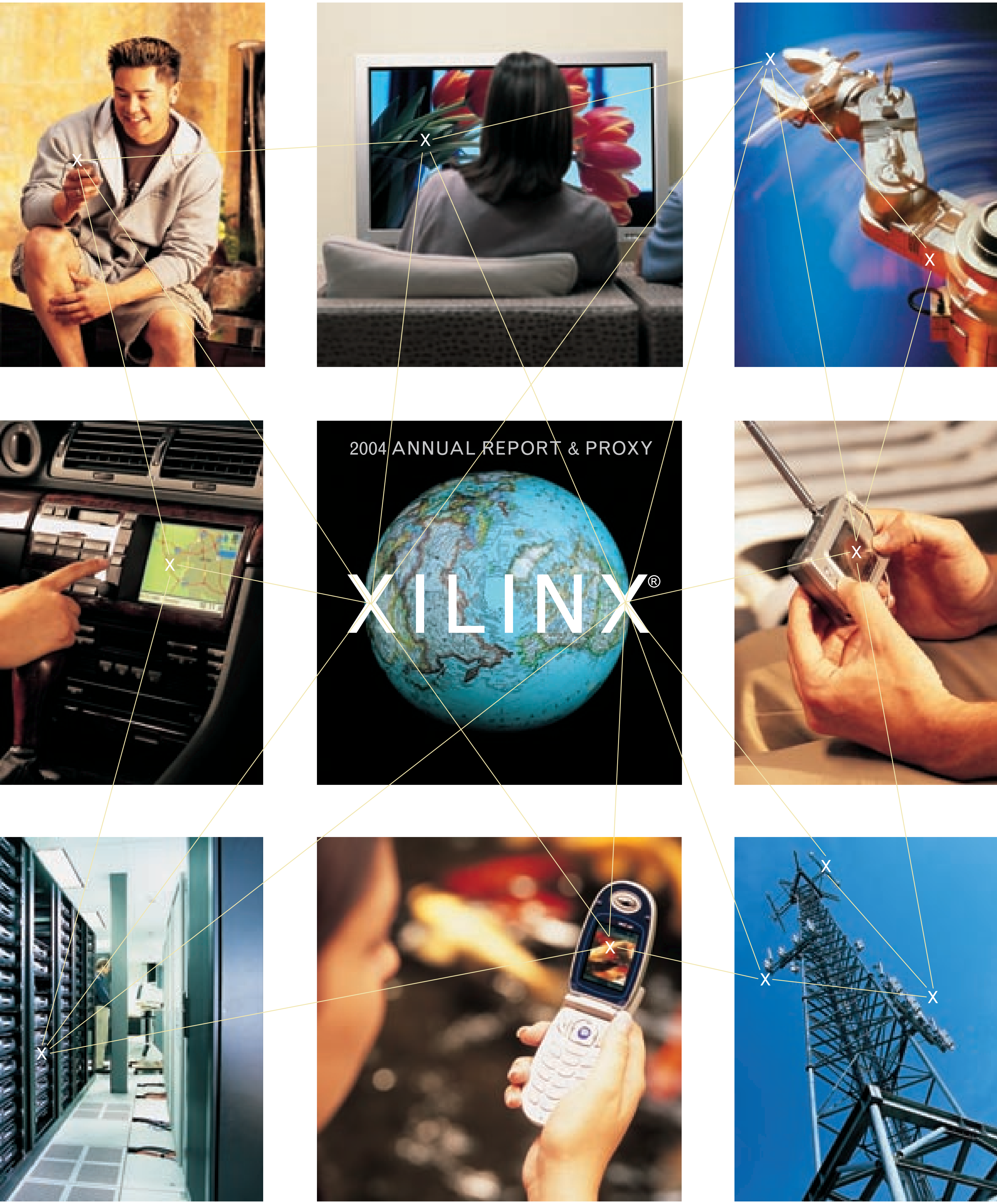
2004 ANNUAL REPORT & PROXY
XILINX®

## ABOUT THE COVER

When you want to stay connected, X marks the spot. Digital technology is becoming a central part of our lives. Everything is going digital...the pictures we take, the movies we watch, the music we listen to, even the way we communicate with each other. Digital and wireless technologies provide new ways for people to connect with one another anytime, anywhere. Xilinx products have been instrumental in providing you with what you need to stay connected whether it's at home, at the office or on the road. It is our mission to put a programmable logic device in every piece of electronic equipment to help you stay connected to the world around you.

## FINANCIAL HIGHLIGHTS

| | FY 2004 | FY 2003 | Increase |
|---|---|---|---|
| Revenues | $ 1,397,846,000 | $ 1,155,977,000 | 21% |
| Operating Income | $ 327,135,000 | $ 155,669,000 | 110% |
| Net Income | $ 302,989,000 | $ 125,705,000 | 141% |
| Cash and Investments | $ 1,566,631,000 | $ 1,109,964,000 | 41% |
| Revenue per Employee | $ 526,000 | $ 444,000 | 18% |
| **REVENUE BY END MARKET** | | | |
| Communications | 50% | 55% | |
| Storage and Servers | 19% | 21% | |
| Consumer, Industrial and Other | 31% | 24% | |
| **REVENUE BY GEOGRAPHY** | | | |
| North America | 42% | 49% | |
| Europe | 19% | 22% | |
| Japan | 15% | 15% | |
| Asia Pacific | 24% | 14% | |

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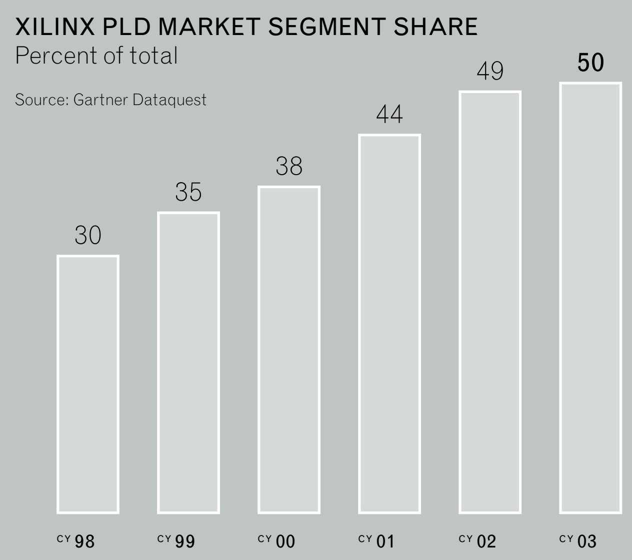
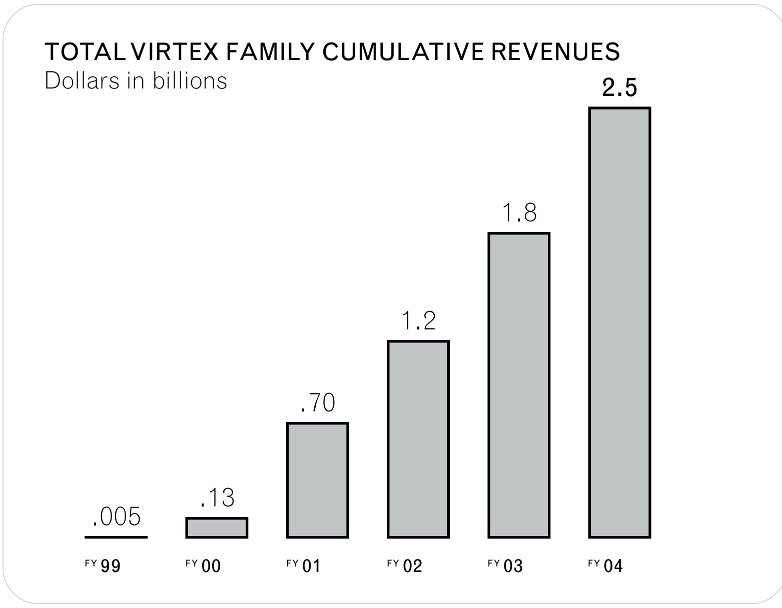


