

# 2006 ANNUAL REPORT & PROXY



new ideas



strong results



new markets



## new ideas

Innovation has always been at the core of Xilinx culture and is best reflected in the success of our new products.



## strong results

Xilinx achieved record revenues of \$1.73 billion in fiscal 2006 and continues to benefit from a very stable and profitable business model.



## new markets

Xilinx continues to execute on its strategy to expand the use of PLDs to new customers in new end markets throughout the world.

## Financial Highlights

<i>(In Thousands)</i>	FY 2006	FY 2005	Change
Net Revenues	\$ 1,726,250	\$ 1,573,233	10%
Operating Income	\$ 412,062	\$ 372,040	11%
Net Income	\$ 354,149	\$ 312,723	13%
Cash and Investments	\$ 1,601,213	\$ 1,628,154	-2%
Net Revenues per Employee	\$ 546	\$ 530	3%
<b>NET REVENUES BY END MARKETS</b>			
<i>(Percent of Total Net Revenues)</i>			
Communications	49%	50%	
Storage and Servers	11%	14%	
Consumer, Automotive, Industrial and Other	40%	36%	
<b>NET REVENUES BY GEOGRAPHY</b>			
<i>(Percent of Total Net Revenues)</i>			
North America	41%	42%	
Europe	20%	21%	
Japan	15%	14%	
Asia Pacific / Rest of World	24%	23%	

## To Our Stockholders, Customers and Employees

### STRONG FINANCIAL RESULTS

#### *Record Revenues*

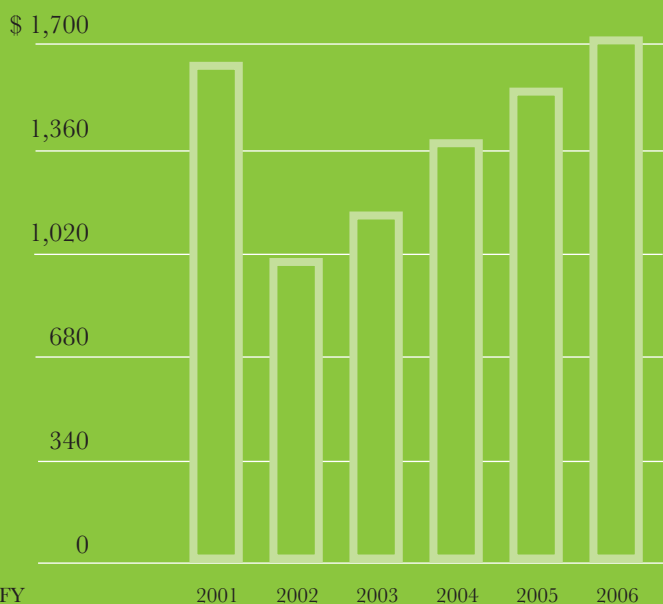
Fiscal 2006 was a solid year for Xilinx in many areas. We achieved record revenues of \$1.73 billion in fiscal 2006, up from \$1.57 billion in fiscal 2005, representing a year-over-year increase of 10%. Operating profit for the year grew 11% to \$412 million, up from \$372 million in fiscal 2005 and net income increased 13% to \$354 million in fiscal 2006, up from \$313 million in fiscal 2005. Gross margin for the fiscal year was within our corporate target at a healthy 61.9%.

As evidenced by our strong financial results, Xilinx continues to enjoy a stable and profitable business model. Cash flow from operations totaled \$489 million in fiscal 2006, up from \$275 million in fiscal 2005. During the fiscal year, we generated \$422 million in free cash flow compared with \$214 million in fiscal 2005 and we ended the year with \$1.6 billion in cash and investments.

Solid cash flow generation enabled us to increase our quarterly dividend payment for the second year in a row by two cents to \$0.09 per share beginning in the first quarter of fiscal 2007. Xilinx remains the only pure-play Programmable Logic Device (PLD) company to pay a dividend. We are also committed to our stock repurchase

### Xilinx Net Revenues

Dollars in Millions



Source: Xilinx

program and purchased 15 million shares of our stock in fiscal 2006 at a total cost of \$400 million, an increase of 196% from \$135 million spent in fiscal 2005. In February of this year, our Board of Directors approved an additional stock repurchase program of up to \$600 million. The increase in our dividend and stock repurchase program reflects our ongoing commitment to return value to stockholders as well as confidence in our long-term growth prospects.

#### *Market Segment Share Leadership*

According to iSuppli, an independent market research firm, Xilinx outgrew the overall PLD industry in calendar year 2005, exiting the year with an estimated 50% PLD market segment share, up slightly from last year's segment share and up considerably from 38% segment share five years ago. According to independent market research firms, Xilinx has captured more segment share since 1999 than any other PLD company and we remain larger than all other PLD companies combined. We believe this is a result of our commitment to deliver world class PLD solutions to the market.

