XILINX INC
Form 10-Q
November 02, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q
(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 29, 2012

or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to _______ .

Commission File Number 000-18548

Xilinx, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	77-0188631 (I.R.S. Employer Identification No.)
2100 Logic Drive, San Jose, California (Address of principal executive offices)	95124 (Zip Code)

(408) 559-7778
(Registrant's telephone number, including area code)

N/A
(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Shares outstanding of the registrant's common stock:

Class	Shares Outstanding as of October 19, 2012
Common Stock, $.01 par value	260,922,630

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
XILINX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In thousands, except per share amounts)	Three Months Ended September 29, 2012	Three Months Ended October 1, 2011	Six Months Ended September 29, 2012	Six Months Ended October 1, 2011
Net revenues	$543,933	$555,209	$1,126,717	$1,170,672
Cost of revenues	187,713	200,564	386,124	423,696
Gross margin	356,220	354,645	740,593	746,976
Operating expenses:				
Research and development	113,887	105,774	235,334	211,791
Selling, general and administrative	91,928	88,681	188,129	185,077
Amortization of acquisition-related intangibles	2,319	1,982	4,467	3,605
Restructuring charges	—	3,369	—	3,369
Total operating expenses	208,134	199,806	427,930	403,842
Operating income	148,086	154,839	312,663	343,134
Interest and other expense, net	10,003	8,598	19,675	16,409
Income before income taxes	138,083	146,241	292,988	326,725
Provision for income taxes	14,646	19,955	39,720	46,065
Net income	$123,437	$126,286	$253,268	$280,660
Net income per common share:				
Basic	$0.47	$0.48	$0.97	$1.06
Diluted	$0.46	$0.47	$0.93	$1.03
Cash dividends per common share	$0.22	$0.19	$0.44	$0.38
Shares used in per share calculations:				
Basic	260,605	264,006	262,143	264,853
Diluted	270,265	267,927	272,182	273,009

See notes to condensed consolidated financial statements.

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XILINX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(In thousands)	Three Months Ended September 29, 2012	Three Months Ended October 1, 2011	Six Months Ended September 29, 2012	Six Months Ended October 1, 2011
Net income	$123,437	$126,286	$253,268	$280,660
Other comprehensive income (loss), net of tax:				
Change in net unrealized gain on available-for-sale securities	5,650	1,328	7,152	4,258
Reclassification adjustment for gains on available-for sale securities, included in net income	(585)	(375)	(915)	(562)
Change in net unrealized gain (loss) on hedging transactions	7,968	(8,120)	5,504	(8,719)
Cumulative translation adjustment	622	218	(433)	876
Other comprehensive income (loss)	13,655	(6,949)	11,308	(4,147)
Total comprehensive income	$137,092	$119,337	$264,576	$276,513

See notes to condensed consolidated financial statements.

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XILINX, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value amounts)	September 29, 2012 (unaudited)	March 31, 2012 [1]
ASSETS		
Current assets:		
Cash and cash equivalents	$595,119	$788,822
Short-term investments	1,111,338	1,128,805
Accounts receivable, net	222,269	214,965
Inventories	204,067	204,866
Deferred tax assets	62,838	64,822
Prepaid expenses and other current assets	54,427	48,029
Total current assets	2,250,058	2,450,309
Property, plant and equipment, at cost:	798,801	788,422
Accumulated depreciation and amortization	(416,595)	(393,440)
Net property, plant and equipment	382,206	394,982
Long-term investments	1,497,394	1,209,228
Goodwill	158,990	149,538
Acquisition-related intangibles, net	41,096	36,332
Other assets	218,890	223,733
Total Assets	$4,548,634	$4,464,122
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable	$96,478	$78,613
Accrued payroll and related liabilities	124,040	121,309
Deferred income on shipments to distributors	47,967	67,002
Other accrued liabilities	74,171	75,852
Total current liabilities	342,656	342,776
Convertible debentures	915,109	906,569
Deferred tax liabilities	499,709	463,045
Long-term income taxes payable	15,704	14,479
Other long-term liabilities	23,765	29,568
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value (none issued)	—	—
Common stock, $.01 par value	2,608	2,636
Additional paid-in capital	1,166,835	1,195,458
Retained earnings	1,563,676	1,502,327
Accumulated other comprehensive income	18,572	7,264
Total stockholders’ equity	2,751,691	2,707,685
Total Liabilities and Stockholders’ Equity	$4,548,634	$4,464,122

[1] Derived from audited financial statements
See notes to condensed consolidated financial statements.

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XILINX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended	
(in thousands)	September 29, 2012	October 1, 2011
Cash flows from operating activities:		
Net income	$253,268	$280,660
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	28,754	27,094
Amortization	8,455	8,036
Stock-based compensation	36,854	30,666
Net gain on sale of available-for-sale securities	(1,741)	(1,071)
Amortization of debt discount on convertible debentures	7,897	7,732
Derivatives — revaluation and amortization	643	1,091
Tax benefit from exercise of stock options	3,282	6,531
Excess tax benefit from stock-based compensation	(4,766)	(7,928)
Changes in assets and liabilities:		
Accounts receivable, net	(7,305)	70,048
Inventories	675	17,271
Deferred income taxes	35,900	30,034
Prepaid expenses and other current assets	5,931	(7,659)
Other assets	(1,750)	9,362
Accounts payable	17,865	(15,067)
Accrued liabilities	1,444	280
Income taxes payable	(6,055)	7,457
Deferred income on shipments to distributors	(19,035)	(27,259)
Net cash provided by operating activities	360,316	437,278
Cash flows from investing activities:		
Purchases of available-for-sale securities	(2,020,793)	(2,287,016)
Proceeds from sale and maturity of available-for-sale securities	1,766,216	1,514,431
Purchases of property, plant and equipment	(15,978)	(31,417)
Other investing activities	(27,649)	(34,507)
Net cash used in investing activities	(298,204)	(838,509)
Cash flows from financing activities:		
Repurchases of common stock	(178,148)	(177,191)
Proceeds from issuance of common stock through various stock plans	32,888	51,891
Payment of dividends to stockholders	(115,321)	(100,804)
Excess tax benefit from stock-based compensation	4,766	7,928
Net cash used in financing activities	(255,815)	(218,176)
Net decrease in cash and cash equivalents	(193,703)	(619,407)
Cash and cash equivalents at beginning of period	788,822	1,222,359
Cash and cash equivalents at end of period	$595,119	$602,952
Supplemental disclosure of cash flow information:		
Interest paid	$18,651	$18,651
Income taxes paid, net of refunds	$5,822	$3,807

See notes to condensed consolidated financial statements.

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XILINX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Presentation
The accompanying interim condensed consolidated financial statements have been prepared in conformity with United States (U.S.) generally accepted accounting principles (GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X, and should be read in conjunction with the Xilinx, Inc. (Xilinx or the Company) consolidated financial statements filed with the U.S. Securities and Exchange Commission (SEC) on Form 10-K for the fiscal year ended March 31, 2012. The interim financial statements are unaudited, but reflect all adjustments which are, in the opinion of management, of a normal, recurring nature necessary to provide a fair statement of results for the interim periods presented. The results of operations for the interim periods shown in this report are not necessarily indicative of the results that may be expected for the fiscal year ending March 30, 2013 or any future period.
The Company uses a 52- to 53-week fiscal year ending on the Saturday nearest March 31. Fiscal 2013 is a 52-week year ending on March 30, 2013. Fiscal 2012, which ended on March 31, 2012, was also a 52-week fiscal year. The quarters ended September 29, 2012 and October 1, 2011 each consisted of 13 weeks.

Note 2. Recent Accounting Changes and Accounting Pronouncements

In the first quarter of fiscal 2013, the Company adopted the authoritative guidance to increase the prominence of items reported in other comprehensive income. Under this guidance, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The Company elected to present its comprehensive income in a separate but consecutive statement. This guidance does not affect the underlying accounting for components of other comprehensive income.

Note 3. Significant Customers and Concentrations of Credit Risk
Avnet, Inc. (Avnet), one of the Company’s distributors, distributes the Company’s products worldwide. As of September 29, 2012 and March 31, 2012, Avnet accounted for 64% and 67% of the Company’s total net accounts receivable, respectively. Resale of product through Avnet accounted for 44% and 45% of the Company’s worldwide net revenues in the second quarter and the first six months of fiscal 2013, respectively. For the second quarter and the first six months of fiscal 2012, resale of product through Avnet accounted for 47% and 48% of the Company’s worldwide net revenues, respectively. The percentage of accounts receivable due from Avnet and the percentage of worldwide net revenues from Avnet are consistent with historical patterns.
Xilinx is subject to concentrations of credit risk primarily in its trade accounts receivable and investments in debt securities to the extent of the amounts recorded on the consolidated balance sheet. The Company attempts to mitigate the concentration of credit risk in its trade receivables through its credit evaluation process, collection terms, distributor sales to diverse end customers and through geographical dispersion of sales. Xilinx generally does not require collateral for receivables from its end customers or from distributors.
One end customer accounted for 11% and 14% of the Company's worldwide net revenues for the second quarter of fiscal 2013 and 2012, respectively. One end customer accounted for 11% of the Company's worldwide net revenues for the first six months of fiscal 2012. No end customer accounted for more than 10% of the Company's worldwide net revenues for the first six months of fiscal 2013.
The Company mitigates concentrations of credit risk in its investments in debt securities by currently investing more than 89% of its portfolio in AA or higher grade securities as rated by Standard & Poor’s or Moody’s Investors Service. The Company’s methods to arrive at investment decisions are not solely based on the rating agencies’ credit ratings. Xilinx also performs additional credit due diligence and conducts regular portfolio credit reviews, including a review of counterparty credit risk related to the Company’s forward currency exchange contracts. Additionally, Xilinx limits

its investments in the debt securities of a single issuer based upon the issuer's credit rating and attempts to further mitigate credit risk by diversifying risk across geographies and type of issuer.

As of September 29, 2012, approximately 35% of the portfolio consisted of mortgage-backed securities. All of the mortgage-backed securities in the investment portfolio were issued by U.S. government-sponsored enterprises and agencies and are rated AA+ by Standard & Poor's and AAA by Moody's Investors Service.

The global credit and capital markets have continued to experience adverse conditions that have negatively impacted the values

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of various types of investment and non-investment grade securities, and have experienced volatility and disruption due to instability in the global financial system, uncertainty related to global economic conditions and concerns regarding sovereign financial stability. Therefore, there is a risk that the Company may incur other-than-temporary impairment charges for certain types of investments should credit market conditions deteriorate or the underlying assets fail to perform as anticipated. See "Note 5. Financial Instruments" for a table of the Company's available-for-sale securities.

Note 4. Fair Value Measurements

The guidance for fair value measurements established by the Financial Accounting Standards Board (FASB) defines fair value as the exchange price that would be received from selling an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which Xilinx would transact and also considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions and risk of nonperformance.

The Company determines the fair value for marketable debt securities using industry standard pricing services, data providers and other third-party sources and by internally performing valuation testing and analyses. The Company primarily uses a consensus price or weighted-average price for its fair value assessment. The Company determines the consensus price using market prices from a variety of industry standard pricing services, data providers, security master files from large financial institutions and other third party sources and uses those multiple prices as inputs into a distribution-curve-based algorithm to determine the daily market value. The pricing services use multiple inputs to determine market prices, including reportable trades, benchmark yield curves, credit spreads and broker/dealer quotes as well as other industry and economic events. For certain securities with short maturities, such as discount commercial paper and certificates of deposit, the security is accreted from purchase price to face value at maturity. If a subsequent transaction on the same security is observed in the marketplace, the price on the subsequent transaction is used as the current daily market price and the security will be accreted to face value based on the revised price. For certain other securities, such as student loan auction rate securities, the Company performs its own valuation analysis using a discounted cash flow pricing model.

The Company validates the consensus prices by taking random samples from each asset type and corroborating those prices using reported trade activity, benchmark yield curves, binding broker/dealer quotes or other relevant price information. There have not been any changes to the Company's fair value methodology during the first six months of fiscal 2013 and the Company did not adjust or override any fair value measurements as of September 29, 2012.

Fair Value Hierarchy

The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets or liabilities. The guidance for fair value measurements requires that assets and liabilities carried at fair value be classified and disclosed in one of the following categories:

Level 1 — Quoted (unadjusted) prices in active markets for identical assets or liabilities.

The Company's Level 1 assets consist of U.S. government and agency securities and money market funds.

Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

The Company's Level 2 assets consist of bank certificates of deposit, commercial paper, corporate bonds, municipal bonds, U.S. agency securities, foreign government and agency securities, mortgage-backed securities and a debt mutual fund. The Company's Level 2 assets and liabilities also include foreign currency forward contracts and commodity swap contracts.

Level 3 — Unobservable inputs to the valuation methodology that are supported by little or no market activity and that are significant to the measurement of the fair value of the assets or liabilities. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques, as well as significant management judgment or estimation.

The Company's Level 3 assets and liabilities include student loan auction rate securities and the embedded derivative related to the Company's debentures.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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In instances where the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability. The following tables present information about the Company's assets and liabilities measured at fair value on a recurring basis as of September 29, 2012 and March 31, 2012:

	September 29, 2012			
(In thousands)	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets				
Cash and cash equivalents:				
Money market funds	$165,775	$—	$—	$165,775
Bank certificates of deposit	—	29,997	—	29,997
Commercial paper	—	158,233	—	158,233
U.S. government and agency securities	110,009	9,998	—	120,007
Foreign government and agency securities	—	49,993	—	49,993
Short-term investments:				
Bank certificates of deposit	—	134,930	—	134,930
Commercial paper	—	328,905	—	328,905
Corporate bonds	—	25,768	—	25,768
Municipal bonds	—	3,473	—	3,473
U.S. government and agency securities	356,044	52,257	—	408,301
Foreign government and agency securities	—	209,942	—	209,942
Mortgage-backed securities	—	19	—	19
Long-term investments:				
Corporate bonds	—	223,462	—	223,462
Auction rate securities	—	—	29,069	29,069
Municipal bonds	—	14,232	—	14,232
U.S. government and agency securities	37,472	63,936	—	101,408
Mortgage-backed securities	—	1,087,735	—	1,087,735
Debt mutual fund	—	41,488	—	41,488
Derivative financial instruments, net	—	2,402	—	2,402
Total assets measured at fair value	$669,300	$2,436,770	$29,069	$3,135,139
Liabilities				
Convertible debentures — embedded derivative	$—	$—	$1,545	$1,545
Total liabilities measured at fair value	$—	$—	$1,545	$1,545
Net assets measured at fair value	$669,300	$2,436,770	$27,524	$3,133,594

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(In thousands)	March 31, 2012 Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets				
Cash and cash equivalents:				
Money market funds	$232,017	$—	$—	$232,017
Bank certificates of deposit	—	29,994	—	29,994
Commercial paper	—	233,980	—	233,980
U.S. government and agency securities	75,036	84,985	—	160,021
Foreign government and agency securities	—	68,993	—	68,993
Short-term investments:				
Bank certificates of deposit	—	129,978	—	129,978
Commercial paper	—	360,887	—	360,887
Corporate bonds	—	14,257	—	14,257
U.S. government and agency securities	322,763	119,931	—	442,694
Foreign government and agency securities	—	180,958	—	180,958
Mortgage-backed securities	—	31	—	31
Long-term investments:				
Corporate bonds	—	175,415	—	175,415
Auction rate securities	—	—	28,929	28,929
Municipal bonds	—	26,160	—	26,160
U.S. government and agency securities	17,539	48,659	—	66,198
Mortgage-backed securities	—	892,745	—	892,745
Debt mutual fund	—	19,781	—	19,781
Total assets measured at fair value	$647,355	$2,386,754	$28,929	$3,063,038
Liabilities				
Derivative financial instruments, net	$—	$3,070	$—	$3,070
Convertible debentures — embedded derivative	—	—	931	931
Total liabilities measured at fair value	$—	$3,070	$931	$4,001
Net assets measured at fair value	$647,355	$2,383,684	$27,998	$3,059,037

Changes in Level 3 Instruments Measured at Fair Value on a Recurring Basis

The following table is a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

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(In thousands)	Three Months Ended September 29, 2012	Three Months Ended October 1, 2011	Six Months Ended September 29, 2012	Six Months Ended October 1, 2011
Balance as of beginning of period	$27,270	$30,636	$27,998	$34,005
Total realized and unrealized gains (losses):				
Included in interest and other expense, net	—	(1,435)	(614)	(1,062)
Included in other comprehensive income	254	(1,210)	490	(552)
Sales and settlements, net (1)	—	(950)	(350)	(5,350)
Balance as of end of period	$27,524	$27,041	$27,524	$27,041

(1) There was no redemption of auction rate securities during the three months ended September 29, 2012. During the three months ended October 1, 2011, $950 thousand of student loan auction rate securities were redeemed for cash at par value. During the first six months ended September 29, 2012 and October 1, 2011, $350 thousand and $5.4 million of student loan auction rate securities, respectively, were redeemed for cash at par value.