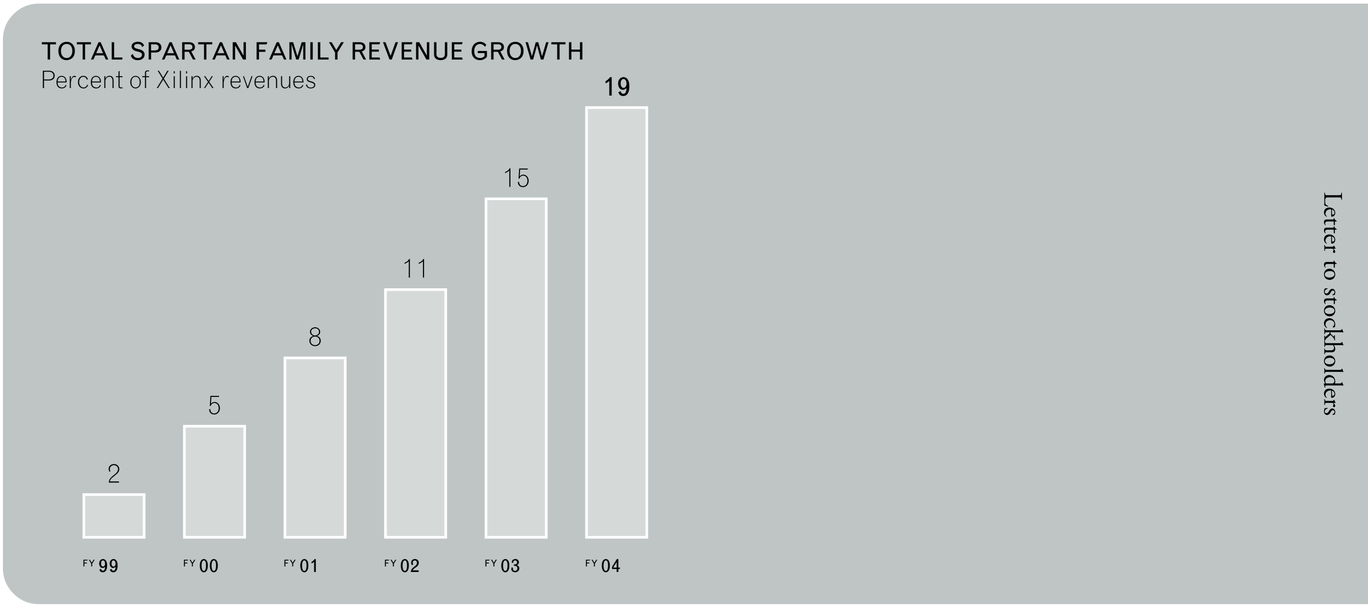

# To our stockholders, customers, and employees

Fiscal two thousand and four was a remarkable year for Xilinx. Amidst renewed optimism and an improving economy, the semiconductor industry began to recover, driven initially by robust demand for consumer applications and later by increased spending from the communications market. Our business recovery began in the second half of fiscal 2003 and continued throughout fiscal 2004, with sales growing sequentially for the last six consecutive quarters. Buoyed by strength across all end markets and geographies, fiscal 2004 revenues increased to $1.4 billion, up 21% from $1.2 billion in the prior fiscal year. According to Gartner Dataquest, Xilinx once again outgrew the Programmable Logic Device (PLD) industry, capturing PLD market segment share for the sixth consecutive calendar year.




Driven by manufacturing efficiencies and higher revenues, our profitability improved considerably during the year. Fiscal 2004 gross margin was 62%, up from 59% in fiscal 2003. Firm expense controls throughout the year resulted in higher operating and profit margins. In fiscal 2004, operating margin was 23% and profit margin was 22%, up from 13% and 11% respectively, in the prior fiscal year. Our current cash and investments balance is a record high $1.6 billion, up from $1.1 billion at the end of last year. During the fiscal year, we generated a record $424 million in free cash flow, up from $305 million in the prior fiscal year. Our strong cash position coupled with our ability to generate high levels of free cash flow have been primary factors in our recent decision to pay a dividend, which I will discuss in more detail later.[1]

Our product leadership remains unsurpassed. Sales from our Virtex-II™ Field Programmable Gate Array (FPGA) family increased over 62% in fiscal 2004 versus fiscal 2003 and now exceeds $100 million per quarter, making it the most popular FPGA family shipping today. Virtex-II devices are integral to a broad base of applications such as 3G base stations, Gigabit Ethernet switching, HDTV broadcasting equipment and satellite surveillance. The high volume Spartan™ family of FPGAs continues to be instrumental to our diversification efforts and has garnered design wins in areas such as digital television, automotive infotainment and home networking. Spartan revenues increased consistently throughout fiscal 2004 representing 19% of total revenues in fiscal 2004, up from 15% of total revenues in fiscal 2003 and up from 2% five years ago. Complex Programmable Logic Device (CPLD) sales increased 19% in fiscal 2004, representing 8% of total revenues. We estimate that our annualized share in this market segment is currently 22%, up from 19% last year and up from 5% five years ago. These devices continue to find their way into high volume applications such as smart phones, automotive telematics, digital cameras and recordable DVD players. Finally, in the area of software, we introduced the latest version of Integrated Software Environment (ISE) software. The combination of ISE with Virtex-II Pro™, the latest generation Virtex family, currently provides customers with 40% faster performance and 15% better logic utilization than the nearest competitive offering shipping. When combined with our library of Intellectual Property (IP) cores for commonly used complex functions such as Digital Signal Processing, bus interfaces, processors, and processor peripherals, customers can dramatically shorten development time, reduce design risk and obtain superior performance.

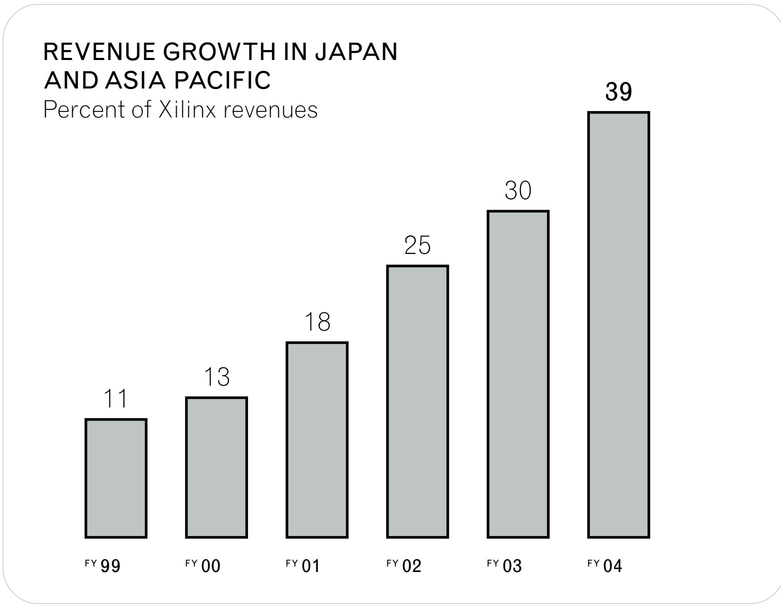



## PROGRESS ON LAST YEAR'S KEY OBJECTIVES

In my letter to you last year, I discussed Xilinx's three key objectives for fiscal 2004. I would like to report on our progress against each of these objectives.

*Drive low cost leadership*
During the year, Xilinx aggressively migrated a significant percentage of our wafer production from 200mm wafers to 300mm wafers, enabling cost savings of approximately 30% per chip and positively contributing to our gross margin improvement. Also, during the year, we introduced the Spartan-3™ platform, the industry's first PLD family to be manufactured using 90nm technology. Spartan-3 devices have been optimized for high-volume, low cost applications and will be an early beneficiary of the lower cost structure afforded by 90nm technology. Ranging from 50,000 to 5 million system gates, Spartan-3 is the world's lowest cost FPGA family with unrivaled price points. Sales from this family surpassed Company expectations in the last quarter of fiscal 2004 and customer demand for these devices is significantly higher than for prior Spartan generations.

*Accelerate technology leadership*
Nowhere is our technology leadership more apparent than in the Virtex-II Pro series of FPGAs. This family remains the industry's only FPGA family with embedded high-speed transceiver and processor functionality and continues to lead the industry in density and performance. Virtex-II Pro devices gained traction during the year with sales increasing consistently throughout the year and doubling sequentially in the recently ended March quarter. During the year, we introduced the Virtex-II Pro X FPGAs, offering up to 10 Gbps of high speed serial connectivity. Xilinx is currently the only PLD vendor and one of the only companies in the entire semiconductor industry to provide this functionality, which will enable a number of next generation telecommunications and networking applications requiring high speed. Additionally, in December, we announced a revolutionary new architecture enabling rapid development and deployment of new FPGA platforms giving us a major competitive advantage over competing Application Specific Integrated Circuit (ASIC) and PLD vendors. The first FPGA family employing this architecture will be the next generation Virtex-4™ product line, which will offer substantial competitive advantages in density, cost, performance and functionality.

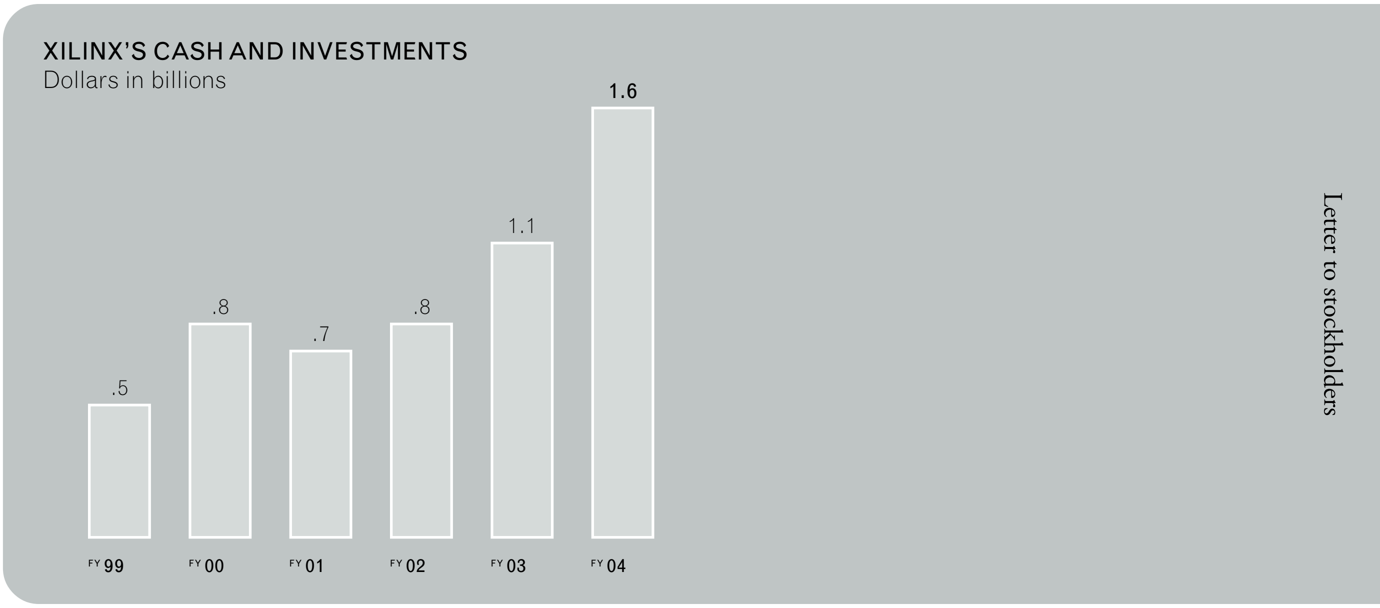



*Aggressively expand into the ASIC market*
Xilinx made substantial progress towards this goal during the year. Based on calendar 2003 revenues, we estimate that we are now the third largest ASIC company worldwide, up from seventh largest five years ago, according to Gartner Dataquest. Additionally, our share of the PLD market segment increased to 50% in calendar 2003, according to Gartner Dataquest, up from 49% in calendar 2002 and up from 30% five years ago. This marks the sixth consecutive year that Xilinx has increased its share of the PLD market segment, and underscores the increasing importance of our PLDs to electronic designers throughout the world.

