Certain statements included in this earnings conference call transcript, including statements regarding projected financial results, 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: weakness or continued budgetary caution in the semiconductor or electronics industries; lower-than-expected research and development spending by semiconductor and electronic systems companies; competition in the market for Synopsys' products and services; lower-than-anticipated new IC design starts; lower-than-anticipated purchases or delays in purchases of software or consulting services by Synopsys' customers, including delays in the renewal, or non-renewal, of Synopsys' license arrangements with major customers; failure of customers to pay license fees as scheduled; changes in the mix of time-based licenses and upfront licenses; lower-than-expected bookings; failure of Synopsys' cost control efforts, including recent efforts to outsource certain internal functions, to result in the anticipated savings; failure to successfully develop additional intellectual property blocks for its IP business; and difficulties in the integration of the products and operations of acquired companies or assets into Synopsys' products and operations.

In addition, Synopsys' actual expenses and earnings per share on a GAAP and non-GAAP basis for the fiscal quarter ending April 30, 2008 and actual expenses, earnings per share and operating cash flow on a GAAP and non-GAAP basis for fiscal year 2008, as well as other projections for future performance, could differ materially from the targets stated for a number of reasons, including, but not limited to, (i) a determination by Synopsys that any portion of its goodwill or intangible assets have become impaired, (ii) application of the actual consolidated GAAP and non-GAAP tax rates for such periods, or judgment by management, based upon the status of pending audits or new accounting interpretations such as FASB Interpretation No. 48, to increase or decrease an income tax asset or liability, (iii) integration and other acquisition-related expenses including amortization of additional intangible assets associated with future acquisitions, if any, (iv) changes in the anticipated amount of employee share-based compensation expense recognized on Synopsys' financial statements, (v) actual change in the fair value of Synopsys' non-qualified deferred compensation plan obligations, (vi) increases or decreases to estimated capital expenditures, and (vii) changes driven by new accounting rules, regulations, interpretations or pronouncements, and (viii) other risks as detailed in our SEC filings, including those described in the "Risk Factors" section in our most recent Annual Report on Form 10-K for the fiscal year ended October 31, 2007. Furthermore, Synopsys' actual tax rates applied to income for the second quarter and full-year fiscal 2008 could differ from the targets given as a result of a number of factors, including the actual geographic mix of revenue during the quarter. Finally, Synopsys' targets for outstanding shares in the second quarter and full-year fiscal 2008 could differ from the targets given as a result of higher than expected employee stock plan issuances or stock option exercises, acquisitions and the extent of Synopsys' stock repurchase activity.

The information contained in this transcript represents Synopsys' expectations and beliefs as of February 20, 2008 only. Synopsys is under no obligation to (and expressly disclaims any such obligation to) update or alter any of the forward-looking statements made in this earnings release, the conference call or the financial supplement whether as a result of new information, future events or otherwise, unless otherwise required by law.

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Good afternoon.

I'm pleased to report another good quarter for Synopsys. We met our targets and are confirming yearly guidance.

In Q1 we delivered solid, on-track progress towards our continued '08 objectives of 7.5 to 8.5% top line growth, 300 basis points of ops margin improvement, roll-out of substantial new and enhanced technology, and deepening customer relationships through collaboration on vital productivity improvements.

Specifically, this quarter we achieved non-GAAP earnings per share of 44 cents – more than 40% year-over-year growth – and revenue of $315 million, at the high end of our target range.

With more than 90% time-based license revenue, we stuck firmly to our uniquely predictable business model.

Our disciplined ops margin improvement quest progressed well, with Q1 coming in at 25.6%. This puts us solidly on track towards our annual goal of 23%.

Finally, we shipped major new product releases in December with a large number of key enhancements and new capabilities.

Overall, we exit the first quarter with our year solidly on track in terms of revenue, earnings, cash flow, ops margin, and technology.