The amount of total losses included in net income attributable to the change in unrealized gains (losses) relating to assets and liabilities still held as of the end of the period was as follows:

(In thousands)	Three Months Ended September 29, 2012	Three Months Ended October 1, 2011	Six Months Ended September 29, 2012	Six Months Ended October 1, 2011
Interest and other expense, net	$—	$(1,435)	$(614)	$(1,062)

As of September 29, 2012, marketable securities measured at fair value using Level 3 inputs were comprised of $29.1 million of student loan auction rate securities. Auction failures during the fourth quarter of fiscal 2008 and the lack of market activity and liquidity required that the Company's student loan auction rate securities be measured using observable market data and Level 3 inputs. The fair values of the Company's student loan auction rate securities were based on the Company's assessment of the underlying collateral and the creditworthiness of the issuers of the securities. Substantially all of the underlying assets that secure the student loan auction rate securities are pools of student loans originated under Federal Family Education Loan Program, which are substantially guaranteed by the U.S. Department of Education. The fair values of the Company's student loan auction rate securities were determined using a discounted cash flow pricing model that incorporated financial inputs such as projected cash flows, discount rates, expected interest rates to be paid to investors and an estimated liquidity discount. The most significant assumptions of the model are the weighted-average life over which cash flows were projected of 8 years (given the collateral composition of the securities) and the discount rates ranging from 2.41% to 3.12% that were applied to the pricing model (based on market data and information for comparable- or similar-term student loan asset-backed securities). A hypothetical 20% increase or decrease of the weighted-average life over which cash flows were projected and 100 basis points (one percentage point) increase or decrease in the discount rates would not have a material effect on the fair values of the Company's student loan auction rate securities. The Company does not intend to sell, nor does it believe it is more likely than not that it would be required to sell, the student loan auction rate securities before anticipated recovery, which could be at final maturity that ranges from December 2027 to May 2046.

The 3.125% Junior Convertible Debentures due March 15, 2037 (3.125% Debentures) included embedded features that qualify as an embedded derivative, and was separately accounted for as a discount on the 3.125% Debentures. Its fair value was established at the inception of the 3.125% Debentures. Each quarter, the change in the fair value of the embedded derivative, if any, is recorded in the consolidated statements of income. The Company uses a derivative valuation model to derive the value of the embedded derivative. Key inputs into this valuation model are the Company’s current stock price, risk-free interest rates, the stock dividend yield, the stock volatility and the 3.125% Debenture’s credit spread over London Interbank Offered Rate. The first three inputs are based on observable market data and are considered Level 2 inputs while the last two inputs require management judgment and are Level 3 inputs.

Financial Instruments Not Recorded at Fair Value on a Recurring Basis

The Company's Senior Convertible Debentures due June 15, 2017 (2.625% Debentures) and 3.125% Debentures are measured at fair value on a quarterly basis for disclosure purposes. The fair values of the 2.625% and 3.125% Debentures as of September 29, 2012 were approximately $791.3 million and $827.5 million, respectively, based on the last trading price of the respective debentures for the period (classified as level 2 in fair value hierarchy due to relatively low trading volume).

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Note 5. Financial Instruments

The following is a summary of cash equivalents and available-for-sale securities as of the end of the periods presented:

(In thousands)	September 29, 2012 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	March 31, 2012 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Money market funds	$165,775	$—	$—	$165,775	$232,017	$—	$—	$232,017
Bank certificates of deposit	164,927	—	—	164,927	159,972	—	—	159,972
Commercial paper	487,133	5	—	487,138	594,867	1	(1)	594,867
Corporate bonds	243,395	5,868	(33)	249,230	186,455	3,401	(184)	189,672
Auction rate securities	32,250	—	(3,181)	29,069	32,600	—	(3,671)	28,929
Municipal bonds	17,148	597	(40)	17,705	25,454	734	(28)	26,160
U.S. government and agency securities	629,129	605	(18)	629,716	668,702	360	(149)	668,913
Foreign government and agency securities	259,935	—	—	259,935	249,951	—	—	249,951
Mortgage-backed securities	1,068,361	21,517	(2,124)	1,087,754	878,842	15,094	(1,160)	892,776
Debt mutual fund	40,500	988	—	41,488	20,000	—	(219)	19,781
	$3,108,553	$29,580	$(5,396)	$3,132,737	$3,048,860	$19,590	$(5,412)	$3,063,038

The following tables show the fair values and gross unrealized losses of the Company’s investments, aggregated by investment category, for individual securities that have been in a continuous unrealized loss position for the length of time specified, as of September 29, 2012 and March 31, 2012:

	September 29, 2012					
	Less Than 12 Months		12 Months or Greater		Total	
(In thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Corporate bonds	$10,282	$(33)	$—	$—	$10,282	$(33)
Auction rate securities	—	—	29,069	(3,181)	29,069	(3,181)
Municipal bonds	1,625	(36)	712	(4)	2,337	(40)
U.S. government and agency securities	242,997	(18)	—	—	242,997	(18)
Mortgage-backed securities	175,426	(1,848)	23,542	(276)	198,968	(2,124)
	$430,330	$(1,935)	$53,323	$(3,461)	$483,653	$(5,396)

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	March 31, 2012					
	Less Than 12 Months		12 Months or Greater		Total	
(In thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Commercial paper	$79,994	$(1)	$—	$—	$79,994	$(1)
Corporate bonds	21,111	(184)	—	—	21,111	(184)
Auction rate securities	—	—	28,929	(3,671)	28,929	(3,671)
Municipal bonds	2,173	(24)	366	(4)	2,539	(28)
U.S. government and agency securities	460,735	(149)	—	—	460,735	(149)
Mortgage-backed securities	147,726	(1,040)	15,923	(120)	163,649	(1,160)
Debt mutual fund	19,781	(219)	—	—	19,781	(219)
	$731,520	$(1,617)	$45,218	$(3,795)	$776,738	$(5,412)

The gross unrealized losses on these investments were primarily related to failed auction rate securities, which was due to adverse conditions in the global credit markets during the past three years. The Company reviewed the investment portfolio and determined that the gross unrealized losses on these investments as of September 29, 2012 and March 31, 2012 were temporary in nature as evidenced by the fluctuations in the gross unrealized losses within the investment categories. Furthermore, the aggregate of individual unrealized losses that had been outstanding for 12 months or more was not significant as of September 29, 2012 and March 31, 2012. The Company neither intends to sell these investments nor concludes that it is more-likely-than-not that it will have to sell them until recovery of their carrying values. The Company also believes that it will be able to collect both principal and interest amounts due to the Company at maturity, given the high credit quality of these investments and any related underlying collateral.

The amortized cost and estimated fair value of marketable debt securities (bank certificates of deposit, commercial paper, corporate bonds, auction rate securities, municipal bonds, U.S. and foreign government and agency securities and mortgage-backed securities), by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations without call or prepayment penalties.

	September 29, 2012	
(In thousands)	Amortized Cost	Estimated Fair Value
Due in one year or less	$1,469,412	$1,469,567
Due after one year through five years	330,949	337,646
Due after five years through ten years	243,009	248,253
Due after ten years	858,908	870,008
	$2,902,278	$2,925,474

Certain information related to available-for-sale securities is as follows:

	Three Months Ended		Six Months Ended	
(In thousands)	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Proceeds from sale of available-for-sale securities	$119,058	$77,608	$201,163	$107,985
Gross realized gains on sale of available-for-sale securities	$1,042	$758	$1,829	$1,097
Gross realized losses on sale of available-for-sale securities	(12)	(21)	(88)	(26)
Net realized gains on sale of available-for-sale securities	$1,030	$737	$1,741	$1,071
	$5,942	$3,262	$11,561	$5,575

Amortization of premiums on available-for-sale
securities
The cost of securities matured or sold is based on the specific identification method.

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Note 6. Derivative Financial Instruments
The Company’s primary objective for holding derivative financial instruments is to manage foreign currency exchange rate risk and interest rate risk. As a result of the use of derivative financial instruments, the Company is exposed to the risk that counterparties to derivative contracts may fail to meet their contractual obligations. The Company manages counterparty credit risk in derivative contracts by reviewing counterparty creditworthiness on a regular basis, establishing collateral requirement and limiting exposure to any single counterparty. The right of set-off that exists with certain transactions enables the Company to net amounts due to and from the counterparty, reducing the maximum loss from credit risk in the event of counterparty default.
As of September 29, 2012 and March 31, 2012, the Company had the following outstanding forward currency exchange contracts (in notional amount), which are derivative financial instruments:

(In thousands and U.S. dollars)	September 29, 2012	March 31, 2012
Singapore dollar	$60,969	$60,925
Euro	35,774	41,467
Indian Rupee	19,725	18,943
British Pound	13,136	14,250
Japanese Yen	12,026	11,076
	$141,630	$146,661

As part of the Company’s strategy to reduce volatility of operating expenses due to foreign exchange rate fluctuations, the Company employs a hedging program with a forward outlook of up to two years for major foreign-currency-denominated operating expenses. The outstanding forward currency exchange contracts expire at various dates between October 2012 and August 2014. The net unrealized gain or loss, which approximates the fair market value of the above contracts, is expected to be realized and reclassified into net income within the next two years.
As of September 29, 2012, 99% of the forward foreign currency exchange contracts was designated and qualified as cash flow hedges and the effective portion of the gain or loss on the forward contracts was reported as a component of other comprehensive income and reclassified into net income in the same period during which the hedged transaction affects earnings. The estimated amount of such gains or losses as of September 29, 2012 that is expected to be reclassified into earnings within the next 12 months was a net gain of $1.4 million. The ineffective portion of the gains or losses on the forward contracts was included in the net income for all periods presented.
As of September 29, 2012, 1% of the forward foreign currency exchange contracts was designated and qualified as fair value hedges, and the related realized and unrealized gain or loss on the forward contracts was immaterial for all periods presented.
The Company may enter into forward foreign currency exchange contracts to hedge firm commitments such as acquisitions and capital expenditures. Gains and losses on foreign currency forward contracts that are designated as hedges of anticipated transactions, for which a firm commitment has been attained and the hedged relationship has been effective, are deferred and included in income or expenses in the same period that the underlying transaction is settled. Gains and losses on any instruments not meeting the above criteria are recognized in income or expenses in the consolidated statements of income as they are incurred.
The 3.125% Debentures include provisions which qualify as an embedded derivative. See "Note 4. Fair Value Measurements" for more discussion about the embedded derivative. The fair value of the embedded derivative was $1.5 million and $931 thousand as of September 29, 2012 and March 31, 2012, respectively. The changes in the fair value of the embedded derivative were recorded to interest and other expense, net, on the Company’s condensed consolidated statements of income.
The Company had the following derivative instruments as of September 29, 2012 and March 31, 2012, located on the condensed consolidated balance sheet, utilized for risk management purposes detailed above:

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	Foreign Exchange Contracts			
	Asset Derivatives		Liability Derivatives	
(In thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
September 29, 2012	Prepaid expenses and other current assets	$3,436	Other accrued liabilities	$1,035
March 31, 2012	Prepaid expenses and other current assets	$203	Other accrued liabilities	$3,273

The following table summarizes the effect of derivative instruments on the condensed consolidated statements of income for second quarter and the first six months of fiscal 2013 and 2012:

(In thousands) Derivatives Types	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective portion of cash flow hedging)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective portion)*	Amount of Gain (Loss) Recorded (Ineffective Portion)
Three Months Ended September 29, 2012			
Foreign exchange contracts	$7,968	$(1,833)	$8
Three Months Ended October 1, 2011			
Foreign exchange contracts	$(8,187)	$2,339	$(3)
Six Months Ended September 29, 2012			
Foreign exchange contracts	$5,505	$(2,992)	$7
Six Months Ended October 1, 2011			
Foreign exchange contracts	$(8,784)	$5,103	$(4)

*Recorded in Interest and Other Expense location within the condensed consolidated statements of income.

Note 7. Stock-Based Compensation Plans

The Company’s equity incentive plans are broad-based, long-term retention programs that cover employees, consultants and non-employee directors of the Company. These plans are intended to attract and retain talented employees, consultants and non-employee directors and to provide such persons with a proprietary interest in the Company.

Stock-Based Compensation

The following table summarizes stock-based compensation expense related to stock awards granted under the Company’s equity incentive plans and rights to acquire stock granted under the Company’s Employee Stock Purchase Plan (ESPP):

	Three Months Ended		Six Months Ended	
(In thousands)	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Stock-based compensation included in:				
Cost of revenues	$1,473	$1,284	$3,201	$2,594
Research and development	9,404	8,103	18,027	14,590
Selling, general and administrative	8,369	7,512	15,626	13,482
	$19,246	$16,899	$36,854	$30,666

During the first six months of fiscal 2013 and 2012, the tax benefit realized for the tax deduction from option exercises and other awards, including amounts credited to additional paid-in capital, totaled $3.3 million and $6.5 million, respectively.