## THE NEXT BLUE CHIP COMPANY

Xilinx is quickly establishing itself as a Blue Chip company. Certain attributes define and differentiate Blue Chip companies from other companies. Below, I identify a few of those attributes and discuss how we are working to achieve each of them.

*Global Footprint*
Xilinx currently has its worldwide headquarters in San Jose, California and a European headquarters in Dublin, Ireland. In addition, we recently announced the opening of a Singapore office to serve as the headquarters for our operations in Asia Pacific and Japan. Our revenue composition by geography has changed markedly over the last five years. Sales to Asia Pacific and Japan have grown significantly due to increased demand from customers in the consumer sector as well as increased outsourcing by customers in North America and Europe. Xilinx sales into Asia Pacific and Japan represented 39% of revenues in fiscal 2004, up from 30% in fiscal 2003 and up from 11% in fiscal 1999. By providing infrastructure and support to all of our activities in the region, the Singapore facility will bring Xilinx closer to its customers and partners in the region, facilitating the Company's growth in Asia at a time when regional demand for semiconductors—and PLDs specifically—is rapidly increasing. With global operations in the United States, Ireland, and Singapore, we are well on our way to establishing a global footprint.




*Financial Consistency*
As a fabless semiconductor company selling proprietary products, we have consistently generated strong cash flow—in industry upturns as well as downturns. We remain confident in our future growth as well as in our ability to generate cash.[2] As a result, the Xilinx Board recently made the decision to pay a quarterly dividend. We believe this is an excellent way to return value to our stockholders, without impacting future revenue and earnings growth or restricting strategic opportunities. At the same time, we remain committed to buying back our stock and the Board recently authorized an additional $250 million repurchase program. Xilinx is certainly not immune to the cyclical swings that characterize the semiconductor industry. However, we believe that the disciplined approach of paying a quarterly dividend coupled with increasing our stock buyback program promotes greater financial stability for our stockholders.

*Strong Management and Corporate Culture*
Finally, strong management and corporate culture are paramount to becoming a Blue Chip company. During the year, we received a number of awards that demonstrate these attributes. *FORTUNE* magazine ranked Xilinx #10 in the magazine's annual listing of "The Best 100 Companies to Work For", marking the fourth year in a row that Xilinx has been included on FORTUNE's top 100 best companies list. We were also selected by *Money* magazine as one of the top 100 companies to watch and one of 20 companies with a great shot at becoming the next Blue Chip stock. Finally, *Forbes* selected Xilinx as the best managed semiconductor company in 2003 and the Fabless Semiconductor Association named Xilinx the most respected public fabless company for the second year in a row. All of these awards were based on a number of criteria including excellence in business practices, technology vision and industry achievement and provide a strong testament to our management and corporate culture.

When measured by the above three attributes, Xilinx is solidly establishing itself as the next Blue Chip semiconductor company.

I remain optimistic about our prospects entering fiscal 2005. Inventory levels throughout the supply chain remain in balance. The accelerated build-out of communications infrastructure in countries such as China and India coupled with increased corporate profitability will likely spur additional investments in capital equipment and information technology, which in turn drives demand for our chips. With approximately 50% of our revenues coming from the communications sector—more than any other PLD company—we are uniquely poised to benefit from renewed demand in areas such as wireless and enterprise networking. Additionally, our mature product sales have been strong for the past two quarters, which is a positive sign given that growth in these products generally reflects improvement in overall business and economic conditions. Finally, as PLD development costs decrease relative to ASICs, I believe we can continue to capture incremental share of the ASIC market, which Gartner Dataquest estimates to be a $21 billion opportunity in 2005.[3]

In closing, I'd like to thank our stockholders, customers, and employees. None of our accomplishments would be possible without your hard work and support.

Sincerely,

Willem P. Roelandts

Willem P. Roelandts
President, Chief Executive Officer and Chairman of the Board

1,2 *This is a forward looking statement that is subject to risks and uncertainties including Xilinx's continued profitability and its ability to continue to generate cash at a rate necessary to continue paying cash dividends and repurchasing stock.*

3 *This is a forward looking statement and is subject to risks and uncertainties including customer acceptance of our new products, the ability to drive down costs more rapidly than pure ASIC suppliers, our ability to introduce new products to the market in a timely manner and other risk factors listed in the attached Form 10K.*

Xilinx 2004 Form 10K

Xilinx 2004 Form 10K

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 10-K

**(Mark One)**

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended April 3, 2004.**

**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 0-18548**

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

| | |
|---|---|
| **Delaware**<br>(State or other jurisdiction of incorporation or organization) | **77-0188631**<br>(IRS Employer Identification No.) |
| **2100 Logic Drive, San Jose, CA**<br>(Address of principal executive offices) | **95124**<br>(Zip Code) |

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

Securities registered pursuant to Section 12(b) of the Act:
**None**

Securities registered pursuant to Section 12(g) of the Act:
**Common Stock, $0.01 par value**
(Title of Class)

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 requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). YES ☒ NO ☐

The aggregate market value of the voting stock held by non-affiliates of the registrant based upon the closing sale price of the Common Stock on September 27, 2003 as reported on the NASDAQ National Market was approximately $8,614,001,000. Shares of Common Stock held by each executive officer and director and by each person who owns 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

At May 19, 2004, the registrant had 347,107,731 shares of Common Stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Parts of the Proxy Statement for the Registrant's Annual Meeting of Stockholders to be held on August 5, 2004 are incorporated by reference in Part III of this Annual Report on Form 10-K.

**XILINX, INC.**
**Form 10-K**
**For the Fiscal Year Ended April 3, 2004**

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## PART I

### FORWARD-LOOKING STATEMENTS

*This Annual Report on Form 10-K contains forward-looking statements in Items 1.—"Business" and 3.—"Legal Proceedings" concerning our development efforts, strategy, new product introductions, backlog and litigation. These statements involve numerous risks and uncertainties including those discussed throughout this document as well as under the caption "Factors Affecting Future Results" in Item 7.—"Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward looking statements can often be identified by the use of forward looking words, such as "may," "will," "could," "should," "expect," "believe," "anticipate," "estimate," "continue," "plan," "intend," "project" or other similar words.*

### ITEM 1. BUSINESS

Xilinx, Inc. (Xilinx or the Company) designs, develops and markets complete programmable logic solutions, including advanced integrated circuits (ICs), software design tools, predefined system functions delivered as intellectual property (IP) cores, design services, customer training, field engineering and technical support. The programmable logic devices (PLDs) include field programmable gate arrays (FPGAs) and complex programmable logic devices (CPLDs). These devices are standard products that our customers program to perform desired logic functions. Our products are designed to provide high integration and quick time-to-market for electronic equipment manufacturers primarily in the communications, storage, server, consumer, industrial and other markets. We sell our products globally through independent domestic and foreign distributors, through direct sales to original equipment manufacturers (OEMs) by a network of independent sales representative firms and through a direct sales management organization.

Xilinx was founded in California in February 1984. In April 1990, the Company reincorporated in Delaware. Our corporate facilities and executive offices are located at 2100 Logic Drive, San Jose, California 95124, and our website address is www.xilinx.com.

#### Industry Overview

There are three principal types of ICs used in most digital electronic systems: processors, which generally are utilized for control and computing tasks; memory devices, which are used for storing program instructions and data; and logic devices, which generally are used to manage the interchange and manipulation of digital signals within a system. Almost every electronic system contains application specific integrated circuits (ASICs), which include custom gate arrays, standard cells and programmable logic. These devices all compete with each other since they may be utilized in the same types of applications within electronic systems. However, variables in pricing, product performance, reliability, power consumption, density, adaptability, ease of use and time-to-market determine the degree to which the devices compete for specific applications.

Programmable logic has a primary advantage over custom gate arrays and standard cells in that it enables faster time-to-market with shorter design cycles. Users of PLDs can program their design directly into the PLD, using software, thereby allowing customers to revise their designs relatively quickly with lower development costs. Since PLDs are programmable, they typically have a larger die size resulting in higher costs per unit compared to custom gate arrays and standard cells, which are customized with a fixed function during wafer fabrication. Custom gate arrays and standard cells, however, generally require longer fabrication lead times and higher up-front costs than PLDs.

PLDs are standard components. This means that the same device type can be sold to many different customers for many different applications. As a result, the development cost of PLDs can be spread over a large number of customers. Custom gate arrays and standard cells, on the other hand, are custom chips for an individual customer for use in a specific application. This involves a high up-front cost to customers. Technology advances are enabling PLD companies to reduce costs considerably, making PLDs an increasingly attractive alternative to custom gate arrays and standard cells.