OVERALL ENVIRONMENT

Before moving to some product highlights, let me characterize the customer environment. The net is we see little behavioral change. Although the uncertainty in the macro environment may have intensified, it isn't new. And while there are shifts in internal investment decisions, they haven't changed the R&D side of the semiconductor market.

For the last few years, volume growth and cost sensitivity have been the driving forces for most of our customers. Against a backdrop of continued technology complexity, they focus on two things: differentiation for their end markets, and productivity improvements for everything else. Synopsys is very well positioned for exactly this situation.

For a number of years we've followed a systematic strategy: First, continue to deliver best in class tools across the vast majority of our portfolio, and lead in the adoption of new technology nodes. Second, build a comprehensive portfolio of core EDA tools. This year we'll be completing that goal with the addition of analog implementation capabilities. Third, assemble and link these tools into coherent design and verification platforms, aimed at end-to-end design productivity and predictability. Fourth, build the technical and collaboration links to manufacturing that will assure performance, power, and yield. Fifth, build a bridge to the growing space of software and system design via high quality IP blocks and virtual prototyping capabilities. And finally, grow a sophisticated global support and service structure to engage customers on their most challenging designs.

As a number of semiconductor companies now shift some of their internal investments from manufacturing to design, we expect R&D spending for our solutions to stay healthy. We also anticipate that customers will continue to streamline the number of vendors they have, and consider higher-level relationships with select companies such as Synopsys.

As a result, we project that EDA will grow and we will gain market share in 2008 – all under our very stable business model.

TECHNOLOGY/PRODUCT HIGHLIGHTS

With that backdrop, let me provide some product and technology highlights for the quarter.

CORE EDA
In core EDA we made excellent progress both in adoption and use of our software. We also shipped significant enhancements and additions to our Galaxy design and Discovery verification platforms.

GALAXY
For example, Matsushita, the global consumer electronics company behind the Panasonic brand, used our Galaxy flow, including IC Compiler, to design the world's first 45nm consumer chip in production. Matsushita achieved a smaller die size and, just as importantly, lower power consumption using Galaxy.

TSMC has notified us that IC Compiler is the first place and route system to be fully qualified for TSMC's 45nm process.

During the quarter we also delivered to customers a major Galaxy platform upgrade which includes: Expanded capabilities in Design Compiler; fully integrated hierarchical design planning; faster performance in IC Compiler; and a significant upgrade of PrimeTime, yielding 2X faster performance and lower memory consumption.

Still to come in 2008 will be several other notable advances throughout our portfolio, focused mainly on speed and productivity. These include advances that take our high-end low-power solutions to the broader market.

Specifically in digital design, in 2008 we will introduce advances such as 2-3 times faster performance, and brand new, unmatched DFM capabilities for 65nm and below.

DISCOVERY
In digital verification, we're continuing to grow off an outstanding 2007, when we greatly expanded our position in this segment of the market.

The integration of ArchPro has increased our differentiation in terms of low power solutions. And we plan to introduce additional related capabilities during the year, specifically aimed at the mainstream market.

In analog/mixed signal verification, our new "XA" technology – which combines the accuracy of Spice with the speed of FastSpice – is demonstrating very good customer success in its early availability. For example, iC-Haus, which manufactures chips for industrial, automotive and medical applications, switched to XA after being able to reduce their simulation time from six hours to just minutes, while experiencing superior accuracy.

New product advances to be introduced during the rest of the year will include a broad set of parallel processing capabilities.

AMS IMPLEMENTATION
As mentioned earlier, this year we will introduce a Synopsys analog implementation solution. Although we've not yet formally announced the product, I can report that in Q1 we moved from alpha to beta test, and that the stability of the product has positively surprised our beta partners. This capability will not only increase Synopsys' TAM, but it also reduces a competitive challenge as we complete our core EDA portfolio.

DFM
Let me move on to design-for-manufacturing, an emerging market segment still in its early stages. As you heard from my earlier comments, we consider our links into manufacturing unique and essential in helping customers achieve their yield goals.