The fair values of stock options and stock purchase plan rights under the Company’s equity incentive plans and ESPP were estimated as of the grant date using the Black-Scholes option pricing model. The Company’s expected stock price volatility assumption for stock options is estimated using implied volatility of the Company’s traded options. The expected life of options granted is based on the historical exercise activity as well as the expected disposition of all options outstanding. The expected life of options granted also considers the actual contractual term. The weighted-average fair value per share of stock options granted during the second

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quarter and the first six months of fiscal 2013 was $6.35 for both periods. The weighted-average fair value per share of stock options granted during the second quarter and the first six months of fiscal 2012 was $8.03 and $7.87, respectively. These fair values per share were estimated at the date of grant using the following weighted-average assumptions:

	Three Months Ended		Six Months Ended	
	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Expected life of options (years)	4.9	5.2	4.9	5.2
Expected stock price volatility	0.29	0.34	0.29	0.31
Risk-free interest rate	0.7 %	1.2 %	0.7 %	1.7 %
Dividend yield	2.6 %	2.3 %	2.6 %	2.3 %

The estimated fair values of restricted stock unit (RSU) awards were calculated based on the market price of Xilinx common stock on the date of grant, reduced by the present value of dividends expected to be paid on Xilinx common stock prior to vesting. The per share weighted-average fair value of RSUs granted during the second quarter of fiscal 2013 was $31.12 ($34.33 for the second quarter of fiscal 2012) and for the first six months of fiscal 2013 was $31.57 ($34.13 for the first six months of fiscal 2012), which were calculated based on estimates at the date of grant using the following weighted-average assumptions:

	Three Months Ended		Six Months Ended	
	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Risk-free interest rate	0.4 %	0.7 %	0.4 %	0.8 %
Dividend yield	2.7 %	2.1 %	2.7 %	2.1 %

Employee Stock Option Plans

A summary of the Company’s option plans activity and related information is as follows:

	Options Outstanding	
(Shares in thousands)	Number of Shares	Weighted-Average Exercise Price Per Share
April 2, 2011	24,969	$ 29.11
Granted	207	$ 34.79
Exercised	(3,622)	$ 24.70
Forfeited/cancelled/expired	(3,766)	$ 37.35
March 31, 2012	17,788	$ 28.32
Granted	48	$ 33.33
Exercised	(1,205)	$ 24.25
Forfeited/cancelled/expired	(1,366)	$ 39.86
September 29, 2012	15,265	$ 27.63
Options exercisable at:		
September 29, 2012	13,619	$ 27.81
March 31, 2012	15,349	$ 28.78

The types of awards allowed under the 2007 Equity Plan include incentive stock options, non-qualified stock options, RSUs, restricted stock and stock appreciation rights. To date, the Company has issued a mix of non-qualified stock options and RSUs under the 2007 Equity Plan. On August 8, 2012, the stockholders approved an amendment to increase the authorized number of shares reserved for issuance under the 2007 Equity Plan by 3.5 million shares. As of September 29, 2012, 16.4 million shares remained available for grant under the 2007 Equity Plan.

The total pre-tax intrinsic value of options exercised during the three months and six months ended September 29, 2012 was $7.8 million and $11.7 million, respectively. The total pre-tax intrinsic value of options exercised during the three months and six months ended October 1, 2011 was $3.3 million and $18.3 million, respectively. This intrinsic value represents the difference

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between the exercise price and the fair market value of the Company’s common stock on the date of exercise.

RSU Awards

A summary of the Company’s RSU activity and related information is as follows:

(Shares in thousands)	RSUs Outstanding Number of Shares		Weighted-Average Grant-Date Fair Value Per Share
April 2, 2011	4,215		$ 23.19
Granted	2,977		$ 33.69
Vested	(1,543	)	$ 23.11
Cancelled	(410	)	$ 25.18
March 31, 2012	5,239		$ 29.01
Granted	2,380		$ 31.57
Vested	(1,392	)	$ 27.16
Cancelled	(258	)	$ 29.51
September 29, 2012	5,969		$ 30.25

Employee Stock Purchase Plan

Under the Company’s ESPP, shares are only issued during the second and fourth quarters of each fiscal year. Employees purchased 521 thousand shares for $14.1 million during the second quarter of fiscal 2013 and 501 thousand shares for $13.3 million in the second quarter of fiscal 2012. The per-share weighted-average fair value of stock purchase rights granted under the ESPP during the second quarter of fiscal 2013 and 2012 was $8.53 and $9.37, respectively. The fair values of stock purchase plan rights granted in the second quarter of fiscal 2013 and 2012 were estimated at the date of grant using the following assumptions:

	2013		2012	
Expected life of options (years)	1.25		1.25	
Expected stock price volatility	0.29		0.29	
Risk-free interest rate	0.2	%	0.2	%
Dividend yield	2.7	%	2.4	%

The next scheduled purchase under the ESPP is in the fourth quarter of fiscal 2013. On August 8, 2012, the stockholders approved an amendment to increase the authorized number of shares reserved for issuance under the ESPP by 2.0 million shares. As of September 29, 2012, 9.6 million shares were available for future issuance under the ESPP.

Note 8. Net Income Per Common Share

The computation of basic net income per common share for all periods presented is derived from the information on the condensed consolidated statements of income, and there are no reconciling items in the numerator used to compute diluted net income per common share.

The total shares used in the denominator of the diluted net income per common share calculation included 5.5 million and 5.8 million potentially dilutive common equivalent shares outstanding for the second quarter and the first six months of fiscal 2013, respectively, that were not included in basic net income per common share by applying the treasury stock method to the impact of incremental shares issuable assuming conversion of the debentures (see "Note 10. Convertible Debentures and Revolving Credit Facility"). For the second quarter and the first six months of fiscal 2012, the total shares used in the denominator of the diluted net income per common share calculation included zero and 3.5 million, respectively, to the impact of incremental shares issuable assuming conversion of the debentures. Additionally, the total shares used in the denominator of the diluted net income per common share calculation included 4.1 million and 4.3 million potentially dilutive common equivalent shares outstanding for the second quarter and the first six months of fiscal 2013, respectively, that were not included in basic net income per common share. For the second quarter and the first six months of fiscal 2012, the total shares used in the denominator of the diluted net income per common share calculation included 3.9 million

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and 4.6 million potentially dilutive common equivalent shares, respectively. Potentially dilutive common equivalent shares are determined by applying the treasury stock method to the impact of incremental shares issuable assuming exercise of outstanding stock options, vesting of outstanding RSUs and issuance of common stock under the ESPP. Outstanding stock options, RSUs and warrants to purchase approximately 24.6 million shares for the second quarter and 26.2 million shares for the first six months of fiscal 2013 under the Company's stock award plans were excluded from diluted net income per common share by applying the treasury stock method, as their inclusion would have been antidilutive. These options, RSUs and warrants could be dilutive in the future if the Company's average share price increases and is greater than the combined exercise prices and the unamortized fair values of these options, RSUs and warrants.

To hedge against potential dilution upon conversion of the 2.625% Debentures, the Company also purchased call options on its common stock from the hedge counterparties. The call options give the Company the right to purchase up to 19.8 million shares of its common stock at $30.29 per share. These call options are not considered for purposes of calculating the total shares outstanding under the basic and diluted net income per share, as their effect would be anti-dilutive. Upon exercise, the call options would serve to neutralize the dilutive effect of the 2.625% Debentures and potentially reduce the weighted number of diluted shares used in per share calculations.

Note 9. Inventories

Inventories are stated at the lower of cost (determined using the first-in, first-out method), or market (estimated net realizable value) and are comprised of the following:

(In thousands)	September 29, 2012	March 31, 2012
Raw materials	$14,558	$11,707
Work-in-process	166,669	164,438
Finished goods	22,840	28,721
	$204,067	$204,866

Note 10. Convertible Debentures and Revolving Credit Facility

2.625% Senior Convertible Debentures

As of September 29, 2012, the Company had $600.0 million principal amount of 2.625% Debentures outstanding. The 2.625% Debentures are senior in right of payment to the Company's existing and future unsecured indebtedness that is expressly subordinated in right of payment to the 2.625% Debentures, including the 3.125% Debentures described below. The 2.625% Debentures are convertible, subject to certain conditions, into shares of Xilinx common stock at a conversion rate of 33.0164 shares of common stock per $1 thousand principal amount of the 2.625% Debentures, representing an effective conversion price of approximately $30.29 per share of common stock. The conversion rate is subject to adjustment for certain events as outlined in the indenture governing the 2.625% Debentures but will not be adjusted for accrued interest.

The carrying values of the liability and equity components of the 2.625% Debentures are reflected in the Company's condensed consolidated balance sheets as follows:

(In thousands)	September 29, 2012	March 31, 2012
Liability component:		
Principal amount of the 2.625% Debentures	$600,000	$600,000
Unamortized discount of liability component	(72,539)	(80,311)
Hedge accounting adjustment – sale of interest rate swap	20,962	23,208
Net carrying value of the 2.625% Debentures	$548,423	$542,897
Equity component – net carrying value	$105,620	$105,620

Interest expense related to the 2.625% Debentures was included in interest and other expense, net on the condensed consolidated statements of income as follows:

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(In thousands)	Three Months Ended September 29, 2012	Three Months Ended October 1, 2011	Six Months Ended September 29, 2012	Six Months Ended October 1, 2011
Contractual coupon interest	$3,938	$3,938	$7,875	$7,875
Amortization of debt issuance costs	362	362	724	724
Amortization of debt discount, net	2,763	2,763	5,526	5,526
Total interest expense related to the 2.625% Debentures	$7,063	$7,063	$14,125	$14,125

3.125% Junior Subordinated Convertible Debentures

As of September 29, 2012, the Company had $689.6 million principal amount of 3.125% Debentures outstanding. The 3.125% Debentures are subordinated in right of payment to the Company’s existing and future senior debt, including the 2.625% Debentures, and to the other liabilities of the Company’s subsidiaries. The 3.125% Debentures are convertible, subject to certain conditions, into shares of Xilinx common stock at a conversion rate of 33.9021 shares of common stock per $1 thousand principal amount of 3.125% Debentures, representing an effective conversion price of approximately $29.50 per share of common stock. The conversion rate is subject to adjustment for certain events as outlined in the indenture governing the 3.125% Debentures but will not be adjusted for accrued interest.

The carrying values of the liability and equity components of the 3.125% Debentures are reflected in the Company’s condensed consolidated balance sheets as follows:

(In thousands)	September 29, 2012	March 31, 2012
Liability component:		
Principal amount of the 3.125% Debentures	$689,635	$689,635
Unamortized discount of liability component	(323,077)	(325,448)
Unamortized discount of embedded derivative from date of issuance	(1,417)	(1,446)
Carrying value of liability component – 3.125% Debentures	365,141	362,741
Carrying value of embedded derivative component	1,545	931
Net carrying value of the 3.125% Debentures	$366,686	$363,672
Equity component – net carrying value	$229,513	$229,513

Interest expense related to the 3.125% Debentures was included in interest and other expense, net on the condensed consolidated statements of income and was recognized as follows:

(In thousands)	Three Months Ended September 29, 2012	Three Months Ended October 1, 2011	Six Months Ended September 29, 2012	Six Months Ended October 1, 2011
Contractual coupon interest	$5,388	$5,388	$10,776	$10,776
Amortization of debt issuance costs	55	55	112	112
Amortization of embedded derivative	14	14	29	29
Amortization of debt discount	1,196	1,113	2,371	2,206
Fair value adjustment of embedded derivative	—	1,434	614	1,062
Total interest expense related to the 3.125% Debentures	$6,653	$8,004	$13,902	$14,185

Revolving Credit Facility

On December 7, 2011, the Company entered into a 5 years $250.0 million senior unsecured revolving credit facility with a syndicate of banks (expiring in December 2016). Borrowings under the credit facility will bear interest at a benchmark rate plus an applicable margin based upon the Company’s credit rating. In connection with the credit facility, the Company is required to maintain certain financial and nonfinancial covenants. As of September 29, 2012, the Company had made no borrowings under this credit facility and was not in violation of any of the covenants.

Note 11. Common Stock Repurchase Program

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The Board of Directors has approved stock repurchase programs enabling the Company to repurchase its common stock in the open market or through negotiated transactions with independent financial institutions. In June 2010, the Board authorized the repurchase of up to $500.0 million of common stock and debentures (2010 Repurchase Program). In August 2012, the Board authorized the repurchase of an additional $750.0 million of the Company's common stock and debentures (2012 Repurchase Program). The shares authorized for purchase under the 2012 Repurchase Program are in addition to the shares that may yet be purchased under the 2010 Repurchase Program. The 2010 and the 2012 Repurchase Programs have no stated expiration date.

Through September 29, 2012, the Company had used $491.0 million of the $500.0 million authorized under the 2010 Repurchase Program, and none of the $750.0 million authorized under the 2012 Repurchase Program, leaving $759.0 million available for future repurchases. The Company’s current policy is to retire all repurchased shares, and consequently, no treasury shares were held as of September 29, 2012 and March 31, 2012.

During the first six months of fiscal 2013, the Company repurchased 5.6 million shares of common stock in the open market for a total of $178.1 million under the 2010 Repurchase Program. During the first six months of fiscal 2012, the Company repurchased 5.9 million shares of common stock for a total of $187.2 million.

Note 12. Restructuring Charges

During the second quarter of fiscal 2012, the Company implemented restructuring measures designed to consolidate its research and development activities in the U.S. and to reduce its global workforce by 46 net positions, or less than 2%. The Company completed this restructuring plan and recorded total restructuring charges of $3.4 million in the second quarter of fiscal 2012, which was predominantly related to severance costs and benefits expenses.

Note 13. Interest and Other Expense, Net

The components of interest and other expense, net are as follows:

	Three Months Ended		Six Months Ended	
(In thousands)	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Interest income	$6,271	$6,200	$12,063	$11,542
Interest expense	(13,717)	(13,634)	(27,412)	(27,248)
Other expense, net	(2,557)	(1,164)	(4,326)	(703)
	$(10,003)	$(8,598)	$(19,675)	$(16,409)

Note 14. Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income are as follows:

(In thousands)	September 29, 2012	March 31, 2012
Accumulated unrealized gains on available-for-sale securities, net of tax	$15,153	$8,916
Accumulated unrealized gains (losses) on hedging transactions, net of tax	2,403	(3,101)
Accumulated cumulative translation adjustment	1,016	1,449
Accumulated other comprehensive income	$18,572	$7,264

Note 15. Income Taxes

The Company recorded tax provisions of $14.6 million and $39.7 million for the second quarter and the first six months of fiscal 2013, respectively, representing effective tax rates of 11% and 14%, respectively. The Company recorded tax provisions of $20.0 million and $46.1 million for the second quarter and the first six months of fiscal 2012, respectively, representing effective tax rates of 14% for both periods.

The difference between the U.S. federal statutory tax rate of 35% and the Company's effective tax rate is primarily due to income earned in lower tax rate jurisdictions, for which no U.S. income tax has been provided, as the Company intends to permanently reinvest these earnings outside of the U.S.

The Company's total gross unrecognized tax benefits as of September 29, 2012, determined in accordance with FASB authoritative guidance for measuring uncertain tax positions, decreased by $977 thousand in the second quarter of fiscal 2013 to $64.7 million.

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The net decrease includes a $4.0 million reduction in positions for prior years as a result of a recent Tax Court ruling concerning the Federal research credit. Accordingly, certain aspects of the credit calculation were determined to meet the more likely than not threshold for recording an uncertain tax benefit. The total amount of unrecognized tax benefits that, if realized in a future period, would favorably affect the effective tax rate was $37.8 million as of September 29, 2012. It is reasonably possible that changes to our unrecognized tax benefits could be significant in the next twelve months due to tax audit settlements and lapses of statutes of limitation. As a result of uncertainties regarding tax audit settlements and their possible outcomes, an estimate of the range of increase or decrease that could occur in the next twelve months cannot be made.

The Company's policy is to include interest and penalties related to income tax liabilities within the provision for income taxes on the consolidated statements of income. The balance of accrued interest and penalties recorded in the condensed consolidated balance sheet as of September 29, 2012 was $803 thousand. The decrease of interest and penalties included in the Company's provision for income taxes totaled $135 thousand and $36 thousand, respectively, in the three and six months ended September 29, 2012.