An overview of typical PLD end market applications for our products is shown in the following table:

| End Markets | Sub-Segments | Applications |
|---|---|---|
| Communications | Wireless | • Cellular Base Stations<br>• Wireless Local Area Networks |
| | Wireline | • Metro Area Networks<br>• Optical Networks<br>• DSL Modems |
| | Networking | • Switches<br>• Routers |
| Storage and Servers | Storage | • Mass Storage<br>• Storage Area Networks<br>• Network Attached Storage |
| | Servers | • High Speed Servers<br>• Computer Peripherals |
| Consumer, Industrial and Other | Consumer | • LCD TVs<br>• Plasma Displays<br>• DVRs<br>• MP3 Players<br>• Camera Phones |
| | Industrial | • Factory Automation<br>• Medical Imaging<br>• Test Equipment |
| | Automotive | • Multimedia Systems<br>• GPS Navigation Systems<br>• Voice Recognition |
| | Military | • Satellite Surveillance<br>• Radar and Sonar Systems<br>• Secure Communications |

**Products**

Integral to the future success of our business is the timely introduction of new products that address customer requirements and compete effectively with respect to price, functionality and performance. Software design tools, IP cores, technical support and design services are also critical components that enable our customers to implement their design specifications into our PLDs. Altogether, these products form a comprehensive programmable logic solution. A brief overview of these products follows. Our product families mentioned in the table below are not all inclusive but they comprise the majority of revenues. They are our newest product families and are currently being designed into our customers' next generation products. Some of our more mature product families have been excluded from the table although they continue to generate revenue.

**Product Families**

| FPGAs | Date Introduced | Densities | Process Technology | Voltage |
|---|---|---|---|---|
| Virtex-II Pro™ | March 2002 | 300K to 10M System Gates | 130nm | 1.2v |
| Virtex™-II | January 2001 | 40K to 8M System Gates | 150nm | 1.5v |
| Virtex™-E | September 1999 | 50K to 3.2M System Gates | 180nm | 1.8v |
| Spartan™-3 | April 2003 | Up to 5M System Gates | 90nm | 1.2v |
| Spartan™-IIE | November 2001 | Up to 600K System Gates | 150nm | 1.8v |
| Spartan™-II | January 2000 | Up to 200K System Gates | 180nm | 2.5v |

| CPLDs | Date Introduced | Densities | Process Technology | Voltage |
|---|---|---|---|---|
| CoolRunner™-II | January 2002 | 32 to 512 Macrocells | 180nm | 1.8v |
| CoolRunner™ | August 1999 | 32 to 512 Macrocells | 350nm | 3.3v |
| 9500XC | September 1998 | 36 to 288 Macrocells | 350nm | 3.3v |

*Virtex FPGAs*

The Virtex-II Pro FPGA family consists of nine members. The family has up to two IBM PowerPC™ processors, up to 20 Rocket I/O™ multi-gigabit transceivers, up to eight megabits of embedded memory, embedded software design tools and operating system support. Virtex-II Pro devices are delivered on 300mm wafers employing 130-nanometer copper process technology. The Virtex-II Pro solution enables ultra-high bandwidth system-on-a-chip (SoC) designs that were previously the exclusive domain of custom ASICs. This family enables leading-edge system architectures in networking applications, storage systems, wireless base stations, embedded systems, professional broadcast and digital signal processing (DSP) systems.

In addition, the Virtex-II Pro family is available as Virtex-II Pro™ EasyPath devices, which provide customers up to 80% cost reduction when compared to the standard FPGA device with no conversion risk. This enables customers to move to lower cost, higher unit volumes without any conversion issues, engineering effort or additional time required to move to a structured ASIC. Virtex-II Pro EasyPath devices are FPGAs that have been custom tested for a specific customer application and are available for the higher density members of the Virtex-II Pro family. Customers purchasing these devices must meet certain minimum order requirements.

The Virtex-II FPGA family is a complete platform for programmable logic that allows digital system designers to rapidly implement a single-chip solution. The Virtex-II FPGA family currently has eleven devices, all on 300mm wafers. In March 2002, the Virtex™-II EasyPath solution was introduced. Virtex-II EasyPath devices enable up to an 80% cost reduction compared to the standard FPGA device with no conversion risk to the customer. As with Virtex-II Pro EasyPath devices, these are available only for the highest density members of the Virtex-II FPGA family and customers purchasing them must meet certain minimum order requirements.

The first generation of the Virtex™ architecture includes the Virtex-E FPGA family and Virtex FPGA family. The Virtex-E FPGA family consists of 11 members and is delivered on 180-nanometer process technology. The original Virtex FPGA family, introduced in October 1998, includes nine 2.5-volt Virtex devices that are currently in production on 220-nanometer process technology with densities ranging from 50,000 to 1 million system gates.

*Spartan FPGAs*

The Spartan-3 FPGA family was the first PLD family shipping on 90-nanometer process technology. This family consists of eight devices and is one of the lowest cost FPGAs in the marketplace. These devices are programmable alternatives to ASICs that address customer demand for low cost solutions. The Spartan-3 family addresses a larger range of cost-sensitive high volume applications than prior Spartan family generations and enables new consumer electronic market opportunities for programmable logic.

The Spartan-IIE family has seven members shipping and is delivered on 150-nanometer process technology. The Spartan-II family has seven members shipping on 180-nanometer process technology.

The Spartan™-XL family consists of five members with up to 40,000 system gates on 250-nanometer process technology operating at 3.3 volts. The original Spartan™ family was introduced in early 2000. It has five members shipping with densities up to 40,000 system gates on 350-nanometer process technology operating at 3.5 volts.

*XC4000 FPGAs*

The XC4000 family, introduced in 1990, was the first FPGA offering on-board distributed RAM. The XC4000 became an industry standard and was the Company's fastest growing programmable logic family until the Virtex family was introduced in October 1998. The XC4000 family consists of a number of generations manufactured on 250 to 600-nanometer process technologies.

*CPLDs*

The XC9500, XC9500XL and XC9500XV product families offer low cost, high speed and in-system programmability for 5.0-volt, 3.3-volt and 2.5-volt systems, respectively.

In August 1999, we acquired Philips Semiconductors' line of low power CPLDs called the CoolRunner family. The CoolRunner "XPLA3" line was the first family of CPLD products to combine very low power with high speed, high density and high I/O counts in a single device. This family has six devices shipping on 350-nanometer process technology. CoolRunner CPLDs also use far less dynamic power during actual operation compared to conventional CPLDs, an important feature for today's mobile computing applications.

The CoolRunner-II family is a next-generation family with six devices shipping on 180-nanometer process technology. CoolRunner-II CPLDs contain enhanced power management and system features at no performance or cost penalty to the customer. We believe that this new class of devices is ideal for both performance-intensive applications as well as power conscious designs targeting the growing consumer electronics markets.



**Support Products**

*Software Solutions*

We offer complete software solutions that enable customers to implement their design specifications into our PLDs. These software design tools combine a powerful technology with a flexible, easy-to-use graphical interface to help achieve the best possible designs within each customer's project schedule, regardless of the designer's experience level. Our software design tools operate on personal computers running Microsoft Windows 2000, XP and Linux operating systems, and on workstations from Sun Microsystems running Solaris.

The Xilinx ISE™ (Integrated Software Environment) family is available in four configurations to fit a wide range of customer needs. ISE also integrates with a wide range of third-party electronic design automation (EDA) software offerings and point-tool solutions to deliver the most flexible design environment available. The four ISE configurations are listed below:

- *ISE Alliance™* is tailored for customers who want maximum design flexibility by integrating ISE into their existing EDA environment and methodology.

- *ISE Foundation™* offers the most complete logic design environment for the customer who desires one logic solution from a single vendor.
- *ISE BaseX™* targets a smaller device range at a lower price point for the cost-conscious customer who does not require the full power of ISE Foundation.
- *ISE WebPACK™* free downloadable design and implementation modules are available for customers who use only smaller devices and a minimal set of design tools.

All Xilinx FPGA and CPLD device families are supported by ISE, including the newest CoolRunner-II, Spartan-3 and Virtex-II Pro device families.

*IP Cores*

We also offer IP cores for commonly used complex functions such as DSP, bus interfaces, processors and processor peripherals. Our IP core products are listed below:

- *LogiCORE™* products, which are developed and supported by Xilinx, together with AllianceCORE™ IP cores from third-party participants, enable customers to shorten development time, reduce design risk and obtain superior performance for their designs. LogiCORE products include solutions for designers building products in the areas of DSP, network line cards and backplanes, PCI Express™ and advanced switching, Rapid IO, ethernet, and embedded processing with both PowerPC and MicroBlaze™, a 32-bit soft processor core.
- The *Xilinx CORE Generator™* system allows customers to implement various IP cores into our PLDs with predictable and repeatable performance.
- The *Xilinx System Generator™ for DSP* tool allows system architects to quickly model and implement DSP functions, and features an interface to third-party system level DSP design tools.
- The *IP Center Internet Portal* offers customers the ability to purchase a license online for the latest intellectual property cores and reference designs.

*Configuration Solutions*

Through our Configuration Solutions Group, Xilinx offers a range of one-time programmable and in-system programmable storage devices to configure Xilinx FPGAs. The PlatformFlash PROM (programmable read only memory) family is our newest offering. This family ranges in density from 1 to 32 megabits and offers full in-system programmability at the lowest cost per megabit of any Xilinx configuration solution. Older solutions include our XC1700 family (one-time programmable with density up to 16 megabits), and the XC1800 family (flash programmable with density up to 4 megabits). Our PROM solutions continue to offer higher densities at lower costs, and target all FPGA designs.

*Global Services*

To extend our customers' technical capabilities and shorten their design times, we offer a portfolio of global services, which includes Education, Design and Support Services, in addition to www.mysupport.xilinx.com, a personalized online technical resource.

