

to our stockholders, customers and employees

INCREASING STOCKHOLDER VALUE

The growing adoption of programmable logic solutions across a broad base of end markets worldwide continues to drive sales growth for Xilinx.

In fiscal 2007, Xilinx achieved record revenues of \$1.84 billion, up 7% from \$1.73 billion in fiscal 2006 but lower than we had expected. While the year started off on a strong note, excess inventories throughout the supply chain and a slowdown in the telecommunications market resulted in weaker sales in the second half of the year. Gross margin for the fiscal year remained healthy at 61%. In fiscal 2007, Xilinx began expensing stock options. Including stock-based compensation expense, operating profit declined 16% to \$348 million. Excluding stock-based compensation expense, operating profit increased 6% in fiscal 2007. Fiscal 2007 operating profit was also impacted by increased research and development investment associated with 65-nanometer (nm) product development as well as continued investment in digital signal processing (DSP) and embedded processing solutions.

Improved return on equity and reduced inventories in fiscal 2007 contributed to

a solid balance sheet and we exited the year generating a record \$552 million in cash flow from operations, up from \$489 million in fiscal 2006.

Xilinx returned more cash to stockholders in fiscal 2007 than ever before. We raised our dividend to nearly a 2% dividend yield, among the highest in the semiconductor industry and an increase of 140% from the first dividend we announced in the first quarter of fiscal 2005. Additionally, we embarked on the most aggressive stock buyback program in our history, repurchasing more than 55 million shares of our stock during the year and reducing our net cash balance to under \$1.00 billion.

IMPROVED EXECUTION

Last year, we highlighted the importance of innovation to our Company's success. Equally important is our ability to deliver quality products to the marketplace on time.

During fiscal 2007, we improved our product development process as well as our new product introduction methodology. Incorporating a broader base of customer feedback, designing our chips for more seam-

less manufacturability and improving product quality are just a few of the improvements.

Heightened focus on product introduction and manufacturing efficiency contributed to the successful rollout of our 65-nm Virtex™-5 family of domain-optimized field programmable gate arrays (FPGAs). Xilinx is currently shipping three of four platforms, Virtex-5 LX, Virtex-5 LXT and Virtex-5 SXT with Virtex-5 FXT shipments scheduled for later in fiscal 2008.

The rapid introduction of our Virtex-5 family has been one of our most successful product launches to date, enabling Xilinx to be the first programmable logic device (PLD) company to introduce 65-nm technology. Sales from our Virtex-5 family approached \$5 million in the fourth quarter of fiscal 2007. We estimate that we currently supply nearly 100% of the 65-nm PLD market, an accomplishment enabled by our competitive lead.

SUCCESSFUL DIVERSIFICATION

Our ongoing efforts to diversify into new end markets and applications are reflected in the sales growth of

the Consumer & Automotive and Industrial & Other end markets. Combined sales from these end markets increased 21% during the fiscal year representing 45% of our total net revenues, up from 40% in the prior fiscal year and up from 12% five years ago. We continue to forge new applications within the defense, audio, video, broadcast, automotive, scientific and medical end markets.

Much of this growth is attributable to the success of our high-volume Spartan™ family, which represented 25% of Xilinx's total net revenues in fiscal 2007, up from 11% five years ago. Our low-cost Spartan FPGAs, including the 90-nm Spartan-3 families, are being designed into various high-volume products such as digital video recorders, plasma displays and automotive infotainment systems.

Our complex programmable logic devices (CPLDs) are also fueling end market diversification due to their competitive pricing, flex-

ibility and low power. High volume CPLD designs include handsets, GPS navigation systems and MP3 players. Our CPLD sales increased 11% in fiscal 2007 over the previous fiscal year and represented 9% of our total net revenues.

Growth in new end markets enabled Xilinx to expand its total PLD market segment share. According to iSuppli, an independent market research firm, Xilinx's PLD segment share increased to 51% during calendar year 2006, up from 50% in calendar year 2005 and up from 44% five years ago. Xilinx has either gained or maintained PLD market share every calendar year for the past ten years. Consumption of PLDs in the Consumer & Automotive and Industrial & Other end markets is expected to outpace that of the traditional end markets such as Communications and Data Processing and we expect to continue to benefit from successful penetration into these key end markets.

THE YEAR AHEAD

I am pleased with the progress we made in fiscal 2007 and believe our accomplishments will provide a solid foundation for us as we enter fiscal 2008. Xilinx's early and successful rollout of 65-nm technology has enabled us to augment our competitive lead. Our focused diversification strategy is transforming PLDs into a pervasive, mainstream technology found throughout the electronic world. Finally, our cash management strategy demonstrates a firm commitment to returning stockholder value and sets us apart from many others in the semiconductor industry.

As always, we would like to thank our stockholders, customers, employees and partners for their continued support and dedication.



Willem P. Roelandts

*President, Chief Executive Officer and
Chairman of the Board of Directors*