The Company is no longer subject to U.S. federal audits by taxing authorities for years through fiscal 2008. The Company is no longer subject to U.S. state audits for years through fiscal 2004, except for fiscal years 1996 through 2001 which are still open for audit purposes. The Company is no longer subject to tax audits in Ireland for years through fiscal 2007.

Note 16. Commitments

Xilinx leases some of its facilities and office buildings under non-cancelable operating leases that expire at various dates through October 2021. Additionally, Xilinx entered into a land lease in conjunction with the Company's building in Singapore, which will expire in November 2035 and the lease cost was settled in an up-front payment in June 2006. Some of the operating leases for facilities and office buildings require payment of operating costs, including property taxes, repairs, maintenance and insurance. Most of the Company's leases contain renewal options for varying terms. Approximate future minimum lease payments under non-cancelable operating leases are as follows:

Fiscal years	(In thousands)
2013 (remaining six months)	$3,197
2014	4,924
2015	2,850
2016	1,384
2017	1,132
Thereafter	4,139
	$17,626

Aggregate future rental income to be received, which includes rents from both owned and leased property, totaled $5.1 million as of September 29, 2012. Rent expense, net of rental income, under all operating leases was $1.3 million and $2.1 million for the second quarter and the first six months of fiscal 2013, respectively. Rent expense, net of rental income, under all operating leases was $521 thousand and $1.6 million for the second quarter and the first six months of fiscal 2012, respectively. Rental income was not material for the second quarter and the first six months of fiscal 2013 or 2012.

Other commitments as of September 29, 2012 totaled $119.3 million and consisted of purchases of inventory and other non-cancelable purchase obligations related to subcontractors that manufacture silicon wafers and provide assembly and some test services. The Company expects to receive and pay for these materials and services in the next three to six months, as the products meet delivery and quality specifications. As of September 29, 2012, the Company also had $19.6 million of non-cancelable license obligations to providers of electronic design automation software and hardware/software maintenance expiring at various dates through March 2015.

The Company committed up to $5.0 million to acquire, in the future, rights to intellectual property until July 2023. License payments will be amortized over the useful life of the intellectual property acquired.

Note 17. Product Warranty and Indemnification

The Company generally sells products with a limited warranty for product quality. The Company provides an accrual for known product issues if a loss is probable and can be reasonably estimated. As of the end of the second quarter of fiscal 2013 and the end of fiscal 2012, the accrual balances of the product warranty liability were immaterial.

The Company offers, subject to certain terms and conditions, to indemnify certain customers and distributors for costs and damages

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awarded against these parties in the event the Company’s hardware products are found to infringe third-party intellectual property rights, including patents, copyrights or trademarks, and to compensate certain customers for limited specified costs they actually incur in the event our hardware products experience epidemic failure. To a lesser extent, the Company may from time-to-time offer limited indemnification with respect to its software products. The terms and conditions of these indemnity obligations are limited by contract, which obligations are typically perpetual from the effective date of the agreement. The Company has historically received only a limited number of requests for indemnification under these provisions and has not made any significant payments pursuant to these provisions. The Company cannot estimate the maximum amount of potential future payments, if any, that the Company may be required to make as a result of these obligations due to the limited history of indemnification claims and the unique facts and circumstances that are likely to be involved in each particular claim and indemnification provision. However, there can be no assurances that the Company will not incur any financial liabilities in the future as a result of these obligations.

Note 18. Contingencies

Patent Litigation

On December 28, 2007, a patent infringement lawsuit was filed by PACT XPP Technologies, AG (PACT) against the Company in the U.S. District Court for the Eastern District of Texas, Marshall Division (PACT XPP Technologies, AG. v. Xilinx, Inc. and Avnet, Inc. Case No. 2:07-CV-563). The lawsuit pertained to eleven different patents and PACT sought injunctive relief, damages including enhanced damages, interest and attorneys' fees. Nine of the 11 patents were dismissed from the case prior to trial. Trial commenced in the matter on May 14, 2012 and on May 18, 2012 the jury concluded its deliberations. The jury found five claims of the two patents held by PACT were valid and were willfully infringed by the Company. The jury awarded PACT the sum of $15.4 million as damages and royalties on past Xilinx sales. The presiding judge will decide the component for willful infringement at a future date which has not yet been determined, and such enhanced damages, including the willfulness component, could be as much as treble the $15.4 million jury verdict. In its post trial motions, the plaintiff has moved for attorneys' fees, an ongoing royalty for future sales of infringing products, pre- and post-judgment interest, and certain other relief. The Company intends to appeal the verdict and has filed motions for judgment as a matter of law.

On February 14, 2011, the Company filed a complaint for declaratory judgment of patent noninfringement and invalidity against Intellectual Ventures Management LLC and related entities (Intellectual Ventures) in the U.S. District Court for the Northern District of California. On September 30, 2011, the Company amended its complaint in this case to eliminate certain defendants and patents from the action (Xilinx, Inc. v. Intellectual Ventures I LLC and Intellectual Ventures II LLC, Case No CV11-0671). The lawsuit pertains to five patents and seeks judgments of non-infringement by Xilinx and judgments that the patents are invalid and unenforceable, as well as costs and attorneys' fees.

On February 15, 2011, Intellectual Ventures added the Company as a defendant in its complaint for patent infringement previously filed against Altera Corporation (Altera), Microsemi Corporation (Microsemi) and Lattice Semiconductor Corporation (Lattice) in the U.S. District Court for the District of Delaware (Intellectual Ventures I LLC and Intellectual Ventures II LLC v. Altera Corporation, Microsemi Corporation, Lattice Semiconductor Corporation and Xilinx, Inc., Case No. 10-CV-1065). The lawsuit pertains to five patents, four of which Xilinx is alleged to be infringing. Intellectual Ventures seeks unspecified damages, interest and attorneys' fees and the proceedings are in their early stages. The Company is unable to estimate its range of possible loss in this matter at this time.

On October 17, 2011, Xilinx filed a complaint for patent non-infringement and invalidity and violation of California Business and Professions Code Section 17200 in the U.S. District Court for the Northern District of California against

Intellectual Ventures and related entities as well as additional defendants (Xilinx, Inc. v. Intellectual Ventures, LLC. Intellectual Ventures Management, LLC, Detelle Relay KG, LLC, Roldan Block NY LLC, Latrosse Technologies LLC, TR Technologies Foundation LLC, Taichi Holdings, LLC, Noregin Assets N.V., LLC and Intellectual Venture Funding LLC Case No CV-04407). By order dated January 25, 2012, the Court granted with leave to amend defendants' motion to dismiss Xilinx's claim for violation of California Business and Professions Code section 17200. The Company has amended its complaint to remove the claim for violation of California Business and Professions Code section 17200. The remainder of the lawsuit pertains to seven patents and seeks judgments of non-infringement by Xilinx and judgments that the patents are invalid and unenforceable, as well as costs and attorneys' fees.

On March 23, 2012, a patent infringement lawsuit was filed by Advanced Processor Technologies LLC (APT) against the Company in the U.S. District Court for the Eastern District of Texas, Marshall Division (Advanced Processor Technologies LLC v. Xilinx, Inc., Case No. 2;12-CV-158). The lawsuit pertains to three patents and APT seeks royalties, injunctive relief and unspecified damages and the proceedings are in their early stages. The Company is unable to estimate its range of possible loss in this matter at this time.

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On May 30, 2012, a patent infringement lawsuit was filed by Semcon Tech, LLC (Semcon) against the Company in the United States District Court for the District of Delaware (Semcon Tech, LLC v. Xilinx, Inc., Case No. 1:12-CV-00691). The lawsuit pertains to one patent and Semcon seeks unspecified damages, costs and expenses and the proceedings are in their early stages. The Company is unable to estimate its range of possible loss in this matter at this time.

Other Matters

Except as stated above, there are no pending legal proceedings of a material nature to which the Company is a party or of which any of its property is the subject.

From time to time, the Company is involved in various disputes and litigation matters that arise in the ordinary course of its business. These include disputes and lawsuits related to intellectual property, mergers and acquisitions, licensing, contract law, tax, regulatory, distribution arrangements, employee relations and other matters. Periodically, the Company reviews the status of each matter and assesses its potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and a range of possible losses can be estimated, the Company accrues a liability for the estimated loss. Legal proceedings are subject to uncertainties, and the outcomes are difficult to predict. Because of such uncertainties, accruals are based only on the best information available at the time. As additional information becomes available, the company continues to reassess the potential liability related to pending claims and litigation and may revise estimates.

Note 19. Business Combination

During the second quarter of fiscal 2013, the Company purchased substantially all of the assets and assumed certain liabilities of Modesat Communications, a wireless mobile backhaul solutions company that specializes in the development of microwave modem solutions for the mobile backhaul market. This acquisition aligns with the Company's strategy to expand its new adjacent markets in communication infrastructure by delivering industry leading wireless backhaul solutions to the Company's top tier customers. The acquisition was accounted under the purchase method of accounting, and the aggregate financial impact was not material to the Company.

Note 20. Goodwill and Acquisition-Related Intangibles

As of September 29, 2012 and March 31, 2012, the gross and net amounts of goodwill and of acquisition-related intangibles for all acquisitions were as follows:

(In thousands)	September 29, 2012	March 31, 2012	Weighted-Average Amortization Life
Goodwill	$158,990	$149,538	
In-process research and development	$—	$4,000	
Core technology, gross	89,360	76,440	5.8 years
Less accumulated amortization	(49,834)	(46,051)	
Core technology, net	39,526	30,389	
Other intangibles, gross	46,516	46,206	2.7 years
Less accumulated amortization	(44,946)	(44,263)	
Other intangibles, net	1,570	1,943	
Total acquisition-related intangibles, gross	135,876	126,646	
Less accumulated amortization	(94,780)	(90,314)	
Total acquisition-related intangibles, net	$41,096	$36,332	

Amortization expense for acquisition-related intangible assets for the three and six months ended September 29, 2012 was $2.3 million and $4.5 million, respectively. Amortization expense for acquisition-related intangibles for the three and six months ended October 1, 2011 was $2.0 million and $3.6 million, respectively. Based on the carrying value of acquisition-related intangibles recorded as of September 29, 2012, and assuming no subsequent impairment of the underlying assets, the annual amortization expense for acquisition-related intangibles is expected to be as follows:

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Fiscal Year	(In thousands)
2013 (remaining six months)	$5,041
2014	9,542
2015	8,846
2016	8,244
2017	6,473
Thereafter	2,950
Total	$41,096

Note 21. Subsequent Event

On October 16, 2012, the Company's Board of Directors declared a cash dividend of $0.22 per common share for the third quarter of fiscal 2013. The dividend is payable on November 28, 2012 to stockholders of record on November 7, 2012.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The statements in this Management's Discussion and Analysis that are forward-looking, within the meaning of the Private Securities Litigation Reform Act of 1995, involve numerous risks and uncertainties and are based on current expectations. The reader should not place undue reliance on these forward-looking statements. Our actual results could differ materially from those anticipated in these forward-looking statements for many reasons, including those risks discussed under "Risk Factors" and elsewhere in this document. Often, forward-looking statements can be identified by the use of forward-looking words, such as "may," "will," "could," "should," "expect," "believe," "anticipate," "estimate," "continue," "plan," "intend," "project" and other similar terminology, or the negative of such terms. We disclaim any responsibility to update or revise any forward-looking statement provided in this Management's Discussion and Analysis for any reason.

Critical Accounting Policies and Estimates

The methods, estimates and judgments we use in applying our most critical accounting policies have a significant impact on the results we report in our consolidated financial statements. The SEC has defined critical accounting policies as those that are most important to the portrayal of our financial condition and results of operations and require us to make our most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, our critical accounting policies include: valuation of marketable securities, which impacts losses on debt and equity securities when we record impairments; revenue recognition, which impacts the recording of revenues; and valuation of inventories, which impacts cost of revenues and gross margin. Our critical accounting policies also include: the assessment of impairment of long-lived assets including acquisition-related intangibles, which impacts their valuation; the assessment of the recoverability of goodwill, which impacts goodwill impairment; accounting for income taxes, which impacts the provision or benefit recognized for income taxes, as well as, the valuation of deferred tax assets recorded on our consolidated balance sheet; and valuation and recognition of stock-based compensation, which impacts gross margin, research and development (R&D) expenses, and selling, general and administrative (SG&A) expenses. For more discussion please refer to "Item 7. Management's Discussion and Analysis of Financial condition and Results of Operations" included in our Form 10-K for the year ended March 31, 2012 filed with the SEC. We also have other key accounting policies that are not as subjective, and therefore, their application would not require us to make estimates or judgments that are as difficult, but which nevertheless could significantly affect our financial reporting.

Results of Operations: Second quarter and first six months of fiscal 2013 compared to the second quarter and first six months of fiscal 2012

The following table sets forth statement of income data as a percentage of net revenues for the periods indicated:

	Three Months Ended		Six Months Ended	
	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Net revenues	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenues	34.5	36.1	34.3	36.2
Gross margin	65.5	63.9	65.7	63.8
Operating expenses:				
Research and development	21.0	19.0	20.9	18.1
Selling, general and administrative	16.9	16.0	16.7	15.8
Amortization of acquisition-related intangibles	0.4	0.4	0.4	0.3
Restructuring charges	—	0.6	—	0.3
Total operating expenses	38.3	36.0	38.0	34.5
Operating income	27.2	27.9	27.7	29.3
Interest and other expense, net	1.8	1.6	1.7	1.4
Income before income taxes	25.4	26.3	26.0	27.9
Provision for income taxes	2.7	3.6	3.5	3.9
Net income	22.7 %	22.7 %	22.5 %	24.0 %

Net Revenues

We sell our products to global manufacturers of electronic products in end markets such as wired and wireless communications, aerospace and defense, industrial, scientific and medical and audio, video and broadcast. The vast majority of our net revenues

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are generated by sales of our semiconductor products, but we also generate sales from support products. We classify our product offerings into four categories: New, Mainstream, Base and Support Products. The composition of each product category is as follows:

- New Products include our most recent product offerings and include the Virtex®-7, Kintex™-7, Zynq™-7000, Artix™-7, Virtex-6 and Spartan®-6 product families.
- Mainstream Products include the Virtex-5, Spartan-3 and CoolRunner™-II product families.
- Base Products consist of our older product families including the Virtex-4, Virtex-II, Virtex-E, Virtex, Spartan-II, Spartan, CoolRunner and XC9500 products.
- Support Products include configuration products (PROMs), software, IP, customer training, design services and support.

These product categories, except for Support Products, are modified on a periodic basis to better reflect the maturity of the products and advances in technology. The most recent modification was made on April 1, 2012, which was the beginning of our fiscal 2013. The amounts for the prior periods presented have been reclassified to conform to the new categorization. New Products include our most recent product offerings and are typically designed into our customers' latest generation of electronic systems. Mainstream Products are generally several years old and designed into customer programs that are currently shipping in full production. Base Products are older than Mainstream Products with demand generated generally by the customers' oldest systems still in production. Support Products are generally products or services sold in conjunction with our semiconductor devices to aid customers in the design process.

Net revenues of $543.9 million in the second quarter of fiscal 2013 represented a 2% decrease from the comparable prior year period of $555.2 million. Net revenues from New Products increased significantly in the second quarter of fiscal 2013 versus the comparable prior year period, but were offset by declines from our Mainstream, Base and Support Products. One end customer accounted for 11% and 14% of our net revenues for the second quarter of fiscal 2013 and 2012, respectively. For the first six months of fiscal 2012, one end customer accounted for 11% of our net revenues. No end customer accounted for more than 10% of our net revenues for the first six months of fiscal 2013.

