.5	25.0	19.0	20.0	90.5	28.5	22.3	25.4	28.9	105.1
- Service <sup>5</sup>	42.5	49.9	45.6	46.7	184.8	41.1	46.6	55.5	58.3	201.6
Revenue Mix (% of total rev) <sup>4</sup>										
- Time-Based License	81%	81%	83%	83%	82%	84%	84%	82%	81%	83%
- Upfront	7%	6%	5%	5%	6%	7%	5%	6%	6%	6%
- Service <sup>5</sup>	12%	13%	12%	12%	12%	10%	11%	13%	13%	11%

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

(2) Synopsys' backlog was approximately \$2.7 billion on October 31, 2012, representing an 8% increase from backlog of \$2.5 billion on October 31, 2011. This increase was due to backlog acquired from our 2012 acquisitions. 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.

**Table 5 – Additional Financial and Operational Metrics (Unaudited)**

(\$ in millions)	Q111	Q211	Q311	Q411	FY2011	Q112	Q212	Q312	Q412	FY2012
Cash & Equivalents <sup>1</sup>	\$867	\$840	\$1,038	\$1,004	\$1,004	\$943	\$797	\$964	\$700	\$700
- % Held in U.S.	33%	27%	33%	23%	23%	21%	19%	22%	28%	28%
Cash Flow from Operating Activities <sup>2,6</sup>	(\$40)	\$96	\$310	\$73	\$440	(\$39)	\$127	\$296	\$103	\$486
Non-GAAP Operating Margin <sup>3</sup>	23.1%	22.0%	22.1%	21.9%	22.3%	25.3%	23.3%	24.5%	21.3%	23.6%
DSO	42	49	41	45		46	50	40	58	
Employee Headcount	~6,575	~6,540	~6,650	~6,800	~6,800	~6,850	~7,475	~7,525	8,135	8,135
Share Repurchases <sup>2</sup>										
- Number of Shares (in millions) <sup>4</sup>	2.4	6.2	3.8	2.7	15.1	1.8	0.6	0	0	2.5
- Gross Share Repurchases	(\$65)	(\$170)	(\$100)	(\$100)	(\$435)	(\$40)	\$0	\$0	\$0	(\$40)
- Net Share Repurchases <sup>5</sup>	(\$8)	(\$129)	(\$85)	(\$76)	(\$299)	\$5	\$52	\$25	\$28	\$111

(1) Includes cash, cash equivalents and short-term investments.

(2) Amounts may not foot due to rounding.

(3) Should be read in conjunction with the company's SEC filings and the reconciliations of the non-GAAP financial measures to their comparable GAAP measures found in this Supplement, as well as those available on the Synopsys website at [www.synopsys.com](http://www.synopsys.com).

(4) During Q411, we purchased 1 million shares of Synopsys stock in the open market for \$25 million and also entered into an accelerated share repurchase (ASR) agreement for \$75 million. Under this agreement, we received 1.7 million shares in Q411 and received the balance of 1.1 million shares in Q112 when the ASR was completed. In Q112 we entered into an additional ASR agreement for \$40 million, received 744,000 shares in Q112 and received the balance of approximately 624,000 shares in Q212.

(5) Net share repurchases represent gross share repurchases plus cash generated from options exercised during each reported period, excluding cash paid for shares purchased under our employee stock purchase plan (ESPP). In fiscal 2012 and 2011, cash generated from our ESPP was \$42.6 million and \$40.2 million, respectively.

(6) Will typically track earnings before interest, taxes, depreciation and amortization (EBITDA) over time (less cash taxes). As operating cash flow is inherently lumpy, we believe it is important to look at multi-year averages. For the 3-year period ended in fiscal 2012, average annual operating cash flow was approximately \$422 million.