- *Education Services* consist of hands-on, lab-based, multi-day courses from fundamental to expert skill levels, designed to make our customers proficient at high-speed logic and system design.
- *Design Services* help shorten customers' time-to-market by augmenting their design teams with Xilinx industry experts in FPGA design techniques and solutions.
- *Support Services* enable our customers' calls to get top priority from senior application engineers who have extensive design experience, including solutions to complex problems. Customers can personalize their experience with www.support.xilinx.com, through the MySupport feature. They can access training courses, an answer database, and forums with access to an experienced Xilinx team for assistance in troubleshooting and design issues.

Please see information under the caption "Results of Operations—Net Revenues" in Item 7.—"Management's Discussion and Analysis of Financial Condition and Results of Operations" for information about our revenues from our classes of products.

## Research and Development

Our research and development activities are primarily directed towards the design of new ICs, the development of new software design tools for hardware and embedded software, cores of logic, advanced semiconductor manufacturing processes, ongoing cost reductions and performance improvements in existing products. Our primary areas of focus have been to: obtain density and performance leadership (Virtex-II and Virtex-II Pro FPGA devices); tightly integrate PowerPC microprocessors and multi-gigabit transceivers (Virtex-II Pro and Virtex-II Pro X); design a low-cost ASIC alternative FPGA solution (Spartan-3 devices); develop CPLD products (CoolRunner-II families); provide a cost reduction path for FPGA volume production (EasyPath Virtex-II and EasyPath Virtex-II Pro devices); and extend leadership in serial connectivity solutions (RocketPHY and Virtex-II Pro X). In software and IP cores, we focused on maximum design performance and ease of use by introducing new versions of design tools (Foundation Series ISE software), as well as embedded software development tools (Embedded Systems Development Kit) cores of logic and a system level design environment for high performance DSP (System Generator for DSP). We collaborated with our foundry suppliers in the development of 130 and 90-nanometer complementary metal oxide semiconductor (CMOS) manufacturing technology and we believe we are one of the first companies in the industry to move aggressively to 300mm wafer technology for cost reduction.

Our research and development challenge is to continue to develop new products that create cost-effective solutions for customers. In fiscal 2004, 2003 and 2002, our research and development expenses were $247.6 million, $222.1 million and $204.8 million, respectively. These amounts include $3.8 million, $6.4 million and $8.5 million of non-cash deferred stock compensation associated with the November 2000 acquisition of RocketChips. We expect to continue to make substantial investments in research and development. We believe technical leadership is essential to our future success and we are committed to continuing a significant level of research and development effort. However, there can be no assurance that any of our research and development efforts will be successful, timely or cost-effective.



## Acquisition

In March 2004, Xilinx completed the acquisition of Triscend Corporation (Triscend), a privately held fabless semiconductor company with expertise in configurable embedded microcontroller technology. The total purchase price for Triscend was $30 million in cash plus $1.2 million of acquisition related costs. The acquisition brings to Xilinx both talent and technology expertise in the microcontroller space. Many of Triscend's 37 employees are or will be deployed to work on future embedded solution projects.

The Triscend team is comprised of a hardware engineering team, a software development team and individuals focused on sales and administration, such as marketing, finance, operations and IT. Triscend's family of configurable system-on-chip devices and software solutions will be phased out, freeing most of the team to work on other projects.

## Sales and Distribution

We sell our products to OEMs and to electronic components distributors who resell these products to OEMs, or their subcontract manufacturers.

Xilinx also uses a dedicated global sales and marketing organization as well as independent sales representatives to generate sales. In general, Xilinx focuses its direct demand creation efforts on a limited number of key accounts while independent sales representatives generally address a defined territory or defined set of customers. Distributors generally provide vendor managed inventory and logistics for large OEM customers and also create demand within the balance of our customer base.

Regardless of whether Xilinx, the independent sales representative, or the distributor generate the sale, a local distributor will process and fulfill over 90% of all orders from customers. Distributors are the legal sellers of the products and as such they bear all risks generally related to the sale of commercial goods, such as credit loss, inventory shrinkage and theft as well as foreign currency fluctuations.

In accordance with our distribution agreements and industry practice, we have granted the distributors the contractual right to return certain amounts of unsold product on a periodic basis and also receive price concessions for unsold product in the case of a subsequent decrease in list prices. Revenue recognition on shipments to distributors worldwide is deferred until the products are sold to the end customer.

The Memec Group (Memec) and Avnet, Inc. (Avnet) distribute our products worldwide. No end customer accounted for more than 10% of net revenues in fiscal year 2004, 2003 or 2002. As of April 3, 2004, two distributors (Memec and Avnet) accounted for 59% and 22% of total accounts receivable, respectively. As of March 29, 2003, Memec and Avnet accounted for 49% and 34% of total accounts receivable, respectively. Memec accounted for 47%, 45% and 44% of worldwide net revenues in fiscal 2004, 2003 and 2002, respectively. Avnet accounted for 31%, 32% and 30% of worldwide net revenues in fiscal 2004, 2003 and 2002, respectively. We also use other regional distributors throughout the world. From time to time, we may add or terminate distributors, as we deem appropriate given the level of business and their performance. We believe distributors provide a cost-effective means of reaching a broad range of customers while providing efficient logistics services. Since PLDs are standard products, they do not present many of the inventory risks to distributors posed by custom gate arrays, and they simplify the requirements for distributor technical support. See Note 2 to our consolidated financial statements, included in Item 8. "Financial Statements and Supplementary Data," for information about concentrations of credit risk. Please also see Note 12 to our consolidated financial statements, included in Item 8. "Financial Statements and Supplementary Data," for financial information about our revenues from external customers and domestic and international operations.

Please see our consolidated statements of operations, included in Item 8. "Financial Statements and Supplementary Data," for financial information about our net income (loss) for fiscal 2004, 2003 and 2002. Please see Item 6. "Selected Financial Data" for information about our total assets for fiscal 2004, 2003 and 2002.

**Backlog**

As of April 3, 2004, our backlog from OEM customers and backlog from end customers reported by our distributors scheduled for delivery within the next three months was $215 million. As of March 29, 2003, our backlog from OEM customers and end customers was $145 million. Orders from end customers to our distributors are subject to changes in delivery schedules or to cancellation without significant penalty. As a result, end customer backlog to distributors as of any particular period may not be a reliable indicator of revenue for any future period.

**Wafer Fabrication**

As a fabless semiconductor company, we do not manufacture wafers used for our products. Rather, we purchase wafers from multiple foundry partners including United Microelectronics Corporation (UMC), International Business Machines Corporation (IBM) and Seiko Epson Corporation (Seiko). Currently, UMC manufactures the majority of our wafers. Precise 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 the wafer foundries.

Our strategy is to focus our resources on market development and creating new ICs and software design tools rather than on wafer fabrication. We continuously evaluate opportunities to enhance foundry relationships and/or obtain additional capacity from both our main suppliers as well as other suppliers of leading-edge process technologies. As a result, we have entered into agreements with UMC, Seiko and IBM as discussed below.

In September 1995, Xilinx, UMC and other parties entered into a joint venture to construct a wafer fabrication facility in Taiwan, known as United Silicon Inc. (USIC) (see Note 3 to our consolidated financial statements in Item 8. "Financial Statements and Supplementary Data"). In January 2000, as a result of the merger of USIC into UMC, our equity position in USIC was converted into shares of UMC, which are publicly traded on the Taiwan Stock Exchange. We retain monthly guaranteed wafer capacity rights in UMC as long as we retain a certain percentage of our original UMC shares.

In fiscal 1997, we signed a wafer purchasing agreement with Seiko that was amended in fiscal years 1998, 1999 and 2000. Seiko manufactures wafers for our older, more mature product lines.

In fiscal 2002, we signed a Custom Sales Agreement with IBM, giving us the right to purchase wafers from IBM.

## Sort, Assembly and Test

Wafers purchased are sorted by the foundry, independent sort subcontractors, or by Xilinx. Sorted wafers are assembled by subcontractors. During the assembly process, the wafers are separated into individual die, which are then assembled into various package types. Following assembly, the packaged units are tested by Xilinx personnel at our San Jose, California or Dublin, Ireland facilities or by independent test subcontractors. We purchase most of our assembly and some of our testing services from Siliconware Precision Industries Ltd. (SPIL) in Taiwan and from Amkor Technology, Inc. in Korea and the Philippines. Xilinx achieved ISO9001 quality certification in 1995 in San Jose, California and in 2001 in Dublin, Ireland and both locations achieved TL9000 quality certification in 2003.

## Patents and Licenses

While the Company's various proprietary intellectual property rights are important to its success, Xilinx believes its business as a whole is not materially dependent on any particular patent or license, or any particular group of patents or licenses. Through April 3, 2004, we held 962 issued United States patents, which vary in duration, relating to our products. We maintain an active program of filing for additional patents in the areas of, but not limited to, software, IC architecture, system design, testing methodologies and other technologies relating to PLDs. Because of the fast pace of innovation and product development, our products are often obsolete before the patents related to them expire. As a result, we believe that the duration of the applicable patents is adequate relative to the expected lives of our products. We intend to vigorously protect our intellectual property. We believe that failure to enforce our intellectual property rights (for example, patents, copyrights and trademarks) or to effectively protect our trade secrets could have an adverse effect on our financial condition and results of operations. In the future, we may incur litigation expenses to enforce our intellectual property rights against third parties. Any such litigation may not be successful. Please see Item 3. "Legal Proceedings" and Note 13 to our consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data."

We have acquired various software licenses that permit us to grant object code sublicenses to our customers for certain third party software programs licensed with our software design tools. In addition, we have licensed certain software for internal use in product design.



## Employees

As of April 3, 2004, Xilinx had 2,770 employees compared to 2,612 at the end of the prior year. None of our employees are represented by a labor union. We have not experienced any work stoppages and believe we maintain good employee relations.