For the first six months of fiscal 2013, approximately 57% of our net revenues were from products sold to distributors for subsequent resale to original equipment manufacturers (OEMs) or their subcontract manufacturers. As of September 29, 2012, we had $68.3 million of deferred revenue and $20.3 million of deferred cost of revenues recognized as a net $48.0 million of deferred income on shipments to distributors. As of March 31, 2012, we had $90.0 million of deferred revenue and $23.0 million of deferred cost of revenues recognized as a net $67.0 million of deferred income on shipments to distributors. The deferred income on shipments to distributors that will ultimately be recognized in our consolidated statement of income will be different than the amount shown on the consolidated balance sheet due to actual price adjustments issued to the distributors when the product is sold to their end customers.

Net Revenues by Product

Net revenues by product categories for the second quarter and the first six months of fiscal 2013 and 2012 were as follows:

(In millions)	Three Months ended September 29, 2012	% Change	October 1, 2011	Six Months Ended September 29, 2012	% Change	October 1, 2011
New Products	$106.9	81	$59.0	$206.8	80	$115.2
Mainstream Products	259.6	(5)	274.2	512.9	(11)	575.1
Base Products	156.8	(21)	198.1	363.9	(15)	428.7
Support Products	20.6	(14)	23.9	43.1	(17)	51.7
Total net revenues	$543.9	(2)	$555.2	$1,126.7	(4)	$1,170.7

Net revenues from New Products increased significantly both in the second quarter and for the first six months of fiscal 2013 from the comparable prior year period. The increase was due to sales growth of our 40-nanometer (nm) Virtex-6, our 45-nm Spartan-6 product families and our 28-nm 7 Series and Zynq product lines. We expect sales of

New Products to continue to grow as more customer programs enter into volume production with our 40/45-nm products and as our 28-nm products continue their sales ramp.

Net revenues from Mainstream Products decreased both in the second quarter and the first six months of fiscal 2013 from the comparable prior year period. The decrease was largely due to the decline in sales of our Virtex-5 and Spartan-3 product families.

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Net revenues from Base Products decreased in the second quarter and the first six months of fiscal 2013 from the comparable prior year period. The decrease was mainly attributable to the decline in sales of our older products, in particular our Virtex-II and Virtex 4 product families. Additionally, the base product category declined due to completion of a product discontinuance program in the first quarter of fiscal 2013.
Net revenues from Support Products decreased in the second quarter and the first six months of fiscal 2013 compared to the prior year period. The decrease was due primarily to a decline in sales from our PROM products.

Net Revenues by End Markets

Our end market revenue data is derived from our understanding of our end customers' primary markets. On April 1, 2012, we modified our end market categories in two ways. First, Data Center customers were moved from the Data Processing category into the Communications category. Additionally, all end market categories were renamed to better reflect actual sales composition. Amounts for the prior periods presented have been reclassified to conform to the new categorization. Net revenues by end markets were reclassified into the following four categories: Communications and Data Center; Industrial, Aerospace and Defense; Broadcast, Consumer and Automotive; and Other. The percentage change calculation in the table below represents the year-to-year dollar change in each end market.
Net revenues by end markets for the second quarter and the first six months of fiscal 2013 and 2012 were as follows:

	Three Months Ended			Six Months Ended		
(% of total net revenues)	September 29, 2012	% Change in Dollars	October 1, 2011	September 29, 2012	% Change in Dollars	October 1, 2011
Communications and Data Center	49 %	5	46 %	47 %	(3)	46 %
Industrial, Aerospace and Defense	32	(8)	33	33	(7)	34
Broadcast, Consumer and Automotive	15	(5)	16	16	5	15
Other	4	(17)	5	4	(18)	5
Total net revenues	100 %	(2)	100 %	100 %	(4)	100 %

Net revenues from the Communications and Data Center end market increased in the second quarter, but decreased in the first six months of fiscal 2013 in terms of absolute dollars, compared to the prior year periods. The increase in the second quarter was due to stronger sales from both wired and wireless communication applications, and the decrease in the first six months of fiscal 2013 was driven by weaker sales in wired communications during the first quarter of fiscal 2013.
Net revenues from the Industrial, Aerospace & Defense end market decreased in both the second quarter and the first six months of fiscal 2013 versus the comparable prior year periods. The decreases were primarily due to a decline in sales from industrial, scientific and medical applications as well as defense applications.
Net revenues from the Broadcast, Consumer and Automotive end market decreased in the second quarter, but increased in the first six months of fiscal 2013 from the comparable prior year period. The decrease in net revenues in the second quarter of fiscal 2013 was due to a decline in sales from audio, video and broadcast, consumer, and automotive applications. The increase in net revenues in the first six months of fiscal 2013 was driven by increases in sales from audio, video and broadcast, and automotive applications.
Net revenues from the Other end market decreased in both the second quarter and the first six months of fiscal 2013 from the comparable prior year periods. The decreases were due primarily to weaker sales from computing and storage applications.
Net Revenues by Geography
Geographic revenue information reflects the geographic location of the distributors, OEMs or contract manufacturers who purchased our products. This may differ from the geographic location of the end customers. Net revenues by geography for the second quarter and the first six months of fiscal 2013 and 2012 were as follows:

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(In millions)	Three Months ended September 29, 2012	% Change	October 1, 2011	Six Months Ended September 29, 2012	% Change	October 1, 2011
North America	$153.1	(5)	$161.4	$325.7	(5)	$342.6
Asia Pacific	195.6	14	172.0	398.7	3	388.6
Europe	140.3	(13)	161.7	292.8	(9)	322.1
Japan	54.9	(9)	60.1	109.5	(7)	117.4
Total net revenues	$543.9	(2)	$555.2	$1,126.7	(4)	$1,170.7

Net revenues in North America decreased in the second quarter and the first six months of fiscal 2013 from the comparable prior year periods. The decreases were primarily due to weaker sales across most end markets including Communications & Data Center and Industrial, Aerospace & Defense.

Net revenues in Asia Pacific increased in the second quarter and the first six months of fiscal 2013 from the comparable prior year periods. The increases were primarily due to an increase in sales from the Communications and Data Center end market, particularly wireless communications applications.

Net revenues in Europe declined in the second quarter and the first six months of fiscal 2013 compared with the prior year periods. The decline was primarily due to decreased sales from the Communications and Data Center and Other end markets.

Net revenues in Japan declined in the second quarter and the first six months of fiscal 2013 compared with the prior year periods. The decline was primarily due to decreased sales in industrial, scientific, and medical applications.

Gross Margin

(In millions)	Three Months Ended September 29, 2012	Change	October 1, 2011	Six Months Ended September 29, 2012	Change	October 1, 2011
Gross margin	$356.2	— %	$354.6	$740.6	(1)%	$747.0
Percentage of net revenues	65.5 %		63.9 %	65.7 %		63.8 %

Gross margin was 1.6 and 1.9 percentage points higher, respectively, in the second quarter and in the first six months of fiscal 2013 from the comparable prior year periods. The gross margin increases in both periods were driven primarily by continued cost improvement, which was negatively offset, in part, by mix of products. New Products generally have lower gross margins than Mainstream and Base Products as they are in the early stage of their product life cycle and have higher unit costs associated with relatively lower volumes and early manufacturing maturity.

Gross margin may be affected in the future due to shifts in the mix of customers and products, competitive-pricing pressure, manufacturing-yield issues and wafer pricing. We expect to mitigate any adverse impacts from these factors by continuing to improve yields on our New Products and by improving manufacturing efficiencies.

In order to compete effectively, we pass manufacturing cost reductions to our customers in the form of reduced prices to the extent that we can maintain acceptable margins. Price erosion is common in the semiconductor industry, as advances in both product architecture and manufacturing process technology permit continual reductions in unit cost. We have historically been able to offset much of this revenue decline in our mature products with increased revenues from newer products.

Research and Development

(In millions)	Three Months Ended September 29, 2012	Change	October 1, 2011	Six Months Ended September 29, 2012	Change	October 1, 2011
Research and development	$113.9	8 %	$105.8	$235.3	11 %	$211.8
Percentage of net revenues	21 %		19 %	21 %		18 %

R&D spending increased $8.1 million, or 8%, for the second quarter of fiscal 2013 compared to the same period last year. For the first six months of fiscal 2013, R&D spending increased by $23.5 million, or 11%. The increases in both periods were primarily

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attributable to higher employee-related expenses (including stock-based compensation expense), mask and wafer expenses related to our 28-nm development activities during the current period.

We plan to continue to selectively invest in R&D efforts in areas such as new products and more advanced process development, IP cores and the development of new design and layout software. We may also consider acquisitions to complement our strategy for technology leadership and engineering resources in critical areas.

Selling, General and Administrative

(In millions)	Three Months Ended September 29, 2012	Change	October 1, 2011	Six Months Ended September 29, 2012	Change	October 1, 2011
Selling, general and administrative	$91.9	4 %	$88.7	$188.1	2 %	$185.1
Percentage of net revenues	17 %		16 %	17 %		16 %

SG&A expenses increased by $3.2 million during the second quarter of fiscal 2013 and by $3.0 million during the first six months of fiscal 2013 compared to the same periods last year. The increases were primarily due to higher employee-related expenses, including stock-based compensation expense, and were partially offset by reduction in outside sales commission due to lower revenues.

Amortization of Acquisition-Related Intangibles

(In millions)	Three Months Ended September 29, 2012	Change	October 1, 2011	Six Months Ended September 29, 2012	Change	October 1, 2011
Amortization of acquisition-related intangibles	$2.3	17 %	$2.0	$4.5	24 %	$3.6
Percentage of net revenues	— %		— %	— %		— %

Amortization expense for the three and six months ended September 29, 2012 increased compared to the same periods last year. The increases were primarily due to the impact of amortization of intangible assets obtained from the recent acquisitions in the second quarter of fiscal 2013.

Stock-Based Compensation

(In millions)	Three Months Ended September 29, 2012	Change	October 1, 2011	Six Months Ended September 29, 2012	Change	October 1, 2011
Stock-based compensation included in:						
Cost of revenues	$1.5	15 %	$1.3	$3.2	23 %	$2.6
Research and development	9.4	16 %	8.1	18.1	24 %	14.6
Selling, general and administrative	8.3	10 %	7.5	15.6	16 %	13.5
	$19.2	14 %	$16.9	$36.9	20 %	$30.7

The increases in stock-based compensation expense for the second quarter and the first six months of fiscal 2013 compared to the prior year periods were primarily related to higher expenses associated with restricted stock units, as we granted more restricted stock units at a higher fair value in the recent years. The higher expense from restricted stock units was partially offset by lower expenses related to stock option grants as we granted lower number of stock options in the current fiscal year.

The impact of forfeiture true up and forfeiture rate estimates in the first six months of fiscal 2013 and 2012 reduced stock-based compensation expense by $1.4 million and $6.6 million, respectively.

Interest and Other Expense, Net

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(In millions)	Three Months Ended September 29, 2012	Change	October 1, 2011	Six Months Ended September 29, 2012	Change	October 1, 2011
Interest and other expense, net	$10.0	16 %	$8.6	$19.7	20 %	$16.4
Percentage of net revenues	2 %		2 %	2 %		1 %

Our net interest and other expense increased by $1.4 million and $3.3 million, respectively for the second quarter and the first six months of fiscal 2013 compared to the same period last year. The increases were primarily due to higher losses related to foreign exchange hedging for the periods.

Provision for Income Taxes

(In millions)	Three Months Ended September 29, 2012	Change	October 1, 2011	Six Months Ended September 29, 2012	Change	October 1, 2011
Provision for income taxes	$14.6	(27)%	$20.0	$39.7	(14)%	$46.1
Percentage of net revenues	3 %		4 %	4 %		4 %
Effective tax rate	11 %		14 %	14 %		14 %

The effective tax rates in all periods reflected the favorable impact of foreign income at statutory rates less than the U.S. rate and tax credits earned.

The decrease in the effective tax rate in the second quarter of fiscal 2013 as compared to the prior year period was primarily attributable to a release of reserves for uncertain tax positions in fiscal 2013. The decrease was partially offset by an increase due to the expiration of the U.S. federal research tax credit on December 31, 2011. The effective tax rate remained flat for the first six months of fiscal year 2013 as compared to the same prior year period due to the release of reserves for uncertain tax positions in fiscal 2013 offset by the expiration of the credit in fiscal 2012 and by a change in the geographic mix of profit before tax.

Financial Condition, Liquidity and Capital Resources

We have historically used a combination of cash flows from operations and equity and debt financing to support ongoing business activities, acquire or invest in critical or complementary technologies, purchase facilities and capital equipment, repurchase our common stock and debentures under our repurchase program, pay dividends and finance working capital. Additionally, our investments in debt securities are available for future sale.

The combination of cash, cash equivalents and short-term and long-term investments as of September 29, 2012 and March 31, 2012 totaled $3.20 billion and $3.13 billion, respectively. As of September 29, 2012, we had cash, cash equivalents and short-term investments of $1.71 billion and working capital of $1.91 billion. As of March 31, 2012, cash, cash equivalents and short-term investments were $1.92 billion and working capital was $2.11 billion.

Operating Activities — During the first six months of fiscal 2013, our operations generated net positive cash flow of $360.3 million, which was $77.0 million lower than the $437.3 million generated during the second quarter of fiscal 2012. The positive cash flow from operations generated during the second quarter of fiscal 2013 was primarily from net income as adjusted for non-cash related items, decreases in deferred income taxes and prepaid expenses and other current assets, as well as an increase in accounts payables. These items were partially offset by decreases in deferred income on shipments to distributors and income taxes payable, as well as an increase in accounts receivable. Accounts receivable increased by $7.3 million and days sales outstanding (DSO) increased to 36 days at September 29, 2012 from 35 days at March 31, 2012 due to timing of shipments. Our inventory levels were $799 thousand lower at September 29, 2012 compared to March 31, 2012. Combined inventory days at Xilinx and distribution were 106 days at September 29, 2012 and March 31, 2012.

For the first six months of fiscal 2012, the net positive cash flow from operations was primarily from net income as adjusted for non-cash related items, decreases in accounts receivable, deferred income taxes, inventories, and other assets, as well as an increase in income taxes payable. These items were partially offset by decreases in deferred income on shipments to distributors and accounts payable, as well as an increase in prepaid expenses and other current assets.

Investing Activities — Net cash used in investing activities of $298.2 million during the first six months of fiscal 2013 consisted of net purchases of available-for-sale securities of $254.6 million, $27.6 million for other investing activities and $16.0 million for purchases of property, plant and equipment. Net cash used in investing activities of $838.5 million during the first six months of fiscal 2012 consisted of net purchases of available-for-sale securities of $772.6 million, $34.5 million for other investing activities and $31.4 million for purchases of property, plant equipment.

Financing Activities — Net cash used in financing activities was $255.8 million in the first six months of fiscal 2013 and consisted of $178.1 million of repurchase of common stocks and $115.3 million for dividend payments to stockholders, offset by $32.9 million of proceeds from the issuance of common stock under employee stock plans and $4.8 million for the excess tax benefit from stock-based compensation. For the comparable fiscal 2012 period, net cash used in financing activities was $218.2 million and consisted of $177.2 million of repurchase of common stocks and $100.8 million for dividend payments to stockholders, offset by $51.9 million proceeds from the issuance of common stock under employee stock plans and $7.9 million for the excess tax benefit from stock-based compensation.