**Table 6 – Reconciliations of Non-GAAP Financial Measures to GAAP**

Please see our Current Report on Form 8-K filed with the SEC on December 5, 2012 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 6a – Supplemental GAAP to Non-GAAP Information, Three Months (Unaudited, in thousands, except per share amounts)**

	Three Months Ended October 31, 2012		
	GAAP	Adjustments (1)	Non-GAAP
Cost of revenue:			
License	\$ 60,082	\$ (2,945)	\$ 57,137
Maintenance and service	19,430	(528)	18,902
Amortization of intangible assets	23,012	(23,012)	-
Operating expenses:			
Research and development	\$ 153,568	\$ (10,323)	\$ 143,245
Sales and marketing	111,385	(4,750)	106,635
General and administrative	41,903	(10,221)	31,682
Amortization of intangible assets	5,343	(5,343)	-
Operating income	\$ 39,490	\$ 57,123	\$ 96,613
Other income (expense), net	\$ 3,242	\$ (2,652)	\$ 590
Provision (benefit) for income taxes	\$ 13,651	\$ 11,187	\$ 24,838
Net income	\$ 29,081	\$ 43,284	\$ 72,365
Net income per share (Diluted) to Synopsys shareholders	\$ 0.19	\$ 0.28	\$ 0.47

Shares used in computing per share amounts:

Diluted	153,271	153,271
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- (1) The adjustments to the various line items resulted from excluding the following from non-GAAP measures: stock compensation of \$17.3 million, amortization of intangible assets of \$28.4 million, acquisition-related costs of \$7.9 million, inventory fair value adjustment of \$0.9 million, changes in the fair value of the non-qualified deferred compensation plan of \$2.5 million and tax adjustments of \$11.2 million.

**Table 6b – Supplemental GAAP to Non-GAAP Information, Twelve Months  
(Unaudited, in thousands, except per share amounts)**

	Twelve Months Ended October 31, 2012		
	GAAP	Adjustments (1)	Non-GAAP
<b>Cost of revenue:</b>			
License	\$ 232,811	\$ (9,297)	\$ 223,514
Maintenance and service	78,607	(2,586)	76,021
Amortization of intangible assets	81,255	(81,255)	-
<b>Operating expenses:</b>			
Research and development	\$ 581,628	\$ (42,370)	\$ 539,258
Sales and marketing	415,629	(23,336)	392,293
General and administrative	157,459	(46,461)	110,998
Amortization of intangible assets	18,604	(18,604)	-
Operating income	\$ 190,024	\$ 223,910	\$ 413,934
Other income (expense), net	\$ 11,111	\$ (7,649)	\$ 3,462
Provision (benefit) for income taxes	\$ 18,733	\$ 83,137	\$ 101,870
Net income	\$ 182,402	\$ 133,125	\$ 315,527
Net income per share (Diluted) to Synopsys shareholders	\$ 1.21	\$ 0.89	\$ 2.10

Shares used in computing per share amounts:

Diluted	150,280	150,280
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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 \$71.4 million, amortization of intangible assets of \$99.9 million, acquisition-related costs of \$43.6 million, inventory fair value adjustment of \$0.9 million, changes in the fair value of the non-qualified deferred compensation plan of \$7.5 million, a facility restructuring charge of \$0.5 million and adjustments of \$83.1 million which included benefits resulting from tax settlements of \$36.9 million with accrued interest.

## 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 tables reconcile operating margin on a GAAP basis to operating margin on a non-GAAP basis for the three and twelve months ended October 31, 2012:

**Table 6c – Non-GAAP Operating Margin Reconciliation (Unaudited)**

	<u>Three Months Ended</u> <u>October 31, 2012</u>	<u>Twelve Months Ended</u> <u>October 31, 2012</u>
GAAP operating margin	8.7%	10.8%
Amortization of intangible assets	6.2%	5.7%
Stock compensation	3.8%	4.1%
Acquisition-related costs	1.7%	2.5%
Inventory fair value adjustment	0.2%	0.1%
Change in value of non-qualified deferred compensation	0.6%	0.5%
Non-GAAP operating margin	<u>21.3%</u>	<u>23.6%</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 2012 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 December 5, 2012.

## Effectiveness of Information

The information contained in this Supplement represents Synopsys' expectations and beliefs as of December 5, 2012, the date of this Supplement only. Although this Supplement will remain available on Synopsys' website through the date of the first quarter fiscal 2013 earnings call in February 2013, 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 2013 or comment to analysts or investors on, or otherwise update, the information contained in this Supplement.