

Notes to Consolidated Financial Statements

Note 1. Nature of Operations

Xilinx designs, develops and markets complete programmable logic solutions, including advanced integrated circuits, software design tools, predefined system functions delivered as cores of logic and field engineering support. The wafers used to manufacture our products are obtained from independent wafer manufacturers located in Taiwan and Japan. We are dependent upon these manufacturers to produce and deliver wafers on a timely basis. We are also dependent on subcontractors, located in the Asia Pacific region, to provide semiconductor assembly services. Xilinx is a global company with manufacturing and test facilities in the United States and Ireland and sales offices throughout the world. We derive approximately one-third of our revenues from international sales, primarily in Europe and Japan.

Note 2. Summary of Significant Accounting Policies and Concentrations of Risk

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Xilinx and our wholly owned subsidiaries after elimination of all intercompany transactions. Our fiscal year ends on the Saturday nearest March 31. For ease of presentation, March 31 has been utilized as the fiscal year-end for all financial statement captions. Fiscal 2000 and 1998 were 52-week years ended on April 1, 2000 and March 28, 1998, respectively. Fiscal 1999 was a 53-week year ended on April 3, 1999.

Certain amounts from the prior years have been reclassified to conform to the current year presentation.

Cash Equivalents and Investments

Cash and cash equivalents consist of cash on deposit with banks and investments in money market instruments and U.S. Treasury notes with minimal interest rate risk and original maturities of 90 days or less when acquired. Short-term investments consist of tax-advantaged municipal bonds, commercial papers and tax-advantaged auction rate preferred municipal bonds with maturities greater than 90 days but less than one year from the balance sheet date. Restricted investments consisted of certificates of deposit held as collateral relating to leases for our facilities. In December 1999, we exercised our option to purchase three buildings previously leased at our San Jose corporate facility. The restricted investment of \$34.4 million was used to purchase the buildings. (See Note 6 of Notes to Consolidated Financial Statements.) Long-term investments consist of U.S. Treasury notes, government agency bonds and tax-advantaged municipal bonds with maturities greater than one year, unless funds are specifically identified for current operations. We invest our cash, cash equivalents, short-term and long-term investments through various banks and investment banking institutions. This diversification of risk is consistent with our policy to maintain liquidity and ensure the collectibility of principal.

Management classifies investments as available-for-sale or held-to-maturity at the time of purchase and re-evaluates such designation at each balance sheet date, although classification is not generally changed. Securities are classified as held-to-maturity when we have the positive intent and the ability to hold the securities until maturity. Held-to-maturity securities are carried at cost adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization, as well as any interest on the securities, is included in interest income. Available-for-sale securities are carried at fair value with the unrealized gains or losses, net of tax, included as a component of accumulated other comprehensive income in stockholders' equity. Realized gains and losses and declines in value judged to be other-than-temporary on available-for-sale securities are included in other income. The fair values for marketable debt and equity securities are based on quoted market prices. The cost of securities matured or sold is based on the specific identification method.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market (estimated net realizable value) and are comprised of the following at March 31, 2000 and 1999:

In thousands	2000	1999
Raw materials	\$ 6,602	\$ 5,139
Work-in-progress	78,697	27,824
Finished goods	46,008	19,073
	<u>\$131,307</u>	<u>\$52,036</u>

Advances for Wafer Purchases

In fiscal 1997, we signed an agreement with Seiko Epson, a primary wafer supplier. This agreement was amended in fiscal 1998 providing for an advance to Seiko Epson of \$150.0 million. In conjunction with the agreement, \$60.0 million was paid in fiscal 1997 and an additional \$90.0 million was paid in fiscal 1998. Repayment of this advance is made in the form of wafer deliveries, which began during the fourth quarter of fiscal 1998. The advance payment provision also provides for interest to be paid to us in the form of free wafers. Related interest income has been accrued and the accrued balance is offset as free wafers are received. Through March 31, 2000, we have received \$134.3 million in wafers against this advance, of which \$6.8 million was in the form of free wafers. Specific wafer pricing is in U.S. dollars and is based upon foundries with comparable technology, products and volume, and prices quoted by specific research firms for foundry prices for similar wafers.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation for financial reporting purposes is computed using the straight-line method over the estimated useful lives of the assets of three to five years for machinery, equipment, furniture and fixtures and up to thirty years for buildings. Depreciation expenses totaled \$33.3 million, \$27.5 million and \$28.0 million for fiscal year 2000, 1999, and 1998, respectively.

