

Synopsys, Inc.
Third Quarter Fiscal Year 2010 Financial Disclosure Supplement
August 18, 2010

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 18, 2010.

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 continued uncertainty in the global economy and the semiconductor and electronics industries, willingness or ability of our customers to pay license fees as scheduled, 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, StarRC™ 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, 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 System-Level solutions enable customers to, among other things, accelerate verification and embedded software development. These solutions include our virtual prototyping portfolio 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 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 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)	Q308	Q408	FY2008	Q109	Q209	Q309	Q409	FY2009	Q110	Q210	Q310
Core EDA	258.5	262.2	1,003.0	252.4	250.5	247.0	246.5	996.5	228.7	240.3	236.6
IP & Systems	29.8	35.0	113.7	32.5	30.3	42.8	39.3	144.9	44.8	45.4	43.5
Manufacturing	38.8	39.0	153.8	40.9	40.9	39.8	38.6	160.3	42.4	38.4	42.3
Services & Other	17.0	16.6	66.5	13.9	15.1	15.6	13.9	58.4	14.2	14.1	14.6
Total	344.1	352.8	1,337.0	339.8	336.8	345.2	338.3	1,360.0	330.2	338.1	336.9

	Q308	Q408	FY2008	Q109	Q209	Q309	Q409	FY2009	Q110	Q210	Q310
Core EDA	75%	74%	75%	74%	74%	72%	73%	73%	69%	71%	70%
IP & Systems	9%	10%	9%	10%	9%	12%	12%	11%	14%	13%	13%
Manufacturing	11%	11%	12%	12%	12%	12%	11%	12%	13%	11%	13%
Services & Other	5%	5%	5%	4%	4%	5%	4%	4%	4%	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)	Q308	Q408	FY2008	Q109	Q209	Q309	Q409	FY2009	Q110	Q210	Q310
North America	170.5	179.9	681.2	169.8	165.2	175.5	174.0	684.4	163.3	167.0	170.7
Europe	47.9	51.8	197.7	49.1	51.4	47.6	48.9	196.9	43.8	47.5	45.2
Japan	74.0	62.6	249.2	69.9	67.2	65.8	61.7	264.6	64.3	61.9	61.3
Asia Pacific	51.7	58.5	208.9	50.9	53.1	56.3	53.8	214.1	58.8	61.7	59.7
Total	344.1	352.8	1,337.0	339.8	336.8	345.2	338.3	1,360.0	330.2	338.1	336.9

	Q308	Q408	FY2008	Q109	Q209	Q309	Q409	FY2009	Q110	Q210	Q310
North America	50%	51%	51%	50%	49%	51%	51%	50%	49%	49%	51%
Europe	14%	15%	15%	14%	15%	14%	14%	14%	13%	14%	13%
Japan	22%	18%	19%	21%	20%	19%	18%	19%	19%	18%	18%
Asia Pacific	15%	17%	16%	15%	16%	16%	16%	16%	18%	18%	18%
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

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):	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 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 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, Backlog, and Contract Duration (Unaudited)

	Q308	Q408	FY2008	Q109	Q209	Q309	Q409	FY2009	Q110	Q210	Q310
Avg renewable license duration (yrs) ¹	~3	~3	~3	~2.7	~3.4	~2.8	~2.9	~3.1	3.2	~2.5	~3
Aggregate backlog ² - Turns to annual revenue in subsequent fiscal year ³			\$2.6 bn >80% of '09 rev					\$2.2 bn >80% of '10 rev			
Revenue Mix (in millions) ⁴											
- TBL ⁶	291.6	295.9	1,140.0	287.7	287.3	285.6	289.9	1,150.5	272.5	288.7	286.6
- Upfront	18.2	20.7	57.2	15.7	12.7	17.8	11.4	57.6	20.4	12.7	14.7
- Service ⁵	34.3	36.2	139.7	36.4	36.8	41.8	37.0	152.0	37.2	36.7	35.7
Revenue Mix (% of total rev) ⁴											
- TBL ⁶	85%	84%	85%	85%	85%	83%	86%	85%	83%	85%	85%
- Upfront	5%	6%	4%	5%	4%	5%	3%	4%	6%	4%	4%
- Service ⁵	10%	10%	10%	11%	11%	12%	11%	11%	11%	11%	11%

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

(2) 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 fiscal 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 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 fiscal year 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.

(6) Beginning in fiscal 2010, the Company 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 18, 2010 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 (Unaudited, in thousands, except per share amounts)

	Three Months Ended July 31, 2010		
	GAAP	Adjustments ⁽¹⁾	Non-GAAP
Cost of revenue:			
License	\$ 43,996	\$ (1,383)	\$ 42,613
Maintenance and service	14,697	(502)	14,195
Amortization of intangible assets	8,050	(8,050)	-
Operating expenses:			
Research and development	\$ 105,649	\$ (5,454)	\$ 100,195
Sales and marketing	83,812	(2,689)	81,123
General and administrative	27,371	(6,106)	21,265
Amortization of intangible assets	2,561	(2,561)	-
Operating income	\$ 50,793	\$ 26,745	\$ 77,538
Other income (expense), net	\$ (3,046)	\$ 2,165	\$ (881)
Provision for income taxes	\$ 8,420	\$ 10,054	\$ 18,474
Net income	\$ 39,327	\$ 18,856	\$ 58,183
Net income per share (Diluted)	\$ 0.26	\$ 0.13	\$ 0.39

Shares used in computing per share amounts:

Diluted	151,106	151,106
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- (1) The adjustments to the various line items result from excluding the following aggregate expenses from non-GAAP measures: stock compensation of \$14.5 million, amortization of intangible assets of \$10.6 million, acquisition-related costs of \$2.7 million, changes in the fair value of the non-qualified deferred compensation plan of \$2.2 million, a facility restructuring charge of \$1.1 million, and their related tax impacts.

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, 2010:

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

	<u>Three Months Ended</u> <u>July 31, 2010</u>
GAAP operating margin	15.1%
Amortization of intangible assets	3.1%
Stock compensation	4.3%
Acquisition-related costs	0.8%
Facility restructuring charge	0.3%
Change in value of non-qualified deferred compensation	-0.6%
Non-GAAP operating margin	<u>23.0%</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 third quarter fiscal year 2010 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 August 18, 2010.

Effectiveness of Information

The information contained in this Supplement represents Synopsys' expectations and beliefs as of August 18, 2010, the date of this Supplement only. Although this Supplement will remain available on Synopsys' website through the date of the fourth quarter fiscal 2010 earnings call in December 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 fourth quarter of fiscal 2010 or comment to analysts or investors on, or otherwise update, the information contained in this Supplement.