The following prepared remarks are an excerpt from Synopsys' First Quarter Fiscal Year 2010 Earnings Call. To review the contents of the entire earnings call, please refer to the official webcast, which will remain available on Synopsys' website through the date of the second quarter earnings call in May 2010.

Certain statements included in these prepared remarks relating to Synopsys' business, products and technologies, 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: continued uncertainty in the global economy in general and weakness in the semiconductor and electronics industries; failure of customers to pay license fees as scheduled; 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; changes in the mix of time-based licenses and upfront licenses; lower-than-expected orders; 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, earnings per share and tax rate on a GAAP and non-GAAP basis for the fiscal quarter ending April 30, 2010 and actual expenses, earnings per share, tax rate, cash flow from operations and other projections on a GAAP and non-GAAP basis for fiscal year 2010 could differ materially from the targets and guidance provided 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 and settlements to increase or decrease an income tax asset or liability, (iii) integration and other acquisition-related expenses including amortization of intangible assets and costs formerly capitalized but now expensed due to new accounting guidance related to business combinations, (iv) changes in the anticipated amount of employee stock 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, (vii) changes driven by new accounting rules, regulations, interpretations or guidance, (viii) general economic conditions, and (ix) other risks as detailed in our SEC filings, including those described in the "Risk Factors" section in our Annual Report on Form 10-K for the fiscal year ended October 31, 2009. Furthermore, Synopsys' actual tax rates applied to income for the second quarter and fiscal year 2010 could differ from the targets given in these prepared remarks as a result of a number of factors, including the actual geographic mix of revenue during the quarter and year, and actions by the government. Finally, Synopsys' targets for outstanding shares in the second quarter and fiscal year 2010 could differ from the targets given in these prepared remarks 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 these prepared remarks represents Synopsys' expectations and beliefs as of February 17, 2010 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 these prepared remarks, the 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.

These prepared remarks also contain 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 in the first quarter fiscal year 2010 earnings release and financial supplement, each dated February 17, 2010 and available on Synopsys' website at www.synopsys.com. Additional information about such reconciliations can be found in Synopsys' Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 17, 2010.

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Good afternoon. I am happy to report that we started the year with great energy and momentum, and obtained excellent results in Q1. We delivered revenue in line with expectations, solid expense management, and earnings slightly above target. In addition, we made a number of strategic moves that we believe will increase our total available market substantially in the long-term. We feel that 2010 will be a year of positive evolution for Synopsys. Before I share some of our strategic perspectives with you, let me briefly summarize last quarter's financial results, where we met or exceeded all of our Q1 targets.

Specifically, we delivered non-GAAP earnings per share of 41 cents, with revenue of $330 million. Through disciplined expense control and focus on efficiency, we are on-track to meet our ops margin target of 24% for the year. These results were achieved under our predictable business model, with more than 90% time-based revenue. With yet another strong set of technology deliveries and continued excellent field execution, we are solidly on-track to meet our targets for the year.

Now to our strategic direction. As we introduced to you in our last earnings call, we see 2010 and '11 as the time to benefit from the economic recovery, while actively broadening our opportunity space. We are pursuing three fundamental strategies. One, accelerate our execution momentum and expand our core EDA leadership. Two, broaden our EDA TAM by aggressively fielding adjacent products and capabilities. Three, expand our TAM outside of core EDA – by aggressively driving the emerging Systems space. Before elaborating on our strategies, let me briefly describe the customer environment that is the backdrop to our actions.

Whereas the macro economy is still somewhat mixed, and most executives continue to be focused on risk and cost management, the plethora of new electronics applications will help semiconductors be one of the key growth segments in the economy going forward. Just looking at new products shown at the Consumer Electronics Show, one finds: Massive growth in mobile internet devices ranging from "smart" - or I should say- "very smart-phones", to notebooks, netbooks, tablets, and e-book readers – all featuring the convergence of what used to be simpler, stand-alone applications. There are immense bandwidth and complexity drivers in high-definition, 3D video, and internet-protocol TVs; There are new growth opportunities in low-power management, smart grids, and automotive; And bringing it all together, we see mobility and internet connectivity on a scale that dwarfs anything seen so far. With China and India consumer bases simultaneously expanding at a rapid clip, the growth opportunities for electronics appear very robust.

For semiconductor executives, this landscape presents growth opportunities requiring redeployment of existing resources – even while the short-term economic situation forces a focus on cost management. This widely opens the doors for Synopsys. Designing and verifying all these complex new products requires great technological sophistication in chip design, but increasingly also in the crucial interaction between hardware and software. Which brings me to our latest strategy acceleration – expanding our TAM outside of core EDA up into Systems.

Over the past several quarters we have made great progress into this space. Specifically, we added major new capabilities in the automotive and consumer segments to augment our ability to model and verify complex systems. With the acquisition of VaST, we're not only adding a number of key connections to customers, we also added some important processor models and are already engaged with one of our important Primary EDA Partners in this area.

The addition of CoWare, which we announced last week, would grow our capabilities in the consumer space, most notably with strong relationships in Japan, and with technology aimed at verifying hardware and software simultaneously.