Revenue Recognition

We recognize revenue from product sales upon transfer of title to OEMs and end users. Reserves for sales returns and allowances are recorded at the time of shipment. As further explained in Note 3 of Notes to Consolidated Financial Statements, commencing in fiscal 1999, revenue on shipments to all distributors is deferred until products are sold by the distributors to end users. Prior to fiscal 1999, revenue on shipments to domestic distributors was deferred until resale to end users because arrangements with these distributors included returns and price protection privileges which could not be reasonably estimated. Revenue on all shipments to international distributors was recognized upon shipment to the distributor, with appropriate provision of reserves for returns and allowances.

Foreign Currency Translation

The U.S. dollar is the functional currency for our Ireland manufacturing facility. Assets and liabilities that are not denominated in the functional currency are remeasured into U.S. dollars, and the resulting gains or losses are included in "Interest income and other." The functional currency is the local currency for each of our other foreign subsidiaries. Assets and liabilities are translated at month-end exchange rates, and statements of operations are translated at the average exchange rates during the year. Exchange gains or losses arising from translation of foreign currency denominated assets and liabilities are included as a component of accumulated other comprehensive income in stockholders' equity.

Derivative Financial Instruments

As part of our ongoing asset and liability management activities, we periodically enter into certain derivative financial arrangements to reduce financial market risks. These instruments are used to hedge foreign currency, equity and interest rate market exposures of underlying assets and liabilities. We do not enter into derivative financial instruments for trading purposes.

We use forward currency exchange contracts to reduce financial market risks. Our sales to Japanese customers are denominated in yen while our purchases of processed silicon wafers from Japanese foundries are primarily denominated in U.S. dollars. Gains and losses on foreign currency forward contracts that are designated and effective as hedges of anticipated transactions, for which a firm commitment has been attained, are deferred and included in the basis of the transaction in the same period that the underlying transactions are settled. Gains and losses on any instruments not meeting the above criteria would be recognized in income in the current period. No currency forward contracts were outstanding as of March 31, 2000.

In fiscal 1999, our two and a half year interest rate swap agreement terminated. The interest rate swap agreement was in place in order to mitigate the interest rate risks whereby the long-term debt fixed interest rate liability was matched against our short-term variable interest rate assets. The liability interest rate swap agreement involved the exchange of fixed interest rate payments for variable interest rate payments over the life of the agreement without an exchange of the notional amount. The differential to be paid or received as the variable interest rate changes was accrued and recognized as interest expense. The related amounts payable or receivable from the third party was included in other liabilities or assets. For the period of time the swap was outstanding, the fair value of the swap agreement and changes in the fair value as a result of changes in market interest rates were not material. (See Note 5 of Notes to Consolidated Financial Statements.)

Employee Stock Plans

We account for our stock option and employee stock purchase plans in accordance with provisions of the Accounting Principles Board's Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees." In addition, we disclose pro forma information related to our stock plans according to Financial Accounting Standards Board's Statement No. 123, "Accounting for Stock-Based Compensation" (FASB 123). (See Note 9 of Notes to Consolidated Financial Statements.)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of net revenues and expenses during the reporting period. Such estimates relate to the useful lives of fixed assets and intangible assets, allowances for doubtful accounts, pricing adjustments, customer returns, international distributor sell-through, potential reserves relating to litigation matters as well as other accruals or reserves. Actual results may differ from those estimates, and such differences may be material to the financial statements.

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, (FASB 133), "Accounting for Derivative Instruments and Hedging Activities," which requires adoption in fiscal years beginning after June 15, 2000 while earlier adoption is permitted at the beginning of any fiscal quarter. We are required to adopt by fiscal 2002. The effect of adopting the Standard is currently being evaluated but is not expected to have a material effect on our consolidated results of operations or financial position. FASB 133 will require us to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in accumulated other comprehensive income until the hedged item is recognized in earnings. The ineffective portion, if any, of a derivative's change in fair value will be immediately recognized in earnings.

In December 1999, the Securities and Exchange Commission (SEC) issued SEC Staff Accounting Bulletin No. 101 (SAB 101), "Revenue Recognition in Financial Statements." SAB 101 summarizes certain of the SEC's views in applying generally accepted accounting principles to revenue recognition in financial statements. We have completed our review of SAB 101 and believe that our current revenue recognition policy is consistent with the guidance of SAB 101.

Concentrations of Credit Risk

We attempt to mitigate the concentration of credit risk in our trade receivables with respect to the high-technology industry with our credit evaluation process, relatively short collection terms, distributor agreements, sales among various end-user applications throughout the high-technology market and the geographical dispersion of sales. We generally do not require collateral. Bad debt write-offs have been insignificant for all years presented.