Stockholders' equity increased $44.0 million during the first six months of fiscal 2013. The increase was primarily attributable to $253.3 million in net income for the first six months of fiscal 2013, $36.9 million of stock-based compensation, $32.9 million of issuance of common stock under employee stock plans and $11.3 million of other comprehensive income. The increase was partially offset by $178.1 million of repurchase of common stocks and $115.3 million of payment of dividends to stockholders.

Contractual Obligations

We lease some of our facilities, office buildings and land under non-cancelable operating leases that expire at various dates through October 2021. See "Note 15. Commitments" to our condensed consolidated financial statements, included in Part 1. "Financial Information," for a schedule of our operating lease commitments as of September 29, 2012 and additional information about operating leases.

Due to the nature of our business, we depend entirely upon subcontractors to manufacture our silicon wafers and provide assembly and some test services. The lengthy subcontractor lead times require us to order the materials and services in advance, and we are obligated to pay for the materials and services when completed. As of September 29, 2012, we had $119.3 million of outstanding inventory and other non-cancelable purchase obligations to subcontractors. We expect to receive and pay for these materials and services in the next three to six months, as the products meet delivery and quality specifications. As of September 29, 2012, we also had $19.6 million of non-cancelable license obligations to providers of electronic design automation software and hardware/software maintenance expiring at various dates through March 2015.

We committed up to $5.0 million to acquire, in the future, rights to intellectual property until July 2023. License payments will be amortized over the useful life of the intellectual property acquired.

In March 2007, we issued $1.00 billion principal amount of 3.125% Debentures. As a result of the repurchases in fiscal 2009, the remaining principal amount of the 3.125% Debentures as of September 29, 2012 was $689.6 million. The 3.125% Debentures require payment of interest semiannually on March 15 and September 15 of each year. In June 2010, we issued another $600.0 million principal amount of 2.625% Debentures. The 2.625% Debentures require payment of interest semiannually on June 15 and December 15 of each year. See "Note 10. Convertible Debentures and Revolving Credit Facility" to our condensed consolidated financial statements, included in Part 1. "Financial Information," for additional information about our debentures.

As of September 29, 2012, $15.7 million of liabilities for uncertain tax position and related interest and penalties were classified as long-term income taxes payable in the condensed consolidated balance sheet. Due to the inherent uncertainty with respect to the timing of future cash outflows associated with such liabilities, we are unable to reliably estimate the timing of cash settlement with the respective taxing authorities.

Off-Balance-Sheet Arrangements

As of September 29, 2012, we did not have any significant off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Liquidity and Capital Resources

Cash generated from operations is used as our primary source of liquidity and capital resources. Our investment portfolio is also available for future cash requirements as is our $250.0 million revolving credit facility entered into in December 2011 (expiring in December 2016). We are not aware of any lack of access to the revolving credit facility; however, we can provide no assurance that access to the credit facility will not be impacted by adverse conditions in the financial markets. Our credit facility is not reliant upon a single bank. There have been no borrowings to date under our existing revolving credit facility.

We repurchased 5.6 million shares of our common stock for $178.1 million during the first six months of fiscal 2013 (see "Note 11. Common Stock Repurchase Program" to our condensed consolidated financial statements, included in Part 1. "Financial Information," for additional information). We used $187.2 million of cash to repurchase 5.9 million shares of common stock during the first six months of fiscal 2012. During the first six months of fiscal 2013, we paid $115.3 million in cash dividends to stockholders, representing $0.44 per common share. During the first six months of fiscal 2012, we paid $100.8 million in cash dividends to stockholders, representing $0.38 per common share. On October 16, 2012, our Board of Directors declared a cash dividend of $0.22 per common share for the third quarter of fiscal 2013. The dividend is payable on November 28, 2012 to stockholders of

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record on November 7, 2012. Our common stock and debentures repurchase program and dividend policy could be impacted by, among other items, our views on potential future capital requirements relating to R&D, investments and acquisitions, legal risks, principal and interest payments on our debentures and other strategic investments.
The global credit crisis has caused exceptional levels of volatility and disruption in the capital markets, diminished liquidity and credit availability, and increased counterparty risk. Nevertheless, we anticipate that existing sources of liquidity and cash flows from operations will be sufficient to satisfy our cash needs for the foreseeable future. We will continue to evaluate opportunities for investments to obtain additional wafer capacity, to procure additional capital equipment and facilities, to develop new products, and to potentially acquire technologies or businesses that could complement our business. However, the risk factors discussed in Item 1A included in Part II. "Other Information" and below could affect our cash positions adversely. In addition, certain types of investments such as auction rate securities may present risks arising from liquidity and/or credit concerns. In the event that our investments in auction rate securities become illiquid, we do not expect this will materially affect our liquidity and capital resources or results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our exposure to interest rate risk relates primarily to our investment portfolio, which consists of fixed income securities with a fair value of approximately $2.97 billion as of September 29, 2012. Our primary aim with our investment portfolio is to invest available cash while preserving principal and meeting liquidity needs. Our investment portfolio includes municipal bonds, mortgage-backed securities, bank certificates of deposit, commercial paper, corporate bonds, student loan auction rate securities, U.S. and foreign government and agency securities and a debt mutual fund. In accordance with our investment policy, we place investments with high credit quality issuers and limit the amount of credit exposure to any one issuer based upon the issuer’s credit rating. These securities are subject to interest rate risk and will decrease in value if market interest rates increase. A hypothetical 100 basis-point (one percentage point) increase or decrease in interest rates compared to rates at September 29, 2012 would have affected the fair value of our investment portfolio by approximately $34.0 million.

Credit Market Risk

Since September 2007, the global credit markets have experienced adverse conditions that have negatively impacted the values of various types of investment and non-investment grade securities. During this time the global credit and capital markets experienced significant volatility and disruption due to instability in the global financial system, uncertainty related to global economic conditions and concerns regarding sovereign financial stability. Therefore, there is a risk that we may incur other-than-temporary impairment charges for certain types of investments should credit market conditions deteriorate. See "Note 5. Financial Instruments" to our condensed consolidated financial statements, included in Part 1. "Financial Information," for additional information about our investments.

Foreign Currency Exchange Risk

Sales to all direct OEMs and distributors are denominated in U.S. dollars.
Gains and losses on foreign currency forward contracts that are designated as hedges of anticipated transactions, for which a firm commitment has been attained and the hedged relationship has been effective, are deferred and included in income or expenses in the same period that the underlying transaction is settled. Gains and losses on any instruments not meeting the above criteria are recognized in income or expenses in the consolidated statements of income as they are incurred.

We enter into forward currency exchange contracts to hedge our overseas operating expenses and other liabilities when deemed appropriate. As of September 29, 2012 and March 31, 2012, we had the following outstanding forward currency exchange contracts (in notional amount):

(In thousands and U.S. dollars)	September 29, 2012	March 31, 2012
Singapore dollar	$60,969	$60,925
Euro	35,774	41,467

Indian Rupee	19,725	18,943
British Pound	13,136	14,250
Japanese Yen	12,026	11,076
	$141,630	$146,661

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As part of our strategy to reduce volatility of operating expenses due to foreign exchange rate fluctuations, we employ a hedging program with forward outlook of up to two years for major foreign-currency-denominated operating expenses. The outstanding forward currency exchange contracts expire at various dates between October 2012 and August 2014. The net unrealized gains or losses, which approximate the fair market value of the above contracts, were a net $2.4 million gain and a net $3.1 million loss as of September 29, 2012 and March 31, 2012, respectively.
Our investments in several of our wholly-owned subsidiaries are recorded in currencies other than the U.S. dollar. As the financial statements of these subsidiaries are translated at each quarter end during consolidation, fluctuations of exchange rates between the foreign currency and the U.S. dollar increase or decrease the value of those investments. These fluctuations are recorded within stockholders' equity as a component of accumulated other comprehensive income (loss). Other monetary foreign-denominated assets and liabilities are revalued on a monthly basis with gains and losses on revaluation reflected in net income. A hypothetical 10% favorable or unfavorable change in foreign currency exchange rates at September 29, 2012 would have affected the annualized foreign-currency-denominated operating expenses of our foreign subsidiaries by less than $9.0 million. In addition, a hypothetical 10% favorable or unfavorable change in foreign currency exchange rates compared to rates at September 29, 2012 would have affected the value of foreign-currency-denominated cash and investments by less than $5.0 million.

ITEM 4. CONTROLS AND PROCEDURES

We maintain a system of disclosure controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the U.S. Securities Exchange Act of 1934, as amended (Exchange Act), is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms. These controls and procedures are also designed to ensure that such information is accumulated and communicated to our management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as appropriate to allow timely decisions regarding required disclosure. Internal controls are procedures designed to provide reasonable assurance that: transactions are properly authorized; assets are safeguarded against unauthorized or improper use; and transactions are properly recorded and reported, to permit the preparation of our financial statements in conformity with generally accepted accounting principles.

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with its policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. We continuously evaluate our internal controls and make changes to improve them as necessary. Our intent is to maintain our disclosure controls as dynamic systems that change as conditions warrant.

An evaluation was carried out, under the supervision of and with the participation of our management, including our CEO and CFO, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a–15(e) and 15d–15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon the controls evaluation, our CEO and CFO have concluded that, as of the end of the period covered by this Form 10-Q, our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended September 29, 2012 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS
Patent Litigation

On December 28, 2007, a patent infringement lawsuit was filed by PACT against the Company in the U.S. District Court for the Eastern District of Texas, Marshall Division (PACT XPP Technologies, AG. v. Xilinx, Inc. and Avnet, Inc. Case No. 2:07-CV-563). The lawsuit pertained to eleven different patents and PACT sought injunctive relief, damages including enhanced damages, interest and attorneys' fees. Nine of the eleven patents were dismissed from the case prior to trial. Trial commenced in the matter on May 14, 2012 and on May 18, 2012 the jury concluded its deliberations. The jury found five claims of the two patents held by PACT were valid and were willfully infringed by the Company. The jury awarded PACT the sum of $15.4 million as damages and royalties on past Xilinx sales. The presiding judge will decide the component for willful infringement at a future date which has not yet been determined, and such enhanced damages, including the willfulness component, could be as much as treble the $15.4 million jury verdict. In its post-trial motions, the plaintiff has moved for attorneys' fees, an ongoing royalty for future sales of infringing products, pre- and post-judgment interest, and certain other relief. The Company intends to appeal the verdict and has filed motions for judgment as a matter of law.

On February 14, 2011, the Company filed a complaint for declaratory judgment of patent noninfringement and invalidity against Intellectual Ventures in the U.S. District Court for the Northern District of California. On September 30, 2011, the Company amended its complaint in this case to eliminate certain defendants and patents from the action (Xilinx, Inc. v. Intellectual Ventures I LLC and Intellectual Ventures II LLC, Case No CV11-0671). The lawsuit pertains to five patents and seeks judgments of non-infringement by Xilinx and judgments that the patents are invalid and unenforceable, as well as costs and attorneys' fees.

On February 15, 2011, Intellectual Ventures added the Company as a defendant in its complaint for patent infringement previously filed against Altera, Microsemi and Lattice in the U.S. District Court for the District of Delaware (Intellectual Ventures I LLC and Intellectual Ventures II LLC v. Altera Corporation, Microsemi Corporation, Lattice Semiconductor Corporation and Xilinx, Inc., Case No. 10-CV-1065). The lawsuit pertains to five patents, four of which Xilinx is alleged to be infringing. Intellectual Ventures seeks unspecified damages, interest and attorneys' fees and the proceedings are in their early stages. The Company is unable to estimate its range of possible loss in this matter at this time.

On October 17, 2011, Xilinx filed a complaint for patent non-infringement and invalidity and violation of California Business and Professions Code Section 17200 in the U.S. District Court for the Northern District of California against Intellectual Ventures and related entities as well as additional defendants (Xilinx, Inc. v. Intellectual Ventures, LLC. Intellectual Ventures Management, LLC, Detelle Relay KG, LLC, Roldan Block NY LLC, Latrosse Technologies LLC, TR Technologies Foundation LLC, Taichi Holdings, LLC, Noregin Assets N.V., LLC and Intellectual Venture Funding LLC Case No CV-04407). By order dated January 25, 2012, the Court granted with leave to amend defendants' motion to dismiss Xilinx's claim for violation of California Business and Professions Code section 17200. The Company has amended its complaint to remove the claim for violation of California Business and Professions Code section 17200. The remainder of the lawsuit pertains to seven patents and seeks judgments of non-infringement by Xilinx and judgments that the patents are invalid and unenforceable, as well as costs and attorneys' fees.

On March 23, 2012, a patent infringement lawsuit was filed by APT against the Company in the U.S. District Court for the Eastern District of Texas, Marshall Division (Advanced Processor Technologies LLC v. Xilinx, Inc., Case No. 2;12-CV-158). The lawsuit pertains to three patents and APT seeks royalties, injunctive relief and unspecified damages and the proceedings are in their early stages. The Company is unable to estimate its range of possible loss in this matter at this time.

On May 30, 2012, a patent infringement lawsuit was filed by Semcon against the Company in the United States District Court for the District of Delaware (Semcon Tech, LLC v. Xilinx, Inc., Case No. 1:12-CV-00691). The lawsuit pertains to one patent and Semcon seeks unspecified damages, costs and expenses and the proceedings are in their early stages. The Company is unable to estimate its range of possible loss in this matter at this time.

We intend to continue to protect and defend our IP vigorously.

Other Matters

From time to time, we are involved in various disputes and litigation matters that arise in the ordinary course of our business. These include disputes and lawsuits related to intellectual property, mergers and acquisitions, licensing, contract law, tax, regulatory, distribution arrangements, employee relations and other matters. Periodically, we review the status of each matter and assess its potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and a range of possible

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losses can be estimated, we accrue a liability for the estimated loss. Legal proceedings are subject to uncertainties, and the outcomes are difficult to predict. Because of such uncertainties, accruals are based only on the best information available at the time. As additional information becomes available, we continue to reassess the potential liability related to pending claims and litigation and may revise estimates.

ITEM 1A. RISK FACTORS

The following risk factors and other information included in this Quarterly Report on Form 10-Q should be carefully considered. The risks and uncertainties described below are not the only risks to the Company. Additional risks and uncertainties not presently known to the Company or that the Company’s management currently deems immaterial also may impair its business operations. If any of the risks described below were to occur, our business, financial condition, operating results and cash flows could be materially adversely affected.

There have been no material changes to our risk factors from those previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended March 31, 2012.

Our success depends on our ability to develop and introduce new products and failure to do so would have a material adverse impact on our financial condition and results of operations.

Our success depends in large part on our ability to develop and introduce new products that address customer requirements and compete effectively on the basis of price, density, functionality, power consumption and performance. The success of new product introductions is dependent upon several factors, including:

- timely completion of new product designs;
- ability to generate new design opportunities and design wins;
- availability of specialized field application engineering resources supporting demand creation and customer adoption of new products;
- ability to utilize advanced manufacturing process technologies on circuit geometries of 28-nm and smaller;
- achieving acceptable yields;
- ability to obtain adequate production capacity from our wafer foundries and assembly and test subcontractors;
- ability to obtain advanced packaging;
- availability of supporting software design tools;
- utilization of predefined IP of logic;
- customer acceptance of advanced features in our new products; and
- market acceptance of our customers' products.