## Competition

Our PLDs compete in the logic 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 Corporation (Altera) and Lattice Semiconductor Corporation (Lattice), from the ASIC market, which has been an ongoing competitor since the inception of FPGAs, and from new companies that may enter the traditional programmable logic market segment. We believe that important competitive factors in the logic industry include:

- product pricing;
- time-to-market;
- product performance, reliability, power consumption and density;
- field upgradability;
- adaptability of products to specific applications;
- ease of use and functionality of software design tools;
- functionality of predefined cores of logic;
- inventory management;
- access to leading-edge process technology; and,
- ability to provide timely customer service and support.

Our strategy for expansion in the logic market segment includes continued introduction of new product architectures that address high-volume, low-cost applications as well as high-performance, high-density applications. In addition, we anticipate continued price reductions proportionate with our ability to lower the cost for established products. However, we may not be successful in achieving these strategies.

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 standard cell or custom gate array based ASICs and application specific standard products (ASSPs);
- ASICs and ASSPs that are beginning to embed incremental amounts of programmable logic within their products;
- high-speed, low-density CPLDs;
- standard cell and custom gate arrays;
- products with embedded processors;
- products with embedded multi-gigabit transceivers; and,
- other new or emerging programmable logic products.

Several companies, both large and small, have introduced products that compete with ours or have announced their intention to enter the PLD segment. 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 the logic market 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 Xilinx IC products. We believe that automation and ease of design are significant competitive factors in the PLD segment.

We could also face competition from our licensees. Under a license from us, Lucent Technologies (Lucent) had rights to manufacture and market our XC3000 FPGA products and to employ that technology to provide additional high-density FPGA products. In 2001, Lucent assigned its rights to Agere Systems Inc. (Agere). Agere has subsequently sold a portion of its programmable logic business to Lattice. Under the terms of the Xilinx license grant, no rights of Agere are transferable to Lattice.

Seiko has rights to manufacture some of our older products and market them in Japan and Europe, but is not currently doing so. We granted a license to use some of our patents to Advanced Micro Devices (AMD). AMD produced certain PLDs under that license through its wholly-owned subsidiary, Vantis. In June 1999, AMD sold the Vantis subsidiary to Lattice.

In conjunction with Xilinx's settlement of the patent litigation with Altera in July 2001, both companies entered into a royalty-free patent cross license agreement for many of each company's patents.

**Executive Officers of the Registrant**

Certain information regarding each of Xilinx's executive officers is set forth below:

| Name | Age | Position |
|---|---|---|
| Willem P. Roelandts | 59 | President, Chief Executive Officer and Chairman of the Board of Directors |
| Kris Chellam | 53 | Senior Vice President, Finance and Chief Financial Officer |
| Steven D. Haynes | 53 | Senior Vice President, Worldwide Sales and Services |
| Thomas R. Lavelle | 54 | Vice President, General Counsel and Secretary |
| Boon C. Ooi | 50 | Vice President, Worldwide Operations |
| Richard W. Sevcik | 56 | Executive Vice President and General Manager and a Director |
| Sandeep S. Vij | 38 | Vice President, Worldwide Marketing |

There are no family relationships among the executive officers of the Company or the Board of Directors.

Willem P. "Wim" Roelandts joined the Company in January 1996 as Chief Executive Officer and a member of the Company's Board of Directors. In April 1996, Mr. Roelandts was appointed to the additional position of President of the Company and was elected Chairman of the Board of Directors in August 2003. Prior to joining the Company, he served at Hewlett-Packard Company, a computer manufacturer, as Senior Vice President and General Manager of Computer Systems Organizations from August 1992 through January 1996 and as Vice President and General Manager of the Network Systems Group from December 1990 through August 1992. Mr. Roelandts also serves as a director of Applied Materials Inc. (NASDAQ: AMAT)

Kris Chellam joined the Company in July 1998 as Senior Vice President, Finance and Chief Financial Officer. Prior to joining the Company, he served at Atmel Corporation as Senior Vice President and General Manager of a product group from March to July 1998 and as Vice President, Finance and Administration, and Chief Financial Officer from September 1991 through March 1998. Mr. Chellam also serves as a director of At Road Inc. (NASDAQ: ARDI)

Steven D. Haynes joined the Company in March 1987 as the Regional Sales Manager of the Northeast region, was promoted to Area Sales Director in 1988, and was appointed Vice President, North American Sales in 1995. In November 1998, Mr. Haynes was promoted to Vice President, Worldwide Sales and in April 2004, he was promoted to his current position of Senior Vice President, Worldwide Sales and Services.

Thomas R. Lavelle joined the Company in August 1999 as Vice President and General Counsel. Prior to joining the Company, Mr. Lavelle spent more than 15 years at Intel Corporation serving in a variety of positions, including group counsel for a number of Intel organizations. From 1992 to 1993, Mr. Lavelle served as Vice President and General Counsel for NeXT Inc.

Boon C. Ooi joined the Company in December 2003 as Vice President, Worldwide Operations. He has overall responsibility for worldwide manufacturing, testing and package development for Xilinx programmable logic devices. Mr. Ooi also oversees strategic management of the Company's semiconductor foundry and packaging suppliers. Prior to joining the Company, Mr. Ooi spent more than 25 years at Intel Corporation serving in a variety of positions, including Vice President of the Corporate Technology Group and Director of Operations.

Richard W. Sevcik joined the Company in April 1997 as Senior Vice President and General Manager. He was elected to the Board of Directors of the Company in 2000. Mr. Sevcik assumed his current position of Executive Vice President and General Manager in January 2004. Prior to joining the Company, Mr. Sevcik worked at Hewlett-Packard Company for ten years where, from 1994 through 1996, he served as Group General Manager of its Systems Technology Group and oversaw five divisions involved with product development for servers, workstations, operating systems, microprocessors, networking and security. In 1995, he was named Vice President at Hewlett-Packard.

Sandeep S. Vij joined the Company in April 1996 as Director, FPGA Marketing and was promoted to Vice President, Marketing and General Manager in October 1996. Mr. Vij assumed his current position of Vice President, Worldwide Marketing in July 2001. From 1990 until April 1996, he served at Altera Corporation, a semiconductor company, in a variety of marketing roles.



**Corporate Governance**

The Board of Directors is the ultimate decision-making body of the Company except with respect to those matters reserved for decision of stockholders. The Board is responsible for selection of the executive management team, providing oversight responsibility and direction to management, and evaluating the performance of this team on behalf of the stockholders. Responsibility for day-to-day management of operations is delegated to the executive management team.

The Board of Directors is composed primarily of independent directors (currently six of eight are independent as defined by the NASDAQ National Marketplace Rules). There is a formal calendar of board meetings throughout the year. The Board of Directors has appointed three committees to support it in its mandate—the Audit Committee, the Compensation Committee and the Nominating and Governance Committee. The Board reviews the responsibilities of these committees periodically.

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities to the stockholders relating to the Company's financial statements and the financial reporting process, the systems of internal controls, and the audit process. In addition to each of the members of the Audit Committee being independent, the Board of Directors has determined that at least one member of the Committee—Harold E. Hughes, Jr.—qualifies as an "audit committee financial expert" as defined by SEC rules. Stockholders should understand that this designation is a disclosure requirement of the SEC related to Mr. Hughes's experience and understanding with respect to certain accounting and auditing matters.

The designation does not impose upon Mr. Hughes, any duties, obligations or liability that are greater than are generally imposed on him as a member of the Audit Committee and the Board, and his designation as an audit committee financial expert pursuant to this SEC requirement does not affect the duties, obligations or liability of any other member of the Audit Committee or the Board.

The Compensation Committee has responsibility for establishing the compensation policies of the Company. The Committee determines the compensation of the Company's Board of Directors and its executive officers and has exclusive authority to grant options to directors and executive officers under the 1997 Stock Plan.

The Nominating and Governance Committee has responsibility for nominating individuals to serve as members of the Board of Directors, and to establish policies affecting corporate governance. The Nominating and Governance Committee, among other things, determines the size and composition of the Company's Board of Directors and nominates directors and executive officers for election.

As a leader in our business segment and underlining our commitment to quality, we believe in strong corporate governance principles and practices. Our corporate governance principles are reviewed by the Board, executive management and General Counsel and are periodically revised in response to changing legal and regulatory requirements and evolving best practices. The Company has taken a number of steps in recent years designed to improve its corporate governance process. Among the steps taken, the Company:

- determined that a substantial majority of the Board of Directors will be independent directors. Currently six of eight directors are independent;
- has adopted and implemented a self-evaluation process for the Board of Directors;
- requires compliance with the NASDAQ National Marketplace issuer requirements for independent directors;
- requires that directors or employees asked to serve on the Board of Directors of other companies seek a determination from the CEO and the General Counsel of Xilinx as to whether such board participation would be problematic to Xilinx;
- determined that all directors are to be elected annually at the annual stockholder meeting;
- adopted a retirement policy for directors under which directors may not stand for re-election after age 75;
- appointed a lead independent director to serve when the Chairman of the Board is also the Chief Executive Officer;
- restricts participation on the Audit Committee, Nominating and Governance Committee and Compensation Committee to independent directors;
- requires that independent directors are given an opportunity to meet on a regular basis outside the presence of other Board members and management representatives, and the lead independent director is responsible for setting the agenda and running the meetings;
- requires that the Board of Directors and its committees have authority to engage independent advisors and consultants;
- updated its Codes of Conduct applicable to employees and directors and its significant corporate governance principles and published these on the Company's website;
- introduced a code of ethics for senior financial officers and the finance function;
- issued procedures and guidelines governing securities trades by employees, including limitations on the ability of senior officers to trade other than in the period following the announcement of the Company's quarterly earnings;
- closely monitors the auditing and services provided by the outside auditor and requires pre-approval of all non-audit services to ensure auditor independence; and,
- introduced a formal "whistle blowing" process for employees that includes anonymous reporting, if desired.