Concentration of Other Risks

The semiconductor industry is characterized by rapid technological change, intense competitive pressure and cyclical market patterns. Our results of operations are affected by a wide variety of factors, including general economic conditions, conditions specifically relating to technology companies and the semiconductor industry, decreases in average selling prices over the life of any particular product, the timing of new product introductions (by us, our competitors and others), the ability to manufacture sufficient quantities of a given product in a timely manner, the timely implementation of new manufacturing process technologies, the ability to safeguard patents and intellectual property from competitors, and the impact of new technologies resulting in rapid escalation of demand for some products in the face of equally steep decline in demand for others. Based on the factors noted herein, we may experience substantial period-to-period fluctuations in future operating results.

Note 3. Accounting Change – Deferred Revenue Recognition on Sales to International Distributors

During the fourth quarter of fiscal 1999, we changed our accounting method for recognizing revenue on all shipments to international distributors. The change was made retroactive to the beginning of fiscal 1999. While we previously deferred

revenue on shipments to domestic distributors until the products were sold to the end user, we recognized revenue upon shipment to international distributors, net of appropriate reserves for returns and allowances. Following the accounting change, revenue recognition on shipments to distributors worldwide is deferred until the products are sold to the end customer. We believe that deferral of revenue on shipments to distributors until the product is shipped by the distributor to an end customer is a more meaningful measurement of results of operations as it better conforms to the substance of the transaction considering the changing business environment in the international marketplace, and is consistent with industry practice. The cumulative effect of the change in accounting method for prior years was a charge of \$26.6 million, net of \$12.0 million in taxes, or \$0.09 net income per diluted share.

Note 4. Joint Venture

Xilinx, United Microelectronics Corporation (UMC) and other parties entered into a joint venture to construct a wafer fabrication facility in Taiwan, known as United Silicon Inc. (USIC). We had a 20% equity ownership in USIC and had the right to receive up to 31.25% of the wafer capacity from this facility. We accounted for this investment using the equity method of accounting with a one-month lag in recording our share of results for the entity. In fiscal 2000 net gains were generated as USIC entered volume wafer production and shipment, while the fiscal 1999 net loss was a result of the continued ramp up in production of the wafer fabrication facility. The fiscal 1998 net income resulted primarily from favorable foreign currency exchange gains as well as interest earned on the USIC investment portfolio. Through the second quarter of fiscal 1998, equity income was immaterial and remained classified in "Interest income and other."

In January 2000, our equity position in USIC was converted into shares of UMC which are publicly traded on the Taiwan Stock Exchange. We recognized a gain of \$674.7 million (\$398.1 million net of taxes) in our fiscal 2000 fourth quarter as a result of the merger of USIC with UMC. The gain represents the appreciation of our investment in USIC. As a result of this merger, we own approximately 222 million shares of UMC common stock, which represent approximately 2% of the combined UMC Group. We retain equivalent wafer capacity rights in UMC as we previously had in USIC, as long as we retain a percentage of our shares of UMC common stock. If our holdings fall below this level, our wafer capacity rights would be decreased prorated by the UMC shares we hold.

Due to restrictions imposed by UMC and the Taiwan Stock Exchange, the majority of our UMC shares may not be sold until July 2000. These regulatory restrictions will gradually expire between July 2000 and January 2004. At March 31, 2000, the restricted portion of our UMC investment totaled \$396.5 million.

Note 5. Financial Instruments

Cash and Investments

The following is a summary of available-for-sale securities:

In thousands	March 31, 2000				March 31, 1999			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Money market funds	\$ 93,172	\$ —	\$ —	\$ 93,172	\$ 34,829	\$ —	\$ —	\$ 34,829
Commercial paper	62,712	—	—	62,712	—	—	—	—
U.S. Treasury notes	5,005	—	—	5,005	2,071	8	—	2,079
Auction rate preferred	335,039	1	(14)	335,026	262,007	25	(10)	262,022
Government								
agency bonds	9,925	—	(142)	9,783	—	—	—	—
Municipal bonds	300,897	370	(1,513)	299,754	178,425	437	(73)	178,789
Investment in UMC	396,509	45,904	—	442,413	—	—	—	—
	<u>\$1,203,259</u>	<u>\$46,275</u>	<u>\$(1,669)</u>	<u>\$1,247,865</u>	<u>\$477,332</u>	<u>\$470</u>	<u>\$(83)</u>	<u>\$477,719</u>
Included in:								
Cash and cash equivalents				\$ 98,177				\$ 34,829
Short-term investments				522,202				348,888
Long-term investments				185,073				94,002
Investment in UMC				442,413				—
				<u>\$1,247,865</u>				<u>\$477,719</u>

At March 31, 1999, held-to-maturity investments totaled \$34.4 million held in a restricted certificate of deposit for which cost approximated market value. In fiscal 2000, we sold the held-to-maturity investment of \$34.4 million, resulting in no gain or loss, in order to purchase three buildings at our San Jose corporate facility. No investments were held to maturity as of March 31, 2000.