One method to accomplish this is virtual prototyping. This capability is promising, as most system companies now perform these tasks internally in an ad-hoc fashion, yet are increasingly interested in outsourcing to a well-structured and complete commercial solution. Complemented by our FPGA-based rapid prototyping capabilities, our solution will compete well with more-expensive and unwieldy emulation products, enable system validation on a much broader scale than before, and allow customers to accelerate embedded software development.

Finally, in the Systems area, I would like to highlight our silicon IP business, which is growing very nicely as the outsourcing of non-differentiating IP accelerates amid the convergence of cost pressures and the availability of high-quality products. We've seen high demand for almost all of our titles – from analog IP to connectivity standards such as HDMI.

One exciting example is the new USB 3.0 standard, which was highly visible at last month's Consumer Electronics Show. Synopsys has been the leading provider of USB interfaces for a while, and was the first to bring to market a complete IP solution of this latest incarnation. USB 3.0 is more than 10X faster than previous versions and capable of transmitting live HD Video – for example: a movie that used to take hours to load can now take just minutes. This opens the door to many exciting new products, and indeed the standard is rapidly gaining momentum. "Super-speed" USB 3.0 is a complex piece of IP with very sophisticated analog/mixed-signal capabilities, which brings me to our second strategy: Broadening the Synopsys EDA TAM.

In this area, Custom Designer is a great example of how we built a very competitive capability from scratch in a market segment that has seen limited innovation for a long time. In December we released a greatly enhanced version, and with Synopsys having over 450 analog/mixed-signal designers, all of our new analog IP products are being designed using our own Custom Designer. In Q1, we also acquired a small company with excellent shape-based router technology that we believe will accelerate and expand our product differentiation. We've already seen a number of customer tape-outs, including most recently a chip used in Digital Imaging Systems' high-performance camera modules.

Another promising product is Yield Explorer, a recent addition that is finding traction with customers focused on improving their chip COGS by diagnosing yield issues, and thereby accelerating yield ramp. It's another good example of growing our adjacent EDA capabilities – by effectively straddling design and manufacturing.

This brings me to the center of gravity of the company – our strong core EDA solution and our opportunity to further strengthen its category leadership.

Our Primary Partner program continues to make excellent progress as we help our customers reduce, or at least stabilize, their total cost of design, while providing increasingly integrated solutions with steadily improving productivity metrics. There are many examples of where this is happening. We continue to see migration to Synopsys and away from competitor tools. At one large customer, use of Synopsys' implementation and verification solutions increased from about 40% of total to about 90%. In another case, the customer was able to reduce the number of vendor tools from four to one. It's important to note that these transitions are not easily done, and they occur over time. So the very fact that we can see tangible progress is very positive. As we help our customers become more efficient and automated, they can increasingly re-purpose their most precious engineering talent towards more differentiating activities.

In Q1, Synopsys again released a broad set of technology enhancements ranging from substantial multi-threaded, multi-core speed increases to major advances in integrating complete design flows. Our ability, for example, to do physical verification directly in the design flow with IC Validator saves substantial design time. At yet another large international customer, we're displacing our competition as they standardize on IC Validator for their 32nm design flows. The strength of IC Compiler and the integration with IC Validator combine to provide a truly state-of-the-art physical implementation flow.

The integration of VCS-based simulation and low-power verification is another example of great innovation rapidly increasing customer impact. Toshiba Information Systems, for example, was successful in verifying the low-power functionality of a mobile multimedia application, and they can now reuse the verification infrastructure for additional designs.

In analog, TSMC has adopted CustomSim, which brings together multiple transistor-level simulators in an integrated solution, for its sub-40nm memory IP characterization. We also made a small acquisition in the simulation acceleration space, as we continue to invest in technology enhancements.

Bringing this all together, our Lynx Design System helps customers who want to shift internal CAD management resources to more differentiating projects. For 65nm and below, Lynx provides a comprehensive design system, with built-in methodologies, foundry-ready checks, and an advanced management cockpit. The complete low-power flow can be up and running in just a couple of weeks.

In summary, Synopsys is executing very well and we are on the move to expanding our total available market. Our technology and support engines are providing our customers the best guarantees for success, and many of them now want to also engage more closely with us to help them differentiate with their customers. That means an expanded role that requires expertise beyond traditional EDA, down to manufacturing, and increasingly at the intersection of hardware and software. Our internal investments and recent acquisitions are all aimed at driving our strategy and growth in that direction, and 2010 promises to be an exciting year for Synopsys.

With that, I'll turn the call over to Brian Beattie.
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Thanks, Aart. Good afternoon everyone. In my comments today I will summarize our financial results for the quarter and provide you with our Q2 and 2010 guidance. As a reminder, I'll be discussing certain GAAP and non-GAAP measures of our financial performance. We have provided reconciliations 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.

As Aart highlighted, we continue to execute well, meeting or exceeding all of the quarterly financial targets that we provided in December. Total revenue was $330.2 million – well within our target range – with greater than 90 percent of Q1 revenue coming from beginning-of-quarter backlog. Our IP and Systems business again performed very well, achieving double-digit growth in Q1and the trailing four quarters. One customer accounted for slightly more than 10 percent of first quarter revenue.