Our strategy is to take full advantage of both the growth potential of this segment, and the differentiation it confers to our core EDA offering.

In Q1 we delivered the first phase of a new integrated mask synthesis and mask data prep solution, which dramatically reduces lithography turnaround time. Developed in collaboration with TSMC, what we call PCX capability has already been successfully tested at TSMC.

Looking forward, we're also working on a new "tapeout flow" that significantly speeds turnaround time for fabs by integrating lithography, TCAD and yield management.

IP/SLS

Looking up to the systems side of the design spectrum, we've made excellent progress there as well. Increasingly, customers are realizing the economic benefits of commercial IP reuse versus building all blocks themselves. Excluding memory companies, 17 of our top 20 customers now buy our IP.

This quarter we entered the most advanced end of the IP market with our first 45nm analog/mixed signal customer. In addition, our newly acquired DDR products are doing very well. In this fast-growing standard, we've already seen excellent customer interest and purchases.

Our pipeline through the year features new in-house developed products for virtually all titles – from USB, PCI Express, SATA and DDR. Our other thrust in the systems area, virtual platforms, is also doing well. Virtual platforms create models of hardware – long before the chip is actually available – thus enabling software development up to six months earlier than with traditional methods.

This quarter, for example, a key phone architecture firm purchased our virtual platform solution to accelerate their software development.

Closing off on the products, Q1 saw excellent progress in delivering new performance and capabilities to our users, and we're excited about our robust technology pipeline in 2008.

CONCLUSION

To conclude, Q1 was a very good start to 2008, and we're confident in our ability to deliver strong results throughout the year. We remain committed to growing our profitability, while adhering to our predictable business model. We have a comprehensive technology platform with a strong product pipeline, and, we're benefiting from an expanding set of collaborative and committed customer relationships.

With that, I'll turn the call over to Brian Beattie, our CFO.

Thanks, Aart. Good afternoon everyone.

In my comments today I will summarize our financial results for the quarter and provide you with our guidance.

As a reminder, I'll be discussing certain GAAP and non-GAAP measures of our financial performance. We have provided a reconciliation of our GAAP to non-GAAP results in the press release and financial supplement posted on our website. In my discussions, all of my comparisons will be year-over-year unless I specify otherwise. Let me also remind you that last year's Q1 comparable results include an extra fiscal week of revenue and expenses, an event that occurs every seven years.

Synopsys reported another very good quarter, demonstrating the strength and predictability of our time-based business model. Q1 financial results were highlighted by solid revenue growth across all products and geographies, resulting in substantial operating margin and earnings expansion. Additionally, we repurchased approximately $83 million worth of Synopsys shares during the quarter.

Once again we showed robust increases across our key revenue and profitability metrics.

Total revenue increased 5 percent to $315.5 million, at the high end of our target range, driven by our continued execution against our strategy. Normalizing for the extra week in ’07, revenue grew 13%.

One customer accounted for slightly more than 10 percent of our Q1 revenue.

Turning to expenses, we continue to execute very well. Total non-GAAP expenses decreased 5 percent to $235 million, primarily due to the extra fiscal week in the year-ago quarter that I mentioned earlier. Expenses also came in slightly below our planned target range, driven primarily by some seasonal shifting out of hiring and other employee expenses.

For the balance of the year, we expect to return to a more typical expense profile – with Q2 and Q3 progressing towards a traditionally higher Q4. And we continue to target expense growth at about half of revenue growth for all of 2008.

The net effect of our solid top-line growth and excellent delivery in expense management was a 25.6 percent non-GAAP operating margin, a year-over-year increase of nearly 800 basis points.

We’re off to a tremendous start towards achieving our operating margin target of 23 percent for all of fiscal 2008, and we’re committed to driving to the mid-to-high 20s over the next several years. We plan to get there by making the appropriate level of investment back into the business to maintain our technology leadership and drive sustainable, long-term growth, while at the same time controlling expenses.