Derivatives

In fiscal 2000, we utilized forward currency contracts to protect against the net yen exposure created when we began purchasing most of our wafers from Japanese suppliers in U.S. dollars yet continued to invoice Japanese customers in yen. Realized losses of \$ 0.5 million in fiscal 2000 and \$2.3 million in fiscal 1999 were offset against revenue when there was a firm commitment, otherwise they were included in "Interest income and other." At March 31, 2000 and 1999, no commitments under foreign currency forward or option contracts were outstanding.

In fiscal 1997, we entered into an interest rate swap agreement with a third party in order to reduce risk related to movements in interest rates. Under the agreement, we effectively converted the fixed rate interest payments related to \$125.0 million of our convertible long-term debt to variable rate interest payments without the exchange of the underlying principal amounts. We received fixed interest rate payments (equal to 5.935%) from the third party and were obligated to make variable rate payments (equal to the three month Libor rate) to the third party during the term of the agreement. In fiscal 1999, the interest rate swap agreement terminated, resulting in an immaterial gain. For the period of time the swap was outstanding, the fair value of the swap agreement and changes in the fair value as a result of changes in market interest rates were not material.

In fiscal 1997, we entered into foreign exchange forward contracts to minimize the impact of future exchange fluctuations on the U.S. dollar cost of investing in the USIC joint venture. The contracts required us to exchange U.S. dollars for New Taiwan dollars and matured within one year. The contracts were accounted for as a hedge of an identifiable foreign currency commitment.

Lines of Credit

We have \$40 million available under a syndicated bank revolving credit line agreement, which expires in March 2001. Under this agreement, borrowings bear interest at the prime rate or 0.625% over the Libor rate. Additionally, our Ireland manufacturing facility has an additional \$6.2 million available under a multicurrency credit line, which expires in November 2000. Under this agreement, borrowings bear interest at the bank's prime rate or 0.75% over the Euribor rate. At March 31, 2000, no borrowings were outstanding under any credit lines. We are in full compliance with the agreement's required covenants and financial ratios. The agreements prohibit the payment of cash dividends without prior bank approval.

In fiscal 1999, we converted in full \$250.0 million of 5¹/₄% Convertible Subordinated Notes due 2002 for a total of 19.6 million shares of common stock at a price of \$12.75 per share.

Note 6. Commitments

We lease some of our manufacturing and office facilities under operating leases that expire at various dates through December 2014. Lease agreements for certain corporate facilities contain payment provisions, which allow for changes in rental amounts based upon interest rate changes. The approximate future minimum lease payments under operating leases are as follows:

In thousands Years ended March 31,	
2001	\$ 2,671
2002	2,526
2003	2,294
2004	1,511
2005	1,302
Thereafter	1,590
	<hr/> \$11,894

Rent expense was approximately \$7.3 million for fiscal 2000, and \$4.5 million each for fiscal years 1999 and 1998. The increased rent expense is due to expansion at our corporate facility.

During fiscal 1998, we entered into an agreement for a facility to be built on property adjacent to our corporate facilities which was completed in fiscal 2000. Upon signing the lease agreement, we paid the lessor \$31.3 million for prepaid rent and an option to purchase the facility. The rent prepayment covered one year and was discounted to its present value. We exercised the lease agreement's purchase option in fiscal 2000 and the prepaid purchase option was considered payment in full.

In December 1999, we exercised another option to purchase three buildings previously leased at our San Jose corporate facility. The restricted investment of \$34.4 million related to certain collateral requirements on the building leases was used to purchase the three buildings.

Note 7. Net Income Per Share

Basic net income per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. In computing diluted net income per share, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options. Diluted earnings per share is computed using the weighted average common and dilutive common equivalent shares outstanding.