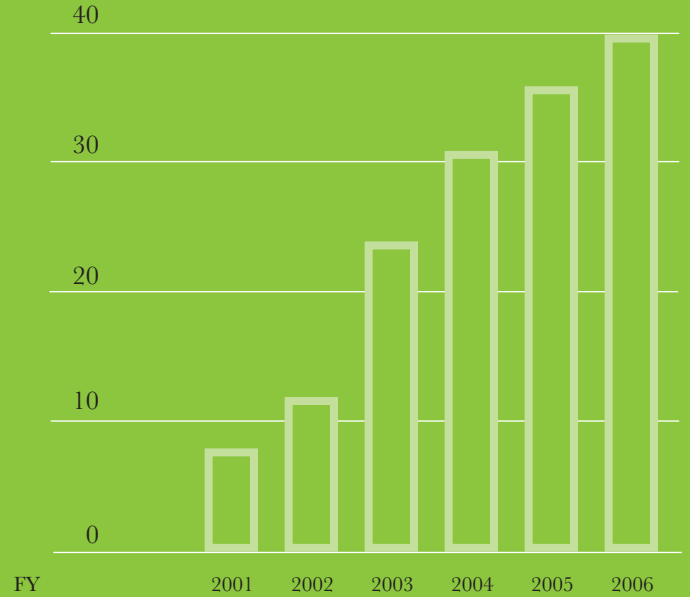
We are confident that our current product portfolio, broad-base of IP offerings and leading edge software solutions position us to capitalize on future growth opportunities enabling additional market segment share gains.<sup>1</sup>

## NEW MARKETS

We are executing well on our strategy to expand the use of PLDs beyond our traditional end markets and we continue to enjoy growing acceptance of our products with new customers in new end markets throughout the world.

## Consumer, Automotive, Industrial & Other

Percent of Total Net Revenues



Source: Xilinx

#### *Broad Customer Base*

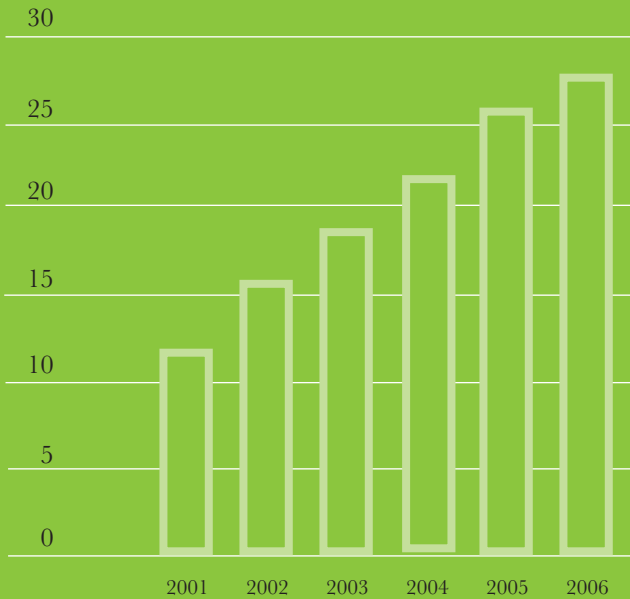
Due to the universal nature of PLDs, Xilinx has always had a broad base of customers. The widespread adoption of our solutions has enabled our customer base to increase steadily over the past five years and we now have more than 21,000 customers, up from 15,000 five years ago. Our products appeal to a diverse and stable base of customers across a broad range of geographies and end markets.

#### *Growth in Asia Pacific Region*

Our geographic diversification is best reflected by the growth of our revenues in the Asia Pacific region. In fiscal 2006, revenues from the Asia

## CPLD Market Segment Share

Percent



Source: Xilinx Estimates

Pacific/Rest of World region accounted for nearly 24% of Xilinx's total net revenues, up from 23% in fiscal 2005 and up from 8% five years ago.

To address the growing demand from countries in the Asia Pacific region such as China, Korea and India, we have taken steps to expand our presence abroad. In China, we invested in additional sales resources through an acquisition and currently have six sales offices in mainland China. We also established a sales office in Bangalore to better serve our customers in India. In addition, we increased our presence at our Asian headquarters in Singapore to provide better customer support through local customer service, supply chain and pricing management.

By increasing our commitment to the Asia Pacific market, we are reinforcing our industry leadership position and enhancing our ability to meet the high demand for programmable logic solutions across the region.

### *Growth in Consumer, Automotive, Industrial and Other End Markets*

Xilinx continues to expand its serviceable market by delivering new technologies and more cost-effective products enabling additional design wins in new end markets.