Turning now to earnings, GAAP earnings per share were 31 cents, with costs and expenses totaling $262 million. This included $11.6 million of amortization of intangible assets and $15.6 million of share-based compensation.

Non-GAAP earnings per share increased more than 40 percent to 44 cents.

Our non-GAAP tax rate was approximately 25 percent, below our guidance primarily due to certain one-time tax benefits. For the entire year, we now expect a tax rate between 26 and 27 percent, which does not assume renewal of the R&D tax credit in the United States.

Given our very predictable business model, revenue visibility remains strong. Upfront revenue was 4 percent of total revenue – well within our target range of less than 10 percent. And as expected, greater than 90 percent of Q1 revenue came from beginning-of-quarter backlog.

We're strong believers that our highly ratable business model is the right financial architecture for Synopsys and our customers. We’ve put ourselves in the unique position of looking not only at 2008, but also into 2009 and 2010, with confidence. This allows us to make a very proactive judgment as to where we want to invest, and how we want to run our business. This is a great place to be in any environment.

The average length of our renewable customer license commitments for the quarter was again approximately 3 years.

Now turning to our cash and balance sheet items:

Cash and short-term investments increased $181 million year-over-year to $860 million, and as expected, there was an operating cash outflow of $51 million in the quarter.

Operating cash flow was affected by a recent agreement with an existing large customer that resulted in a shift of their annual payment from the first to the third quarter, along with the timing of our seasonal incentive compensation cycles. We are confident that we'll achieve our fiscal 2008 operating cash flow target of greater than $325 million.

Capital expenditures were $10 million in the quarter, and we expect to reduce annual capex by about 10 percent over last year.

We returned to our more aggressive pattern of buybacks this quarter. We purchased 3.4 million shares of Synopsys stock for $83 million. We have $347 million remaining on our current authorization.

Q1 net accounts receivable totaled $142 million and we maintained industry-leading DSOs of 41 days, reflecting the high quality of our AR portfolio and the timing of invoices. As you know, we do not factor our receivables.

Deferred revenue at the end of the quarter was $609 million.

We ended Q1 with approximately 5,200 employees, basically flat to our fourth quarter headcount.

And now addressing our guidance:

For the second quarter of FY08, our targets are:

- Revenue between $317 and $325 million;
- Total GAAP costs and expenses between $269 and $283 million, which includes approximately $17 million of share-based compensation expense;
- Total non-GAAP costs and expenses between $242 and $252 million;
- Other income and expense between $0 and $4 million;
- A non-GAAP tax rate between 26 and 27 percent;
- Outstanding shares between 145 and 150 million;
- GAAP earnings of $0.22 to $0.26 per share; and
- Non-GAAP earnings of $0.37 to $0.39 per share.
- We expect greater than 90 percent of the quarter's revenue to come from backlog.

Now our Fiscal 2008 outlook:

- We reiterate that we expect revenue between $1.3 and $1.315 billion – a growth rate of approximately 7½ to 8½ percent;
- We plan to limit total non-GAAP expense growth to about half of revenue growth;
- A non-GAAP tax rate between 26 and 27 percent;

- Outstanding shares between 145 and 150 million;

- GAAP earnings per share between $1.03 and $1.12, which includes the impact of approximately $66 million in share-based compensation expense;

- Non-GAAP earnings per share of $1.56 to $1.61. We've increased the low end of our guidance range by 2 cents and the top end by 1 cent as the benefit from a lower tax rate is offset by slightly lower OI&E due to interest rate declines;

- Cash flow from operations of greater than $325 million; and

- As I mentioned earlier, we're targeting a 23 percent non-GAAP operating margin for the full year.

In summary, we're very pleased with our Q1 financial performance. We've continued to execute against our strategy while delivering strong growth and profitability, and we hope to continue that momentum throughout 2008.

With that, I'll turn it over to the operator for questions.