The computation of basic net income per share for all years presented is derived from the information on the face of the income statement, and there are no reconciling items in either the numerator or denominator. Additionally, there are no reconciling items in the numerator used to compute diluted net income per share. The total shares used in the denominator of the diluted net income per share calculation includes 26.8 million, 15.8 million and 25.1 million incremental common shares attributable to outstanding options for fiscal years 2000, 1999 and 1998, respectively.

Before the long-term debt was converted to equity in the amount of approximately 19.6 million common shares, they were not included in the calculation of diluted net income per share, as their inclusion would have had an anti-dilutive effect for all periods presented. Outstanding options to purchase approximately 0.3 million, 9.6 million and 7.4 million shares, for the fiscal years 2000, 1999 and 1998, respectively, under the Company's Stock Option Plans were not included in the treasury stock calculation to derive diluted net income per share as their inclusion would have had an anti-dilutive effect. In addition, the put warrants disclosed in Note 9 did not have any impact on basic or diluted net income per share in the year ended March 31, 2000 as their inclusion would have had an anti-dilutive effect.

Note 8. Comprehensive Income

We adopted Statement of Financial Accounting Standards No. 130 (FASB 130), "Reporting Comprehensive Income" in the first quarter of fiscal 1999. FASB 130 established standards for the reporting and disclosure of comprehensive income and its components; however, the disclosure has no impact on our consolidated results of operations, financial position or cash flows. Comprehensive income is defined as the change in equity of a company during a period resulting from certain transactions and other events and circumstances, excluding transactions resulting from investments by owners and distributions to owners. The difference between net income and comprehensive income for Xilinx is from foreign currency translation adjustments and unrealized gains or losses on our available-for-sale securities.

The components of comprehensive income for the fiscal years 2000, 1999 and 1998 are as follows:

In thousands March 31,	2000	1999	1998
Net income	\$652,450	\$102,592	\$126,587
Cumulative translation adjustment	17,606	(434)	(16,604)
Unrealized gain on available for sale securities, net of tax	26,073	130	19
Comprehensive income	\$696,129	\$102,288	\$110,002

The components of accumulated other comprehensive income (loss) for the fiscal years 2000, 1999, and 1998 are as follows:

in thousands March 31,	2000	1999	1998
Cumulative translation adjustment	\$ (49)	\$(17,655)	\$(17,221)
Unrealized gain on available for sale securities, net of tax	26,305	232	102
Accumulated other comprehensive income (loss)	\$26,256	\$(17,423)	\$(17,119)

Note 9. Stockholders' Equity

In December 1999, Xilinx stockholders voted to approve an amendment to the Company's Certificate of Incorporation to increase the number of authorized shares from 300 million to 500 million. The Company's Certificate of Incorporation also provides for 2 million shares of undesignated preferred stock.

Treasury Stock and Put Options

We authorized a stock buyback program in December 1997 whereby up to 8 million shares of our common stock could be purchased in the open market from time to time as market and business conditions warranted. This program was completed in November 1998. In April and September 1998, additional stock repurchase programs were authorized to each buyback up to 12 million shares of our common stock. We have reissued treasury shares repurchased in response to Employee Stock Option exercises and Employee Qualified Stock Purchase Plan requirements as well as in conjunction with our redemption of convertible debt. During fiscal 2000 and 1999, we repurchased a total of 0.2 million and 11.2 million shares of common stock for \$5.3 million and \$113.8 million, respectively. In fiscal 2000 and 1999, 0.5 million and 16.8 million shares were reissued, respectively. We were not holding any treasury shares as of March 31, 2000. In conjunction with the stock repurchase program, during fiscal 2000, we sold put warrants that entitle the holder of each warrant to sell to us, by physical delivery, one share of common stock at a specified price, ranging from \$33 to \$42 per share. The outstanding put warrants will expire at various dates through October 2000. As of March 31, 2000, we have 1.2 million shares of outstanding put warrants.

Stock Split

On October 18, 1999, our Board of Directors approved a 2 for 1 split of our Common Stock, which was effected in the form of a 100% stock dividend. On December 27, 1999, stockholders of record as of December 17, 1999 received one additional share of Common Stock for every share held. Shares, per share amounts, common stock at par value, and additional paid-in capital have been restated to reflect the stock split for all periods presented.

Stockholder Rights Plan

In October 1991, we adopted a stockholder rights plan and declared a dividend distribution of one preferred stock purchase right for each outstanding share of common stock. The rights become exercisable based upon the occurrence of certain conditions including acquisitions of Company stock, tender or exchange offers and certain business combination transactions of the Company. In the event one of the conditions is triggered, each right entitles the registered holder to purchase a number of shares of preferred stock of the Company or, under limited circumstances, of the acquirer. The rights are redeemable at the Company's option, under certain conditions, for \$.01 per right and expire on October 4, 2001.