Turning to expenses, total GAAP costs and expenses were $275.1 million, which included $17.2 million of stock-based compensation, $10.7 million of amortization of intangible assets, and $1 million of acquisition related costs. Total non-GAAP costs and expenses of $244.1 million were slightly below our planned range, and declined two percent compared to a year ago, even with the addition of the Analog Business Group from MIPS Technology. The decrease was driven primarily by timing of quarterly expenses, including external professional services, some hiring, and other one-time expenses that shifted out of the quarter, along with company-wide cost control.

As a result, non-GAAP operating margin was 26.1 percent for the quarter, a very good start towards achieving our goal of approximately 24 percent for the entire year.

Turning now to earnings, GAAP earnings were 88 cents per share – substantially above our target range – and up from 37 cents a year ago. This was due to the one-time impact of a $91.6 million, or 61 cents per share, GAAP-only tax benefit associated with the IRS settlement for fiscal years 2002 through 2004. There was no non-GAAP P&L impact as a result of this settlement.

Continuing on with earnings, non-GAAP earnings of 41 cents per share slightly exceeded our target range, due primarily to timing of quarterly expenses.

Our non-GAAP tax rate was 27.6 percent for the quarter. For modeling purposes, we think that a 27 percent non-GAAP tax rate is a reasonable estimate for the full year.

Our revenue visibility remains strong with greater than 90 percent coming from beginning-of-quarter backlog. Upfront revenue was 6 percent of total, well within our target range of less than 10 percent. The average length of our renewable customer license commitments for the quarter was 3.2 years.

Now turning to our cash and balance sheet items: We ended the quarter with approximately $1.1 billion in cash and short-term investments, which of course was prior to the VaST Systems acquisition we closed earlier this month. It also does not include the expected impact of the recently announced definitive agreement to purchase CoWare. Of our total cash balance, 49 percent is held within the United States.

As expected, there was an operating cash outflow of $45.4 million in the quarter. This was due primarily to the typical Q1 payments of annual incentive compensation to our employees related to FY09 performance.

Continuing on with cash and balance sheet items: Capital expenditures were $8 million in the quarter. For 2010 we now expect capital spending to be in the range of $40 – $45 million, which includes planned expenditures to consolidate our Bay Area facilities to reduce long-term expenses.

During the quarter, we purchased approximately 1.2 million shares of Synopsys stock for $25.3 million, and have approximately $475 million remaining on our current authorization.

As Aart highlighted, we're excited that we closed the acquisition of VaST Systems Technology, as well as signed a definitive agreement to acquire CoWare. The terms of these deals are not being disclosed, but we do not expect these transactions to have a material impact on 2010 revenue or non-GAAP earnings. Over the past six quarters we've closed five acquisitions – in addition to the definitive agreement to acquire CoWare – and as we've recently highlighted, we are well positioned in 2010 to more aggressively put our balance sheet to work.

Q1 net accounts receivable totaled $142.5 million and DSOs were 39 days, reflecting the high quality of our current AR portfolio and the timing of invoices. Deferred revenue at the end of the quarter was $546.9 million.

We ended the quarter with 5,875 employees. This was an expected year-over-year increase, due primarily to the acquisition of the Analog Business Group, but down slightly from our Q4 headcount.

Now let me address our second quarter and fiscal 2010 guidance, which is a base case that does not assume any future acquisitions or stock buybacks.

For the second quarter of FY10, our targets are:

- Revenue between $331 and $339 million;
- Total GAAP costs and expenses between $278 and $295 million, which includes approximately $17 million of stock-based compensation expense;
- Total non-GAAP costs and expenses between $252 and $262 million;
- Other income and expense between $0 and $3 million;
- A non-GAAP tax rate of approximately 27 percent;
- Outstanding shares between 148 and 153 million;
- GAAP earnings of $0.22 to $0.28 per share; and
- Non-GAAP earnings of $0.38 to $0.40 per share.
- We expect greater than 90 percent of the quarter's revenue to come from backlog.

As a result our current Fiscal 2010 outlook is:

- Revenue of approximately $1.33 to $1.35 billion;
- Other income and expense between $4 and $8 million;
- A non-GAAP tax rate of approximately 27 percent;

- Outstanding shares between 149 and 154 million;
- GAAP earnings per share between $1.55 and $1.74, which reflects the one-time tax benefit I highlighted earlier, and includes the impact of approximately $68 million in stock-based compensation expense;
- Non-GAAP earnings per share of $1.52 to $1.62;
- And we are targeting cash flow from operations of $200 - $220 million.

Finally, to help you with your modeling, let me provide some additional 2010 commentary for revenue and expenses. For the balance of the year – for both total revenue and total expenses – we expect a sequential increase in Q2 followed by a moderate decline in Q3, with Q4 showing a sharper sequential increase. For all of 2010, we currently expect to maintain our 2009 non-GAAP operating margin, as well as operating income.

In summary, we're pleased with our Q1 financial performance and are positioned very well for 2010 and beyond. With that, I'll turn it over to the operator for questions.