Our product development efforts may not be successful, our new products may not achieve industry acceptance and we may not achieve the necessary volume of production that would lead to further per unit cost reductions. Revenues relating to our mature products are expected to decline in the future, which is normal for our product life cycles. As a result, we may be increasingly dependent on revenues derived from design wins for our newer products as well as anticipated cost reductions in the manufacture of our current products. We rely primarily on obtaining yield improvements and corresponding cost reductions in the manufacture of existing products, and on introducing new products that incorporate advanced features and other price/performance factors that enable us to increase revenues while maintaining consistent margins. To the extent that such cost reductions and new product introductions do not occur in a timely manner, or to the extent that our products do not achieve market acceptance at prices with higher margins, our financial condition and results of operations could be materially adversely affected.

We rely on independent foundries for the manufacture of all of our products and a manufacturing problem or insufficient foundry capacity could adversely affect our operations.

Most of our wafers are manufactured in Taiwan by United Microelectronics Corporation (UMC). In addition, the wafers for our older products are manufactured in Japan by Seiko Epson Corporation. The wafers for our newest products are manufactured in Taiwan by Taiwan Semiconductor Manufacturing Company Limited. Terms with respect to the volume and timing of wafer production and the pricing of wafers produced by the semiconductor foundries are determined by periodic negotiations between Xilinx and these wafer foundries, which usually result in short-term agreements that do not provide for long-term supply or allocation commitments. We are dependent on these foundries, especially UMC, which supplies the substantial majority of our wafers. We rely on UMC, TSMC and our other foundries to produce wafers with competitive performance attributes. Therefore, the foundries, particularly TSMC who manufactures our newest products, must be able to transition to advanced manufacturing process technologies and increased wafer sizes, produce wafers at acceptable yields and deliver them in a timely manner. We cannot guarantee that the foundries that supply our wafers will not experience manufacturing problems, including delays in the realization of advanced manufacturing process technologies or difficulties due to limitations of new and existing process technologies. Furthermore, we cannot guarantee the foundries will be able to manufacture sufficient quantities of our products or continue to manufacture a product for the full life of the product. In addition, weak economic conditions may adversely impact

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the financial health and viability of the foundries and result in their insolvency or their inability to meet their commitments to us. For example, in the first quarter of fiscal 2010, we experienced supply shortages due to the difficulties encountered by the foundries when they had to rapidly increase their production capacities from low utilization levels to high utilization levels because of an unexpected increase in demand. In the fourth quarter of fiscal 2010 and first nine months of fiscal 2011, we also experienced supply shortages due to very strong demand for our products and a surge in demand for semiconductors in general, which led to tightening of foundry capacity across the industry. The insolvency of a foundry or any significant manufacturing problem or insufficient foundry capacity would disrupt our operations and negatively impact our financial condition and results of operations.

We have established other sources of wafer supply for many of our products in an effort to secure a continued supply of wafers. However, establishing, maintaining and managing multiple foundry relationships require the investment of management resources as well as additional costs. If we do not manage these relationships effectively, it could adversely affect our results of operations.

General economic conditions and the related deterioration in the global business environment could have a material adverse effect on our business, operating results and financial condition.

During the past three years, global consumer confidence eroded amidst concerns over declining asset values, inflation, volatility in energy costs, geopolitical issues, the availability and cost of credit, rising unemployment, and the stability and solvency of financial institutions, financial markets, businesses and sovereign nations, among other concerns. These concerns slowed global economic growth and resulted in recessions in numerous countries, including many of those in North America, Europe and Asia. Recent events have shown that the financial condition of sovereign nations, particularly in Europe, are of continuing concern as the sovereign debt crisis remains unresolved. Recent events have also elevated concerns that macroeconomic conditions will worsen and economic recovery will be delayed. These weak economic conditions resulted in reduced customer demand and had a negative impact on our results of operations for the second and third quarter of fiscal 2012. If weak economic conditions persist or worsen, a number of negative effects on our business could continue, including customers or potential customers reducing or delaying orders, the insolvency of key suppliers, which could result in production delays, the inability of customers to obtain credit, and the insolvency of one or more customers. Any of these effects could impact our ability to effectively manage inventory levels and collect receivables and ultimately decrease our net revenues and profitability.

The semiconductor industry is characterized by cyclical market patterns and a significant industry downturn could adversely affect our operating results.

The semiconductor industry is highly cyclical and our financial performance has been affected by downturns in the industry. Down cycles are generally characterized by price erosion and weaker demand for our products. Weaker demand for our products resulting from economic conditions in the end markets we serve and reduced capital spending by our customers can result, and in the past has resulted, in excess and obsolete inventories and corresponding inventory write-downs. We attempt to identify changes in market conditions as soon as possible; however, the dynamics of the market in which we operate make prediction of and timely reaction to such events difficult. Due to these and other factors, our past results are not reliable predictors of our future results.

The nature of our business makes our revenues difficult to predict which could have an adverse impact on our business.

In addition to the challenging market conditions we may face, we have limited visibility into the demand for our products, particularly new products, because demand for our products depends upon our products being designed into our end customers' products and those products achieving market acceptance. Due to the complexity of our customers' designs, the design to volume production process for our customers requires a substantial amount of time, frequently longer than a year. In addition, we are dependent upon "turns," orders received and turned for shipment in the same quarter. These factors make it difficult for us to forecast future sales and project quarterly revenues. The difficulty in forecasting future sales impairs our ability to project our inventory requirements, which could result, and in the past has resulted, in inventory write-downs or failure to timely meet customer product demands in a timely manner. In addition, difficulty in forecasting revenues compromises our ability to provide forward-looking revenue and earnings guidance.

If we are not able to successfully compete in our industry, our financial results and future prospects will be adversely affected.

Our Programmable Logic Devices (PLDs) compete in the logic integrated circuits (IC) industry, an industry that is intensely competitive and characterized by rapid technological change, increasing levels of integration, product obsolescence and continuous price erosion. We expect increased competition from our primary PLD competitors, Altera, Lattice and Microsemi, and from new market entrants. In addition, competition from the application specific integrated circuits (ASIC) market and from the application specific standard products (ASSP) market continues. We believe that important competitive factors in the logic IC industry include:

- product pricing;
- time-to-market;
- product performance, reliability, quality, power consumption and density;
- field upgradeability;
- adaptability of products to specific applications;

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- ease of use and functionality of software design tools;
- availability and functionality of predefined IP logic;
- inventory and supply chain management;
- access to leading-edge process technology and assembly capacity; and
- ability to provide timely customer service and support.

Our strategy for expansion in the logic market includes continued introduction of new product architectures that address high-volume, low-cost and low-power applications as well as high-performance, high-density applications. However, we may not be successful in executing this strategy. In addition, we anticipate continued pricing pressure from our customers to reduce prices, which may outpace our ability to lower the cost for established products.

Other competitors include manufacturers of:

- high-density programmable logic products characterized by FPGA type architectures;
- high-volume and low-cost FPGAs as programmable replacements for ASICs and ASSPs;
- ASICs and ASSPs with incremental amounts of embedded programmable logic;
- high-speed, low-density complex programmable logic devices;
- high-performance digital signal processing devices;
- products with embedded processors;
- products with embedded multi-gigabit transceivers; and
- other new or emerging programmable logic products.

Several companies have introduced products that compete with ours or have announced their intention to sell PLD products. To the extent that our efforts to compete are not successful, our financial condition and results of operations could be materially adversely affected.

The benefits of programmable logic have attracted a number of competitors to this segment. We recognize that different applications require different programmable technologies, and we are developing architectures, processes and products to meet these varying customer needs. Recognizing the increasing importance of standard software solutions, we have developed common software design tools that support the full range of our IC products. We believe that automation and ease of design are significant competitive factors in this segment.

We could also face competition from our licensees. In the past we have granted limited rights to other companies with respect to certain of our older technology, and we may do so in the future. Granting such rights may enable these companies to manufacture and market products that may be competitive with some of our older products.

Increased costs of wafers and materials, or shortages in wafers and materials, could adversely impact our gross margins and lead to reduced revenues.

If greater demand for wafers is not offset by an increase in foundry capacity, market demand for wafers or production and assembly materials increases, or if a supplier of our wafers ceases or suspends operations, our supply of wafers and other materials could become limited. Such shortages raise the likelihood of potential wafer price increases, wafer shortages or shortages in materials at production and test facilities, resulting in potential inability to address customer product demands in a timely manner. For example, as a result of the March 2011 earthquake in Japan, certain suppliers were forced to temporarily halt production, resulting in a tightening of supply for those materials. Such shortages of wafers and materials as well as increases in wafer or materials prices could adversely affect our gross margins and would adversely affect our ability to meet customer demands and lead to reduced revenue.

We depend on distributors, primarily Avnet, to generate a majority of our sales and complete order fulfillment.

Resale of product through Avnet accounted for 44% of our worldwide net revenues in the second quarter of fiscal 2013, and as of September 29, 2012, Avnet accounted for 64% of our total net accounts receivable. Any adverse change to our relationship with Avnet or our remaining distributors could have a material impact on our business. Furthermore, if a key distributor materially defaults on a contract or otherwise fails to perform, our business and financial results would suffer. In addition, we are subject to concentrations of credit risk in our trade accounts receivable, which includes accounts of our distributors. A significant reduction of effort by a distributor to sell our products or a material change in our relationship with one or more distributors may reduce our access to certain end customers and adversely affect our ability to sell our products.

In addition, the financial health of our distributors and our continuing relationships with them are important to our success. Unpredictable economic conditions may adversely impact the financial health of some of these distributors, particularly our smaller distributors. This could result in the insolvency of certain distributors, the inability of distributors to obtain credit to finance the purchase of our products, or cause distributors to delay payment of their obligations to us and increase our credit risk exposure. Our business could be harmed if the financial health of these distributors impairs their performance and we are unable to secure alternate distributors.

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We are dependent on independent subcontractors for most of our assembly and test services, and unavailability or disruption of these services could negatively impact our financial condition and results of operations.

We are dependent on subcontractors to provide semiconductor assembly, substrate, test and shipment services. Any prolonged inability to obtain wafers with competitive performance and cost attributes, adequate yields or timely delivery, any disruption in assembly, test or shipment services, delays in stabilizing manufacturing processes and ramping up volume for new products, transitions to new service providers or any other circumstance that would require us to seek alternative sources of supply, could delay shipments and have a material adverse effect on our ability to meet customer demands. In addition, unpredictable economic conditions may adversely impact the financial health and viability of these subcontractors and result in their insolvency or their inability to meet their commitments to us. These factors would result in reduced net revenues and could negatively impact our financial condition and results of operations.

A number of factors, including our inventory strategy, can impact our gross margins.

A number of factors, including yield, wafer pricing, product mix, market acceptance of our new products, competitive pricing dynamics, geographic and/or market segment pricing strategies can cause our gross margins to fluctuate. In addition, forecasting our gross margins is difficult because a significant portion of our business is based on turns within the same quarter.

Our current inventory levels are higher than historical norms due to our decision to build ahead of a previously planned closure of a particular foundry process line at one of our foundry partners. In the event demand does not materialize, we may be subject to incremental obsolescence costs. In addition, future product cost reductions could have an increased impact on our inventory valuation, which would then impact our operating results.

Reductions in the average selling prices of our products could have a negative impact on our gross margins.

The average selling prices of our products generally decline as the products mature. We seek to offset the decrease in selling prices through yield improvement, manufacturing cost reductions and increased unit sales. We also continue to develop higher value products or product features that increase, or slow the decline of, the average selling price of our products. However, there is no guarantee that our ongoing efforts will be successful or that they will keep pace with the decline in selling prices of our products, which could ultimately lead to a decline in revenues and have a negative effect on our gross margins.

Because of our international business and operations, we are vulnerable to the economic conditions of the countries in which we operate and currency fluctuations could have a material adverse affect on our business and negatively impact our financial condition and results of operations.

In addition to our U.S. operations, we also have significant international operations, including foreign sales offices to support our international customers and distributors, our regional headquarters in Ireland and Singapore and an R&D site in India. In connection with the restructuring we announced in April 2009, our international operations grew as we relocated certain operations and administrative functions outside the U.S. Sales and operations outside of the U.S. subject us to the risks associated with conducting business in foreign economic and regulatory environments. Our financial condition and results of operations could be adversely affected by unfavorable economic conditions in countries in which we do significant business or by changes in foreign currency exchange rates affecting those countries. We derive over one-half of our revenues from international sales, primarily in the Asia Pacific region, Europe and Japan. Past economic weakness in these markets adversely affected revenues. Sales to all direct OEMs and distributors are denominated in U.S. dollars. While the recent movements of the Euro and Yen exchange rates against the U.S. dollar had no material impact to our business, increased volatility could impact our European and Japanese customers. Currency instability and volatility and disruptions in the credit and capital markets may increase credit risks for some of our customers and may impair our customers' ability to repay existing obligations. Increased currency volatility could also positively or negatively impact our foreign-currency-denominated costs, assets and liabilities. In addition, any devaluation of the U.S. dollar relative to other foreign currencies may increase the operating expenses of our foreign subsidiaries adversely affecting our results of operations. Furthermore, because we are increasingly dependent on the global economy, instability in worldwide economic environments occasioned, for example, by political instability, terrorist activity or U.S. or other military actions could adversely impact economic activity and lead to a contraction of capital spending by our customers. Any or all of these factors could adversely

affect our financial condition and results of operations in the future.
We are subject to the risks associated with conducting business operations outside of the U.S. which could adversely affect our business.
In addition to international sales and support operations and development activities, we purchase our wafers from foreign foundries and have our commercial products assembled, packaged and tested by subcontractors located outside the U.S. All of these activities are subject to the uncertainties associated with international business operations, including tax laws and regulations, trade barriers, economic sanctions, import and export regulations, duties and tariffs and other trade restrictions, changes in trade policies, anti-corruption laws, foreign governmental regulations, potential vulnerability of and reduced protection for IP, longer receivable collection periods and disruptions or delays in production or shipments, any of which could have a material adverse effect on our business, financial condition and/or operating results. Additional factors that could adversely affect us due to our international

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operations include rising oil prices and increased costs of natural resources. Moreover, our financial condition and results of operations could be affected in the event of political conflicts or economic crises in countries where our main wafer providers, end customers and contract manufacturers who provide assembly and test services worldwide, are located. Adverse change to the circumstances or conditions of our international business operations could have a material adverse effect on our business.

We are exposed to fluctuations in interest rates and changes in credit rating and in the market values of our portfolio investments which could have a material adverse impact on our financial condition and results of operations.

Our cash, short-term and long-term investments represent significant assets that may be subject to fluctuating or even negative returns depending upon interest rate movements, changes in credit rating and financial market conditions. Since September 2007, the global credit markets have experienced adverse conditions that have negatively impacted the values of various types of investment and non-investment grade securities. During this time, the global credit and capital markets have experienced significant volatility and disruption due to instability in the global financial system, uncertainty related to global economic conditions and concerns regarding sovereign financial stability.

Therefore, there is a risk that we may incur other-than-temporary impairment charges for certain types of investments should credit market conditions deteriorate or the underlying assets fail to perform as anticipated. Our future investment income may fall short of expectations due to changes in interest rates or if the decline in fair values of our debt securities is judged to be other than temporary. Furthermore, we may suffer losses in principal if we are forced to sell securities that have declined in market value due to changes in interest rates or financial market conditions.

Our failure to protect and defend our intellectual property could impair our ability to compete effectively.