Employee Stock Option Plans

Under existing stock option plans (Option Plans), options reserved for future issuance to employees and directors of the Company total 83.9 million shares as of March 31, 2000. Options to purchase shares of our common stock under the Option Plans are granted at 100% of the fair market value of the stock on the date of grant. Options granted to date expire ten years from date of grant and vest at varying rates over four or five years.

A summary of our Option Plans activity, and related information are as follows:

Years ended March 31,	2000		1999		1998	
	Shares (000)	Weighted Average Exercise Price	Shares (000)	Weighted Average Exercise Price	Shares (000)	Weighted Average Exercise Price
Outstanding at beginning of year	63,158	\$ 9.50	58,098	\$ 6.67	54,832	\$ 5.14
Granted	4,149	37.24	18,560	15.04	11,916	11.95
Exercised	(10,997)	6.03	(10,844)	3.98	(6,160)	2.68
Forfeited	(977)	13.74	(2,656)	9.03	(2,490)	7.94
Outstanding at end of year	55,333	\$12.19	63,158	\$ 9.50	58,098	\$ 6.67
Shares available for grant	28,564		5,624		15,540	

The following information relates to options outstanding and exercisable under the Option Plan at March 31, 2000:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Options Outstanding (000)	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Options Exercisable (000)	Weighted Average Exercise Price
\$ 0.50 – \$ 7.88	14,387	4.19	\$ 4.30	13,923	\$ 4.21
\$ 7.91 – \$ 9.97	18,601	7.00	9.03	10,969	8.88
\$ 9.98 – \$21.81	18,368	7.93	16.01	8,560	14.08
\$24.75 – \$69.19	3,977	9.47	37.85	152	32.26
\$ 0.50 – \$69.19	55,333	6.75	\$12.19	33,604	\$ 8.37

At March 31, 1999, 31.9 million options were exercisable at an average price of \$6.42.

Employee Qualified Stock Purchase Plan

Under our 1990 Employee Qualified Stock Purchase Plan (Stock Purchase Plan), qualified employees can elect to have up to 15 percent of their annual earnings withheld, up to a maximum of \$21,250, to purchase our common stock at the end of six-month enrollment periods. The purchase price of the stock is 85% of the lower of the fair market value at the beginning of the twenty-four month offering period or at the end of each six-month purchase period. Almost all employees are eligible to participate. Under this plan, 2.3 million and 1.6 million shares were issued during 2000 and 1999, respectively, and 9.4 million shares were available for issuance at March 31, 2000.

Stock-Based Compensation

As permitted under FASB Statement No. 123, "Accounting for Stock-Based Compensation" (FASB 123), we have elected to continue to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related Interpretations in accounting for our stock-based awards to employees. Under APB 25, the Company generally recognizes no compensation expense with respect to such awards.

Pro forma information regarding net income and earnings per share is required by FASB 123 and has been determined as if we had accounted for awards to employees under the fair value method of FASB 123. The fair value of stock options and stock purchase plan rights under the Option Plans and Stock Purchase Plan was estimated as of the grant date using the Black-Scholes option pricing model. The Black-Scholes model was originally developed for use in estimating the fair value of traded options and requires the input of highly subjective assumptions including expected stock price volatility. Our stock options and stock purchase plan rights have characteristics significantly different from those of traded options, and changes in the subjective input assumptions can materially affect the fair value estimate. The fair value of stock options and stock purchase plan rights granted in fiscal years 2000, 1999 and 1998 were estimated at the date of grant assuming no expected dividends and the following weighted average assumptions.

Years ended March 31,	Stock Options			Stock Purchase Plan Rights		
	2000	1999	1998	2000	1999	1998
Expected life (years)	3.50	3.00	3.00	0.50	0.50	0.50
Expected stock price volatility	0.65	0.65	0.62	0.67	0.64	0.65
Risk-free interest rate	5.80%	5.00%	6.00%	5.30%	5.00%	5.50%

For purposes of pro forma disclosures, the estimated fair value of stock-based awards is amortized against pro forma net income over the stock-based awards' vesting period. Had we accounted for stock-based awards to employees under FASB 123, our net income would have been \$560.3 million, \$65.2 million, and \$95.6 million in 2000, 1999, and 1998, respectively. Basic net income per share would have been \$1.73, \$0.22, and \$0.32 in 2000, 1999, and 1998, respectively, while diluted net income per share would have been \$1.60, \$0.21, and \$0.31, respectively.