Our success in penetrating these markets is evidenced by our growth in the consumer, automotive, industrial and other end markets. For fiscal 2006, revenues from products sold to customers within these markets grew approximately 21% over the previous year and represented approximately 40% of our total net revenues compared with 8% five years ago.

We expect to continue to benefit from a number of dynamics occurring in these markets including increased time to market pressure, proliferation of standards and strong demand for connectivity.

## INNOVATION

Our solid financial performance and our success in diversification would not have been possible without our strong commitment to innovation, which has always been at the core of Xilinx culture. We believe that the constant pursuit of innovation ensures our long-term success and is best reflected in the success of our products.

*Spartan™ Field Programmable  
Gate Arrays (FPGAs)*

With \$1.5 billion in cumulative revenues through fiscal 2006, the Spartan series represented 24% of Xilinx's total net revenues in fiscal 2006, up from 8% five years ago. Based on its industry-leading performance and low price points, the Spartan series has been broadly adopted in high-volume applications such as digital television, low-cost networking, automotive telematics and computer peripherals.

Our third 90nm Spartan family, Spartan-3E, began shipping in volume this year. The Spartan-3E family is significant in that it heralded a new phase in the FPGA industry where low-cost FPGA families are now tailored to address specific market needs rather than one size fits all. This family, for example, is optimized to deliver more logic per dollar than any other PLD.

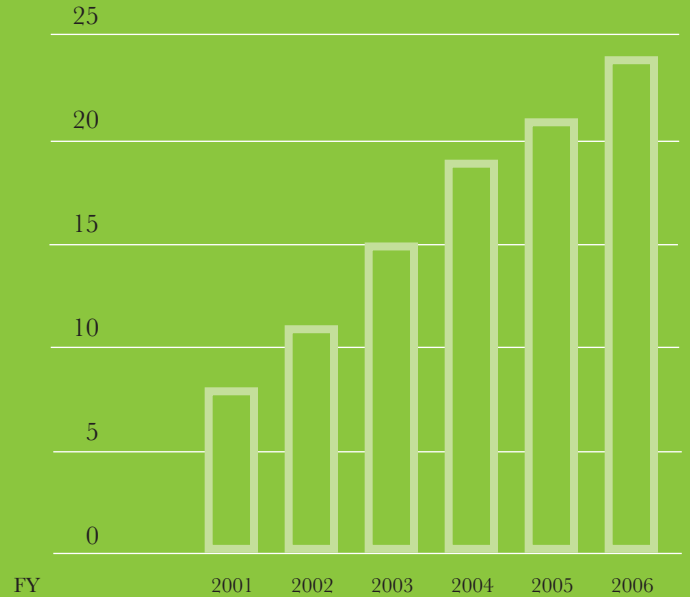
*Complex Programmable  
Logic Devices (CPLDs)*

Fiscal 2006 marked the fifth consecutive year of market segment share gains for Xilinx in CPLDs. According to our internal estimates, Xilinx is currently the second largest supplier of CPLDs with over 28% segment share, up from 26% last year and up from 12% five years ago.

Our CPLD sales increased 10% in fiscal 2006 over the previous fiscal year and represented 9% of our total net revenues. The price, flexibility and feature advantages of our CPLDs are extremely compelling for cost-sensitive, advanced applications such as smart handsets, wireless headphones and GPS navigation systems.

## Total Spartan Family

Percent of Total Net Revenues



Source: Xilinx

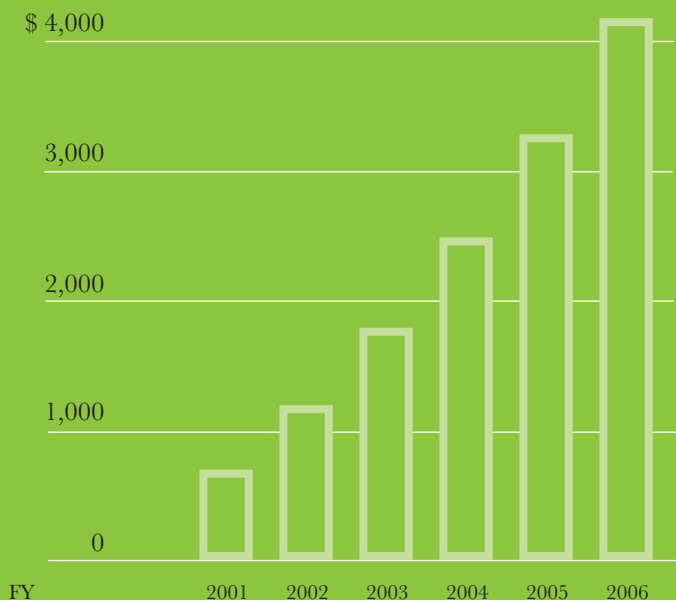
*Virtex™-4 FPGAs*

For the high-end FPGA business, Xilinx has identified key areas for expansion beyond the traditional high-end FPGA market including embedded processing applications and high-performance digital signal processing (DSP) designs.