Xilinx's success is founded on its reputation of integrity and ethical business practices and has built this reputation over time through the efforts of its employees. The Company has adopted eight Corporate Values (Customer Focus, Respect, Excellence, Accountability, Teamwork, Integrity, Very Open Communications and Enjoying Our Work) to provide a framework for all employees in pursuit of high standards of integrity and ethical behavior.

The Xilinx Code of Conduct and Business Ethics contains the Company's core expectations of the manner in which employees will conduct business on behalf of Xilinx. All of our employees are required to abide by our long-standing standards of Business Ethics and Conduct to ensure that Xilinx operates in a consistent legal and ethical manner. The Board of Directors has adopted a Code of Ethics pertaining to the Board, which covers topics including insider trading, conflicts of interest, financial reporting and compliance with other laws.

**Additional Information**

Our Internet address is *www.xilinx.com*. We make available, via a link through our investor relations website located at *www.investor.xilinx.com*, access to our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission. All such filings on our investor relations website are available free of charge.

## ITEM 2. PROPERTIES

Our corporate offices, which include the administrative, sales, customer support, marketing, research and development and final testing groups are located in San Jose, California. The site consists of adjacent buildings providing 588,000 square feet of space, which we own. We purchased 87 acres of land in South San Jose near our corporate facility in February 2000. Plans for infrastructure and the future development of this land have not been finalized. In July 2000, due to the anticipated rapid growth of the Company, we purchased two adjacent buildings near downtown San Jose providing 200,000 square feet of office space. These buildings were renovated, but the Company never took occupancy. During fiscal 2004 and 2003, the Company recognized impairment losses on excess facilities related to the vacant property in San Jose. In March 2004, the Company sold this facility. See Note 6 to our consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data."

In addition, we own a 228,000 square foot administrative, research and development and final testing facility in the metropolitan area of Dublin, Ireland. The Irish facility is primarily used to service our customer base outside of North America.

We also own a 130,000 square foot facility in Longmont, Colorado. The Longmont facility serves as the primary location for our software efforts in the areas of research and development, manufacturing and quality control. In July 2000, the Company also purchased a 200,000 square foot facility and 40 acres of land adjacent to the Longmont facility for future expansion. The facility is being partially leased to tenants under short-term lease agreements and partially used by the Company.

We own a 45,000 square foot facility in Albuquerque, New Mexico used for the development of our CoolRunner CPLD product families as well as IP cores. We lease office facilities for our engineering design centers in Minneapolis, Minnesota and Austin, Texas and our subsidiary, Triscend Corporation in Mountain View, California.

We also lease North American sales offices in various locations which include the metropolitan areas of Chicago, Dallas, Denver, Los Angeles, Nashua, Ottawa, Raleigh, San Diego, San Jose and Toronto as well as international sales offices located in the metropolitan areas of Brussels, Hong Kong, London, Milan, Munich, Osaka, Paris, Seoul, Shanghai, Shenzhen, Stockholm, Taipei, Tel Aviv and Tokyo.

In April 2004, we entered into a sublease on a 15,000 square foot facility in Singapore. The Singapore facility will serve as our regional headquarters in Asia and will support our customers in Asia Pacific and Japan.

## ITEM 3. LEGAL PROCEEDINGS

The Internal Revenue Service (IRS) has audited and issued proposed adjustments to the Company for fiscal years 1996 through 2001. To date, several issues have been settled with the Appeals Office of the IRS. As of April 3, 2004, unresolved issues asserted by the IRS total $19.0 million in additional taxes due, including penalties and a reduction of future net operating losses of $31.2 million.

We filed a petition with the U.S. Tax Court on March 26, 2001, in response to assertions by the IRS that the Company owed additional tax for fiscal years 1996 through 1998. Several issues, including the arm's length royalty issue discussed below, have been settled with the Appeals Office of the IRS.

In October 2002, the IRS issued a notice of deficiency for fiscal year 1999. The notice of deficiency was based on issues that were also asserted in the previous notice of deficiency for fiscal years 1996 through 1998. On January 14, 2003, the Company filed a petition with the U.S. Tax Court in response to the October 2002 notice of deficiency.

In October 2003, the IRS issued a notice of deficiency for fiscal year 2000. The notice of deficiency was based on issues that were also asserted in the previous notices of deficiency for fiscal years 1996 through 1999. In addition, the IRS disallowed a carryback of general business credits from fiscal year 2000 to fiscal year 1995. The Company filed a petition with the U.S. Tax Court on January 16, 2004, in response to the October 2003 notice of deficiency.

On April 6, 2004, we filed a settlement stipulation concerning the arm's length royalty for the license between the Company and Xilinx Ireland for fiscal years 1996 through 1999. On April 29, 2004, we filed a settlement stipulation concerning the arm's length royalty for the license between the Company and Xilinx Ireland for fiscal year 2000. The IRS agreed not to increase Xilinx's taxable income for this issue. The IRS had asserted increased taxable income of $242 million for fiscal years 1996 through 1999 and $57 million for fiscal year 2000.

One of the unresolved issues relates to whether the value of compensatory stock options must be included in the cost sharing agreement with Xilinx Ireland. The Company and the IRS filed cross motions for summary judgment in 2002 relating to this stock option cost sharing issue. In March 2003, the IRS changed its position concerning the treatment of stock options in cost sharing agreements. The IRS now excludes stock options granted prior to the beginning of the cost sharing agreement with Xilinx Ireland. The IRS change in position reduced the amount originally at issue on the treatment of stock options in cost sharing agreements, which was the subject of the summary judgment motions. On October 28, 2003, the Tax Court issued an order denying both Xilinx's and the IRS's cross motions for summary judgment on the stock option cost sharing issue. The order stated that evidence is necessary to establish whether the stock options are a cost related to research and development and to determine whether unrelated parties would share the cost of stock options in a cost sharing agreement. The Court has granted an IRS motion to amend its answer to assert an alternative deficiency based on the Black-Scholes value of stock options on grant. The trial for this issue has been set for July 14, 2004, and fiscal year 1999 has been combined with the fiscal years 1997 to 1998.

We are in discussions with the Appeals Office to resolve and settle the remaining issues, other than the stock option cost sharing issue discussed above. It is premature to comment further on the likely outcome of any issues that have not been settled to date. We believe we have meritorious defenses to the remaining adjustments and sufficient taxes have been provided.

Other than as stated above, we know of no legal proceedings contemplated by any governmental authority or agency against the Company.

In March 2002, Aldec, Inc (Aldec) filed a complaint in the United States District Court, Northern District of California, alleging copyright infringement and breach of contract by the Company arising from the expiration of a license agreement for certain Aldec software. Aldec sought a temporary restraining order (TRO) simultaneous with the filing of its complaint. The Court denied the request for a TRO.

On September 2, 2003, the Company settled all outstanding litigation with Aldec, for an amount that was immaterial to the Company's results of operations or its financial condition.

In fiscal year 2004, the Company allowed sales representative agreements with three related European entities, Rep'tronic S.A., Rep'tronic España, and Acsis S.r.l., a Rep'tronic Company (collectively Rep'tronic) to expire pursuant to their terms. In May 2003, Rep'tronic filed lawsuits in the High Court of Ireland against the Company claiming compensation arising from termination of an alleged commercial agency between Rep'tronic and the Company. On March 31, 2004, Rep'tronic amended each of its statements of claim to include an additional claim related to the termination of the alleged commercial agency. The Company has not yet been required to file its defense and no significant discovery has occurred.

On January 21, 2004, Rep'tronic S.A. joined Xilinx SARL into a lawsuit before the Labor Court of Versailles brought by five former Rep'tronic S.A. employees against Rep'tronic S.A. for unfair dismissal. Rep'tronic S.A. is seeking indemnification from Xilinx SARL on the theory that the employees of Rep'tronic S.A. became the employees of Xilinx SARL or Xilinx Ireland upon the expiration of the sales representative agreement. Xilinx SARL will file its evidence on July 14, 2004. A hearing has been set for September 20, 2004.

On February 10, 2004, Rep'tronic S.A. filed a lawsuit against Xilinx SARL in the Commercial Court of Versailles. The lawsuit is pled as an unfair competition matter but the claims and the facts upon which they are based are essentially the same as the commercial agency claims being addressed before the High Court of Ireland. Xilinx SARL has filed its defense. No hearing has been set.

The Company has accrued amounts that represent anticipated payments for liability for the Rep'tronic litigation under the provisions of Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 5 (SFAS 5), "Accounting for Contingencies."

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

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

## PART II

### ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Common Stock is listed on the NASDAQ National Market System under the symbol XLNX. As of April 3, 2004, there were approximately 1,231 stockholders of record. Since many holders' shares are listed under their brokerage firms' names, the actual number of stockholders is estimated by the Company to be over 180,000.

The following table sets forth the high and low closing prices, for the periods indicated, for our common stock as reported by the NASDAQ National Market System:

| | Fiscal Year 2004 | | Fiscal Year 2003 | |
|---|---|---|---|---|
| | High | Low | High | Low |
| First Quarter | $30.51 | $23.41 | $43.84 | $22.43 |
| Second Quarter | 32.29 | 24.78 | 23.60 | 14.15 |
| Third Quarter | 39.05 | 27.98 | 24.96 | 13.75 |
| Fourth Quarter | 42.90 | 35.25 | 27.09 | 18.70 |

No cash dividends were paid on our common stock in fiscal 2004 or fiscal 2003.