Calculated under FASB 123, the weighted-average fair value of the stock options granted during 2000, 1999, and 1998 was \$18.87, \$6.90, and \$5.34 per share, respectively. The weighted-average fair value of stock purchase rights granted under the Stock Purchase Plan during 2000, 1999, and 1998 were \$18.19, \$4.98, and \$3.63 per share, respectively.

Note 10. Income Taxes

In thousands Years ended March 31,	2000	1999	1998
Federal:			
Current	\$ 97,019	\$45,482	\$45,808
Deferred	217,969	(3,558)	(3,880)
	314,988	41,924	41,928
State:			
Current	15,851	9,187	9,285
Deferred	36,475	(3,049)	(311)
	52,326	6,138	8,974
Foreign:			
Current	10,692	6,863	5,826
Total	\$378,006	\$54,925	\$56,728

The tax benefits associated with the disqualifying dispositions of stock options or employee stock purchase plan shares reduced taxes currently payable by \$112.1 million, \$34.9 million, and \$16.1 million for fiscal 2000, 1999, and 1998, respectively. Such benefits are credited to additional paid-in capital when realized. Pretax income from foreign operations was \$106.4 million, \$61.2 million, and \$55.5 million for fiscal years 2000, 1999, and 1998, respectively. Unremitted foreign earnings that are considered to be permanently invested outside the United States and on which no deferred taxes have been provided, accumulated to approximately \$111.7 million as of March 31, 2000. The residual U.S. tax liability, if such amounts were remitted, would be approximately \$27.9 million.

The provision for income taxes reconciles to the amount obtained by applying the Federal statutory income tax rate to income before provision for taxes as follows:

In thousands Years ended March 31,	2000	1999	1998
Income before provision for taxes	\$349,544	\$189,399	\$180,596
Federal statutory tax rate	35%	35%	35%
Computed expected tax	\$122,340	\$ 66,290	\$ 63,209
State taxes net of federal benefit	7,697	3,990	5,833
Tax exempt interest	(5,472)	(3,822)	(4,003)
Foreign earnings at lower tax rates	(15,370)	(4,415)	(4,586)
Research and development tax credit	(4,189)	(3,999)	(3,007)
Other	(3,638)	(3,119)	(718)
Provision for taxes before capital gain	101,368	54,925	56,728
Tax on capital gain from UMC merger	276,638	—	—
Provision for taxes on income	\$378,006	\$ 54,925	\$ 56,728

The major components of deferred tax assets and liabilities consist of the following:

In thousands Years ended March 31,	2000	1999
Deferred tax assets:		
Inventory valuation differences	\$ 10,725	\$ 10,347
Deferred income on shipments to distributors	76,262	49,449
Nondeductible accrued expenses	5,948	5,666
Other	(1,453)	(30)
Total	91,482	65,432
Deferred tax liabilities:		
Depreciation and amortization	4,023	3,908
Unremitted foreign earnings	(36,453)	(26,576)
Capital gain from merger of USIC with UMC	(276,638)	–
Current net value of investments	(18,313)	–
Other	617	(1,065)
Total	(326,764)	(23,733)
Total net deferred tax (liabilities) assets	\$(235,282)	\$ 41,699

Note 11. Segment Information

We operate and track our results in one operating segment. We design, develop and market programmable logic semiconductor devices and the related software design tools.

Enterprise wide information is provided in accordance with FASB 131. Geographic revenue information for the fiscal years 2000, 1999, and 1998 is based on the shipment location. Long-lived assets include property, plant and equipment as well as intangible assets including developed technology, assembled workforce and goodwill. Property, plant and equipment information is based on the physical location of the asset at the end of each fiscal year while the intangible assets are based on the location of the owning entity.

Net revenues from unaffiliated customers by geographic region were as follows:

In thousands Years ended March 31,	2000	1999	1998
United States	\$ 681,078	\$447,147	\$381,357
Europe	201,772	139,815	137,131
Japan	82,581	47,522	62,668
Southeast Asia/Rest of World	55,562	27,499	32,437
	\$1,020,993	\$661,983	\$613,593

Net long-lived assets by country were as follows:

In thousands Years ended March 31,	2000	1999
United States	\$207,769	\$ 77,856
Ireland	35,370	27,888
Other	26,375	10,360
	\$269,514	\$116,104

No end customer accounted for more than 10% of revenues in 2000, 1999, or 1998. Approximately 27%, 20% and 14% of net revenues were recognized through our largest domestic distributor in 2000, 1999, and 1998, respectively. A second domestic distributor accounted for approximately 24%, 17% and 11% of net revenues in fiscal 2000, 1999 and 1998, respectively.