We rely upon patent, copyright, trade secret, mask work and trademark laws to protect our intellectual property. We cannot provide assurance that such intellectual property rights can be successfully asserted in the future or will not be invalidated, violated, circumvented or challenged. From time to time, third parties, including our competitors, have asserted against us patent, copyright and other intellectual property rights to technologies that are important to us. Third parties may attempt to misappropriate our IP through electronic or other means or assert infringement claims against our indemnitees or us in the future. Such assertions by third parties may result in costly litigation, indemnity claims or other legal actions, and we may not prevail in such matters or be able to license any valid and infringed patents from third parties on commercially reasonable terms. This could result in the loss of our ability to import and sell our products or require us to pay costly royalties to third parties in connection with sales of our products. Any infringement claim, indemnification claim, or impairment or loss of use of our intellectual property could materially adversely affect our financial condition and results of operations.

Our ability to design and introduce new products in a timely manner is dependent upon third-party intellectual property.

In the design and development of new products and product enhancements, we rely on third-party intellectual property such as software development tools and hardware testing tools. Furthermore, certain product features may rely on intellectual property acquired from third parties. The design requirements necessary to meet future consumer demands for more features and greater functionality from semiconductor products may exceed the capabilities of the third-party intellectual property or development tools available to us. If the third-party intellectual property that we use becomes unavailable or fails to produce designs that meet consumer demands, our business could be adversely affected.

We rely on information technology systems, and failure of these systems to function properly or unauthorized access to our systems could result in business disruption.

We rely in part on various information technology (IT) systems to manage our operations, including financial reporting, and we regularly evaluate these systems and make changes to improve them as necessary. Consequently, we periodically implement new, or upgrade or enhance existing, operational and IT systems, procedures and controls. For example, in the third quarter of fiscal 2012 we upgraded the IT systems we use to manage our operations and record and report financial information, and in the past we simplified our supply chain and were required to make certain changes to our IT systems. Any delay in the implementation of, or disruption in the transition to, new or enhanced systems, procedures or controls, could harm our ability to record and report financial and management information on a timely and accurate basis. These systems are also subject to power and telecommunication outages or other general system failures. Failure of our IT systems or difficulties in managing them could result in business disruption. We also may be subject to unauthorized access to our IT systems through a security breach or attack. In the past there have been attempts by third parties to penetrate and or infect our network and systems with malicious software, in an effort to gain access to our network and systems. We seek to detect and investigate any security incidents and prevent their recurrence, but in some cases, we might be unaware of an incident or its magnitude and effects. Our business could be significantly harmed and we could be subject to third party claims in the event of such a security breach.

Earthquakes and other natural disasters could disrupt our operations and have a material adverse affect on our financial condition and results of operations.

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The independent foundries upon which we rely to manufacture our products, as well as our California and Singapore facilities, are located in regions that are subject to earthquakes and other natural disasters. UMC's foundries in Taiwan and Seiko's foundries in Japan and our assembly and test partners in Japan and other regions as well as many of our operations in California are centered in areas that have been seismically active in the recent past and some areas have been affected by other natural disasters such as typhoons. Any catastrophic event in these locations will disrupt our operations, including our manufacturing activities and our insurance may not cover losses resulting from such disruptions of our operations. This type of disruption could result in our inability to manufacture or ship products, thereby materially adversely affecting our financial condition and results of operations. For example, as a result of the March 2011 earthquake in Japan, production at the Seiko foundry at Sakata was halted temporarily, impacting production of some of our older devices. In addition, suppliers of wafers and substrates were forced to halt production temporarily. Disruption of operations at these foundries for any reason, including other natural disasters such as typhoons, tsunamis, volcano eruptions, fires or floods, as well as disruptions in access to adequate supplies of electricity, natural gas or water could cause delays in shipments of our products, and could have a material adverse effect on our results of operations. Furthermore, natural disasters can also indirectly impact us. For example, our customers' supply of other complimentary products may be disrupted by a natural disaster and may cause them to delay orders of our products.

If we are unable to maintain effective internal controls, our stock price could be adversely affected.

We are subject to the ongoing internal control provisions of Section 404 of the Sarbanes-Oxley Act of 2002 (the Act). Our controls necessary for continued compliance with the Act may not operate effectively at all times and may result in a material weakness disclosure. The identification of material weaknesses in internal control, if any, could indicate a lack of proper controls to generate accurate financial statements and could cause investors to lose confidence and our stock price to drop.

We compete with others to attract and retain key personnel, and any loss of, or inability to attract, such personnel would harm us.

We depend on the efforts and abilities of certain key members of management and other technical personnel. Our future success depends, in part, upon our ability to retain such personnel and attract and retain other highly qualified personnel, particularly product engineers. Competition for such personnel is intense and we may not be successful in hiring or retaining new or existing qualified personnel. From time to time we have effected restructurings which eliminate a number of positions. Even if such personnel are not directly affected by the restructuring effort, such terminations can have a negative impact on morale and our ability to attract and hire new qualified personnel in the future. If we lose existing qualified personnel or are unable to hire new qualified personnel, as needed, our business, financial condition and results of operations could be seriously harmed.

Unfavorable results of legal proceedings could adversely affect our financial condition and operating results.

From time to time we are subject to various legal proceedings and claims that arise out of the ordinary conduct of our business. Certain claims are not yet resolved, including those that are discussed under Item 1. "Legal Proceedings," included in Part II of this Form 10-Q, and additional claims may arise in the future. Results of legal proceedings cannot be predicted with certainty. Regardless of its merit, litigation may be both time-consuming and disruptive to our operations and cause significant expense and diversion of management attention and we may enter into material settlements to avoid these risks. Should we fail to prevail in certain matters, or should several of these matters be resolved against us in the same reporting period, we may be faced with significant monetary damages or injunctive relief against us that would materially and adversely affect a portion of our business and might materially and adversely affect our financial condition and operating results.

Our products could have defects which could result in reduced revenues and claims against us.

We develop complex and evolving products that include both hardware and software. Despite our testing efforts and those of our subcontractors, defects may be found in existing or new products. These defects may cause us to incur significant warranty, support and repair or replacement costs, divert the attention of our engineering personnel from our product development efforts and harm our relationships with customers. Subject to certain terms and conditions, we have agreed to compensate certain customers for limited specified costs they actually incur in the event our hardware products experience epidemic failure. As a result, epidemic failure and other performance problems could

result in claims against us, the delay or loss of market acceptance of our products and would likely harm our business. Our customers could also seek damages from us for their losses.
In addition, we could be subject to product liability claims. A product liability claim brought against us, even if unsuccessful, would likely be time-consuming and costly to defend. Product liability risks are particularly significant with respect to aerospace, automotive and medical applications because of the risk of serious harm to users of these products. Any product liability claim, whether or not determined in our favor, could result in significant expense, divert the efforts of our technical and management personnel, and harm our business.
In preparing our financial statements, we make good faith estimates and judgments that may change or turn out to be erroneous.
In preparing our financial statements in conformity with accounting principles generally accepted in the U.S., we must make

estimates and judgments in applying our most critical accounting policies. Those estimates and judgments have a significant impact on the results we report in our consolidated financial statements. The most difficult estimates and subjective judgments that we make concern valuation of marketable and non-marketable securities, revenue recognition, inventories, long-lived assets including acquisition-related intangibles, goodwill, taxes and stock-based compensation. We base our estimates on historical experience, input from outside experts and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We also have other key accounting policies that are not as subjective, and therefore, their application would not require us to make estimates or judgments that are as difficult, but which nevertheless could significantly affect our financial reporting. Actual results may differ materially from these estimates. If these estimates or their related assumptions change, our operating results for the periods in which we revise our estimates or assumptions could be adversely and perhaps materially affected.

Our failure to comply with the requirements of the International Traffic and Arms Regulations could have a material adverse effect on our financial condition and results of operations.

Certain Xilinx space-grade FPGAs and related technologies are subject to the International Traffic in Arms Regulations (ITAR), which are administered by the U.S. Department of State. The ITAR governs the export and reexport of these FPGAs, the transfer of related technical data and the provision of defense services, as well as offshore production, test and assembly. We are required to maintain an internal compliance program and security infrastructure to meet ITAR requirements.

An inability to obtain the required export licenses, or to predict when they will be granted, increases the difficulties of forecasting shipments. In addition, security or compliance program failures that could result in penalties or a loss of export privileges, as well as stringent ITAR licensing restrictions that may make our products less attractive to overseas customers, could have a material adverse effect on our business, financial condition and/or operating results.

Our inability to effectively control the sale of our products on the gray market could have a material adverse effect on us.

We market and sell our products directly to OEMs and through authorized third-party distributors which helps to ensure that products delivered to our customers are authentic and properly handled. From time to time, customers may purchase products bearing our name from the unauthorized "gray market." These parts may be counterfeit, salvaged or re-marked parts, or parts that have been altered, mishandled, or damaged. Gray market products result in shadow inventory that is not visible to us, thus making it difficult to forecast supply or demand. Also, when gray market products enter the market, we and our authorized distributors may compete with brokers of these discounted products, which can adversely affect demand for our products and negatively impact our margins. In addition, our reputation with customers may be negatively impacted when gray market products bearing our name fail or are found to be substandard.

Considerable amounts of our common shares are available for issuance under our equity incentive plans and convertible debentures, and significant issuances in the future may adversely impact the market price of our common shares.

As of September 29, 2012 we had 2.00 billion authorized common shares, of which 260.8 million shares were outstanding. In addition, 47.3 million common shares were reserved for issuance pursuant to our equity incentive plans and Employee Stock Purchase Plan, 43.2 million common shares were reserved for issuance upon conversion or repurchase of the convertible debentures and 19.8 million common shares were reserved for issuance upon exercise of warrants. The availability of substantial amounts of our common shares resulting from the exercise or settlement of equity awards outstanding under our equity incentive plans or the conversion or repurchase of convertible debentures using common shares, which would be dilutive to existing stockholders, could adversely affect the prevailing market price of our common shares and could impair our ability to raise additional capital through the sale of equity securities.

We have indebtedness that could adversely affect our financial position and prevent us from fulfilling our debt obligations.

The aggregate amount of our consolidated indebtedness as of September 29, 2012 was $1.29 billion (principal amount). We also may incur additional indebtedness in the future. Our indebtedness may:

- make it difficult for us to satisfy our financial obligations, including making scheduled principal and interest payments on the debentures and our other indebtedness;
- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions or other general corporate purposes;
- limit our ability to use our cash flow or obtain additional financing for future working capital, capital expenditures, acquisitions or other general business purposes;
- require us to use a portion of our cash flow from operations to make debt service payments;
- limit our flexibility to plan for, or react to, changes in our business and industry;

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- place us at a competitive disadvantage compared to our less leveraged competitors;
- increase our vulnerability to the impact of adverse economic and industry conditions; and
- require us to repatriate off-shore cash to the U.S. at unfavorable tax rates.

Our ability to meet our debt service obligations will depend on our future performance, which will be subject to financial, business and other factors affecting our operations, many of which are beyond our control.

The call options and warrant transactions related to our 2.625% Debentures may affect the value of the debentures and our common stock.

To hedge against potential dilution upon conversion of the 2.625% Debentures, we purchased call options on our common stock from the hedge counterparties. We also sold warrants to the hedge counterparties, which could separately have a dilutive effect on our earnings per share to the extent that the market price per share of our common stock exceeds the applicable strike price of the warrants of $42.91 per share.

As the hedge counterparties and their respective affiliates modify hedge positions, they may enter or unwind various derivatives with respect to our common stock and/or purchase or sell our common stock in secondary market transactions. This activity also could affect the market price of our common stock and/or debentures, which could affect the ability of the holders of the debentures to convert and the number of shares and value of the consideration that will be received by the holders of the debentures upon conversion.

The conditional conversion features of the outstanding debentures, if triggered, may adversely affect our financial condition and operating results.

Our outstanding debentures have conditional conversion features. In the event the conditional conversion features of the debentures are triggered, holders of such debentures will be entitled to convert the debentures at any time during specified periods at their option. If one or more holders elect to convert their debentures, we would be required to settle any converted principal through the payment of cash, which could adversely affect our liquidity. Even if holders do not elect to convert their debentures, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the debentures as a current rather than long-term liability, which would result in a material reduction of our net working capital. In addition, we could be required to increase the number of shares used in our per share calculations to reflect the potentially dilutive impact of the conversion.

Acquisitions and strategic investments present risks, and we may not realize the goals that were contemplated at the time of a transaction.

We recently acquired technology companies whose products complement our products, and in the past we have made a number of strategic investments in other technology companies. We may make similar acquisitions and strategic investments in the future. Acquisitions and strategic investments present risks, including:

- our ongoing business may be disrupted and our management's attention may be diverted by investment, acquisition, transition or integration activities;
- an acquisition or strategic investment may not further our business strategy as we expected, and we may not integrate an acquired company or technology as successfully as we expected;
- our operating results or financial condition may be adversely impacted by claims or liabilities that we assume from an acquired company or technology or that are otherwise related to an acquisition;
- we may have difficulty incorporating acquired technologies or products with our existing product lines;
- we may have higher than anticipated costs in continuing support and development of acquired products, in general and administrative functions that support such products;
- our strategic investments may not perform as expected; and
- we may experience unexpected changes in how we are required to account for our acquisitions and strategic investments pursuant to U.S. GAAP.

The occurrence of any of these risks could have a material adverse effect on our business, results of operations, financial condition or cash flows, particularly in the case of a larger acquisition or several concurrent acquisitions or strategic investments.

The conflict minerals provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act could result in additional costs and liabilities.

In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC established new disclosure and reporting requirements for those companies who use "conflict" minerals mined from the Democratic Republic of Congo and adjoining countries in their products, whether or not these products are manufactured by third parties. These new requirements could affect the sourcing and availability of minerals used in the manufacture of our semiconductor products. There will also be

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costs associated with complying with the disclosure requirements, including for due diligence in regard to the sources of any conflict minerals used in our products, in addition to the cost of remediation and other changes to products, processes, or sources of supply as a consequence of such verification activities.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On June 3, 2010, the Board authorized the repurchase of up to $500.0 million of common stock through the 2010 Repurchase Program. On August 13, 2012, the Board authorized the repurchase of an additional $750.0 million of common stock and debentures through the 2012 Repurchase Program. The shares authorized for purchase under the new plan are in addition to the shares that may yet be purchased under the 2010 Repurchase Program. The 2010 and the 2012 Repurchase Programs have no stated expiration date. Through September 29, 2012, the Company had used $491.0 million out of the $500.0 million authorized under the 2010 Repurchase Program, and none of the $750.0 million authorized under the 2012 Repurchase Program, leaving $759.0 million available for future purchases.

The following table summarizes the Company's repurchase of its common stock during the second quarter of fiscal 2013:

(In thousands, except per share amounts)

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs
July 1, 2012 to August 4, 2012	2,487	$31.79	2,487	$9,038
August 5, 2012 to September 1, 2012	—	$—	—	$759,038
September 2, 2012 to September 29, 2012	—	$—	—	$759,038
Total for the Quarter	2,487		2,487	

ITEM 6. EXHIBITS

10.19	Retirement Agreement between Xilinx, Inc. and Vincent F. Ratford dated July 16, 2012
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

Items 3, 4 and 5 are not applicable and have been omitted.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

XILINX, INC.

Date: November 2, 2012

/s/ Jon A. Olson
Jon A. Olson
Senior Vice President, Finance
and Chief Financial Officer
(as principal accounting and financial
officer and on behalf of Registrant)