We believe that our Virtex-4 FPGAs deliver more options and higher performance using lower power than any other FPGA family shipping in volume today. The Virtex-4 family consists of three domain-optimized platforms: the LX, optimized for logic-intensive designs, the FX, optimized for serial connectivity and embedded processing, and the SX, optimized for high-performance DSP. The inclusion of embedded

## Total Virtex Family Cumulative Revenues

Dollars in Millions



Source: Xilinx

processing cores, transceivers and DSP in our high-end PLDs has enabled us to capture incremental value that was previously supplied by standalone chips.

In the March quarter of fiscal 2006, our Virtex-4 family, with more than 100 technical innovations, generated more in sales than any other 90nm family in the FPGA industry. We continue to see strong design-win momentum for this family in a broad base of applications including wireless base stations, audio and video broadcast equipment, MRI machines, storage servers and avionics.

Our Virtex family has experienced continuing success since its introduction in 1998. Cumulative revenues from the Virtex series are greater than

\$4 billion, more than three times the revenues of competing silicon architectures, making Virtex the world's most popular FPGA family.

### *Virtex-5 FPGAs*

In May of this year, we introduced our new Virtex-5 family of domain-optimized FPGAs, the PLD industry's first 65nm FPGAs. The Virtex-5 family represents the fifth generation in the award-winning Virtex product line for Xilinx.

Key innovations in process technology, architecture and product development methodology have led to substantial performance and density gains with the Virtex-5 family. Virtex-5 FPGAs have demonstrated speeds 30% faster, on average, over previous generation 90nm FPGAs as well as 65% increased capacity.

Virtex-5 FPGAs consist of four domain-optimized platforms: the LX, optimized for high performance logic, the LXT, optimized for high performance logic with serial connectivity, the SXT, optimized for high-performance DSP with serial connectivity and the FXT, optimized for embedded processing with serial connectivity. The Virtex-5 LX platform is currently shipping with each of the remaining platforms scheduled to roll out over the next eighteen months.

Given the inherent performance and flexibility advantages of our new Virtex-5 family and the Company's historical strength in the communications end market, Xilinx is poised to play a pivotal role with our customers in enabling the next wave of the Internet – the convergence of voice, video and data on the same network, widely known as “triple play.”

We expect triple play to drive increased demand for high-performance platform FPGAs, given their adaptability to evolving consumer requirements, changing industry standards, time-to-market and cost pressures.<sup>2</sup>

*Leading Edge Process Technology*

Xilinx has a solid history of bringing leading-edge technology to market. Our sales leadership in 90nm process technology has translated into share gains at the end of fiscal 2006. Xilinx estimates that it has delivered 70% of 90nm PLD solutions to the marketplace.

Similarly, we have taken a lead in 65nm development by introducing the PLD industry's first 65nm FPGAs. This key accomplishment was the direct result of early collaboration with our strategic foundry partners, United Microelectronics Corporation and Toshiba Corporation. We expect this early lead on 65nm process technology to provide Xilinx with a competitive advantage as we enter fiscal 2007.<sup>3</sup>

## LOOKING AHEAD

We are pleased with our fiscal year results and broader diversification as a result of our ongoing focus on innovation. We expect to continue to leverage innovation to expand our market opportunities in fiscal 2007. We exited the year with the strongest product portfolio in our history and we are seeing significant order momentum in our new products. We believe that our strong pursuit of untapped opportunities in the areas of DSP and embedded processing, coupled with our PLD leadership position, provide us with a solid foundation for growth going forward. We will remain focused on long-term revenue growth, end-market expansion and innovation.

As we look back on the accomplishments in fiscal 2006, we have to recognize the outstanding efforts of our employees. It is through their collective energy and vision that we achieve our success. We would also like to acknowledge our customers, partners, suppliers and stockholders for their continued support. Thank you all for making fiscal 2006 a very good year for Xilinx.



Willem P. Roelandts

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

- 1 This is a forward-looking statement and is subject to risks and uncertainties including customer acceptance of our new products, our ability to introduce new products to the market in a timely manner and other risk factors listed in the attached Form 10-K.
- 2 This is a forward-looking statement and is subject to risks and uncertainties including customer preference for PLDs versus alternatives such as ASICs or ASSPs, the success of triple play applications in the market and other risk factors listed in the attached Form 10-K.
- 3 This is a forward-looking statement and is subject to risks and uncertainties including the ability to successfully introduce new products to the market, the ability to successfully manage two foundry relationships and other risk factors listed in the attached Form 10-K.