Note 12. Litigation

On June 7, 1993, we filed suit against Altera Corporation (Altera) in the United States District Court for the Northern District of California for infringement of certain of our patents. Subsequently, Altera filed suit against Xilinx, alleging that certain of our products infringe certain Altera patents. Fact and expert discovery have been completed in both cases, which have been consolidated. Both Altera and Xilinx filed motions with the Court for summary judgement with respect to certain of the issues pending in the litigation. In October 1999, the Court ruled on all but one of the motions. As a result of those rulings, Altera is left with one claim against Xilinx, which remains the subject of a Company motion for summary judgment. A ruling on this motion is pending. The Court's rulings also dismissed certain claims by us, leaving intact claims of infringement under two Company patents by Altera. The remaining claims against Altera will be decided at a trial scheduled to begin in October, 2000. If the remaining claim against Xilinx survives the motion for summary judgment, it will be decided at a trial, which is currently scheduled to commence on June 19, 2000.

On April 20, 1995, Altera filed an additional suit against Xilinx in the Federal District Court in Delaware, alleging that our XC5200 family infringes an Altera patent. We answered the Delaware suit denying that the XC5200 family infringes the patent in suit, asserting certain affirmative defenses and counterclaiming that the Altera Max 9000 family infringes certain of our patents. The Delaware suit was transferred to the United States District Court for the Northern District of California.

On July 22, 1998, Altera and Joseph Ward, a former Xilinx employee, filed suit against Xilinx in Superior Court in Santa Clara County, California, arising out of our efforts to prevent disclosure of certain Company confidential information. Altera's suit requests declaratory relief and claims Xilinx engages in unfair business practices and interference with contractual relations. On September 10, 1998 we filed cross claims against Altera and Ward for unfair competition and breach of contract, among other claims, in the California action. On October 20, 1998, Altera and Ward filed crossclaims against Xilinx for malicious prosecution of civil action and defamation. On September 15, 1999, the Court dismissed all of our claims against Altera and Mr. Ward, finding that we were unable to show any damages we suffered as a result of any actions by Mr. Ward. Claims against Xilinx are still pending.

The ultimate outcome of these matters cannot be determined at this time. Management believes that it has meritorious defenses to such claims and is defending them vigorously. The foregoing is a forward-looking statement subject to risks and uncertainties, and the future outcome of these matters could differ materially due to the uncertain nature of each legal proceeding and because the lawsuits are still in the pre-trial stages.

On July 31, 1998, the Lemelson Foundation Partnership (Lemelson) filed a lawsuit in the United States District Court in Phoenix, Arizona against the Company and twenty-five (25) other United States semiconductor companies for infringement of certain of its patents. During the third quarter of fiscal 1999, we entered into a license settlement with Lemelson. In response, Lemelson dismissed with prejudice all claims against us.

There are no other pending legal proceedings of a material nature to which we are a party or of which any of our property is the subject. We know of no legal proceedings contemplated by any governmental authority or agency.

Note 13. Write-off of In-Process Technology

We completed the acquisition of Philips Semiconductors' line of low-power complex programmable logic devices (CPLDs) on August 2, 1999. The total cost, including acquisition related fees, was approximately \$22.8 million. The purchase price allocation, based on an independent appraisal, resulted in a \$4.6 million charge to research and development in the second quarter of fiscal 2000. The acquired in-process technology represents the appraised value of technologies in the development stage that had not yet reached technological feasibility and does not have alternative future uses.

In January 1999, we acquired certain assets of MI Acquisition LLP, for a total purchase price of \$6.8 million. The purchase price allocation, based on an independent appraisal, resulted in a \$3.6 million charge to research and development in the fourth quarter of fiscal 1999 for acquired in-process technology. The acquired in-process technology represents the appraised value of technology in the development stage that had not yet reached technological feasibility and does not have alternative future uses.

Note 14. Subsequent Event

On May 31, 2000, Altera filed an additional suit against Xilinx in the Federal District Court for the Northern District of California, alleging that certain Xilinx products, including our Virtex™ FPGAs, infringe three Altera patents. Altera's suit requests unspecified monetary damages as well as issuance of an injunction to prevent Xilinx from selling allegedly infringing parts. Xilinx has not yet had the opportunity to fully review this latest suit and investigate the facts related thereto, and therefore can make no comment as to its likely outcome.