***5(c) Issuer Purchases of Equity Securities***

| 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 Program |
|---|---|---|---|---|
| January 4 through February 7, 2004 | 174,600 | $41.02 | 174,600 | $19,974,255 |
| February 8 through March 6, 2004 | 136,000 | $41.73 | 136,000 | $14,298,308 |
| March 7 through April 3, 2004 | 157,100 | $37.96 | 157,100 | $ 8,335,035 |
| Total for the Quarter | 467,700 | $40.20 | 467,700 | |

On June 14, 2002, the Company announced a repurchase program of up to $100 million of common stock and, on April 22, 2004, announced a repurchase program of up to an additional $250 million of common stock. Through April 3, 2004, the Company had repurchased $91.7 million of the $100 million approved for repurchase under the current program. These share repurchase programs have no stated expiration date.

## ITEM 6. SELECTED FINANCIAL DATA

**Consolidated Statement of Operations Data**
**Five years ended April 3, 2004**
**(In thousands, except per share amounts)**

| | 2004(5) | 2003(4) | 2002(3) | 2001(2) | 2000(1) |
|---|---|---|---|---|---|
| Net revenues | $1,397,846 | $1,155,977 | $1,015,579 | $1,659,358 | $1,020,993 |
| Operating income (loss) | 327,135 | 155,669 | (24,750) | 384,053 | 322,192 |
| Income (loss) before income taxes and equity in joint venture | 350,544 | 169,872 | (192,954) | 61,103 | 1,024,272 |
| Provision (benefit) for income taxes | 47,555 | 44,167 | (79,347) | 25,845 | 378,006 |
| Net income (loss) | 302,989 | 125,705 | (113,607) | 35,258 | 652,450 |
| Net income (loss) per share: | | | | | |
| Basic | $ 0.89 | $ 0.37 | $ (0.34) | $ 0.11 | $ 2.06 |
| Diluted | $ 0.85 | $ 0.36 | $ (0.34) | $ 0.10 | $ 1.90 |
| Shares used in per share calculations: | | | | | |
| Basic | 341,427 | 337,069 | 333,556 | 328,196 | 316,724 |
| Diluted | 354,551 | 348,622 | 333,556 | 353,345 | 343,479 |

(1) Net income includes pre-tax capital gain of $674,728 ($398,089 net of tax) from UMC/USIC merger.

(2) Net income includes pre-tax write-down of $362,124 ($219,085 net of tax) on UMC investment.

(3) Net loss includes pre-tax write-down of $191,852 ($116,070 net of tax) on UMC investment, $25,336 impairment loss on intangibles and other assets and lawsuit settlement gain of $19,400. The change in operating income (loss) compared to the number shown in the fiscal 2003 Form 10-K of $19,400 is due to a reclassification of the Altera Corporation lawsuit settlement on the consolidated statement of operations from a separate line after operating income (loss) to be included within operating income (loss).

(4) Net income includes impairment loss on excess facilities and equipment of $54,691 and impairment loss on investments of $10,425.

(5) Net income includes a $34,418 reduction in taxes associated with an IRS tax settlement, impairment loss on excess facilities of $3,376, litigation settlement and contingency of $6,400 and write-off of acquired in-process research and development of $6,969 related to the acquisition of Triscend.

**Consolidated Balance Sheet Data**
**Five Years Ended April 3, 2004**
**(In thousands)**

| | 2004 | 2003 | 2002 | 2001 | 2000 |
|---|---|---|---|---|---|
| Working capital | $ 920,422 | $ 861,448 | $ 802,913 | $ 751,469 | $ 796,213 |
| Total assets | 2,937,473 | 2,421,676 | 2,335,360 | 2,502,196 | 2,348,639 |
| Stockholders' equity | 2,483,062 | 1,950,739 | 1,903,740 | 1,918,316 | 1,776,655 |

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis of financial condition and results of operations should be read in conjunction with the Company's consolidated financial statements and accompanying notes included in Item 8. "Financial Statements and Supplementary Data."

### Cautionary Statement

The statements in this Management's Discussion and Analysis that are forward looking 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 "Factors Affecting Future Results" and elsewhere in this document. Forward looking statements can often be identified by the use of forward looking words, such as "may," "will," "could," "should," "expect," "believe," "anticipate," "estimate," "continue," "plan," "intend," "project," or other similar words.

### Nature of Operations

Xilinx designs, develops and markets complete programmable logic solutions, including advanced ICs, software design tools, predefined system functions delivered as IP cores, design services, customer training, field engineering and technical support. Our PLDs include FPGAs and CPLDs. These devices are standard products that our customers program to perform desired logic functions. Our products are designed to provide high integration and quick time-to-market for electronic equipment manufacturers primarily in the communications, storage, server, consumer, industrial and other markets. We sell our products globally through independent domestic and foreign distributors, through direct sales to OEMs by a network of independent sales representative firms and through a direct sales management organization.

### 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 financial statements. The U.S. Securities and Exchange Commission (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 policies include: valuation of financial instruments, which impacts gains (losses) on equity securities when we record impairments; revenue recognition, which impacts the recording of revenues; valuation of inventories, which impacts cost of revenues and gross margin; the assessment of impairment of long-lived assets including goodwill and other intangible assets, which impacts their valuation, and accounting for income taxes, which impacts the provision (benefit) recognized for income taxes, as well as the classification and valuation of deferred tax assets and liabilities recorded on our consolidated balance sheet. Below, we discuss these policies further, as well as the estimates and judgments involved. 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.

*Valuation of Financial Instruments*

The Company's short-term and long-term investments include marketable and non-marketable equity and debt securities. At April 3, 2004, the Company had an equity investment in UMC, a public Taiwanese semiconductor wafer manufacturing company, of $324.0 million and strategic investments in non-marketable equity securities of $22.9 million. In determining if and when a decline in market value below cost of these investments is other-than-temporary, the Company evaluates the market conditions, offering prices, trends of earnings, price multiples, and other key measures for our investments. When a decline in value is deemed to be other-than-temporary, the Company recognizes an impairment loss in the current period operating results to the extent of the decline.

*Revenue Recognition*

Sales to distributors are made under agreements providing distributor price adjustments and rights of return under certain circumstances. Revenue and costs relating to distributor sales are deferred until products are sold by the distributors to customers. Revenue recognition depends on notification from the distributor that product has been sold to the end customer. Reported information includes product resale price, quantity and end customer shipment information, as well as inventory on hand. Distributor inventory on hand is reconciled to deferred revenue balances monthly. Xilinx maintains system controls to validate the data and verify that the reported information is accurate. The effects of distributor price adjustments are recorded as a reduction to deferred income on shipments to distributors reflecting the amount of gross margin expected to be realized when distributors sell through product purchased from Xilinx. Accounts receivable from distributors are recognized and inventory is relieved when title to inventories transfers, typically upon shipment from Xilinx at which point we have a legally enforceable right to collection under normal payment terms.

Revenue from sales to our direct customers is recognized upon shipment provided that persuasive evidence of a sales arrangement exists, the price is fixed, title has transferred, collection of resulting receivables is reasonably assured, there are no customer acceptance requirements and there are no remaining significant obligations. For each of the periods presented, there were no formal acceptance provisions with our direct customers.

Revenue from software term licenses is deferred and recognized as revenue over the term of the licenses of one year. Revenue from support services is recognized when the service is provided. Revenue from support products, which includes software and services sales, was less than 10% of net revenues for all of the periods presented.

Allowances for end customer sales returns are recorded based on historical experience and for known pending customer returns or allowances.



*Valuation of Inventories*

Inventories are stated at the lower of cost (determined using the first-in, first-out method) or market (estimated net realizable value). The Company reviews and sets standard costs quarterly at current manufacturing costs. The Company's manufacturing overhead standards for product costs are calculated assuming full absorption of forecasted spending over projected volumes. Given the cyclicality of the market, the obsolescence of technology and product life cycles, the Company writes down inventory based on backlog, forecasted demand and technological obsolescence. These factors are impacted by market and economic conditions, technology changes, new product introductions and changes in strategic direction and require estimates that may include uncertain elements. In addition, backlog is subject to revisions, cancellations and rescheduling. Actual demand may differ from forecasted demand and such differences may have a material effect on the Company's gross margins.

*Impairment of Long-Lived Assets Including Goodwill and Other Intangibles*

We adopted SFAS No. 142, "Goodwill and Other Intangible Assets" (SFAS 142) effective the beginning of the first quarter of fiscal 2003. Accordingly, for fiscal 2003 and future years, we no longer amortized goodwill from acquisitions, but we continued to amortize other acquisition-related intangibles. We expect amortization of other intangibles to be approximately $5.0 million for fiscal 2005 compared with $9.8 million for fiscal 2004 and down from $15.3 million of amortization of goodwill and other acquisition related intangibles in fiscal 2003.

At April 3, 2004, the net book value of acquisition related intangibles totaled $128.4 million, comprised of unamortized goodwill of $111.6 million and other acquisition related intangibles of $16.8 million. We completed the annual goodwill impairment review during the fourth quarter of fiscal 2004, and found no impairment. Unless there are indicators of impairment, our next impairment review will be completed in the fourth quarter of fiscal 2005. To date, no impairment indicators have been identified.

We are required to test goodwill for impairment at the reporting unit level for which purpose we have previously determined that we operate in one reportable segment containing one reporting unit. If we fail to deliver new products, if the products fail to gain expected market acceptance, or if market conditions fail to continue to improve, our revenue and cost forecasts may not be achieved, and we may incur charges for impairment of goodwill. We also consider whether long-lived assets are impaired. When indicators of impairment exist and assets are held for use, we estimate future undiscounted cash flows attributable to the assets. In the event such cash flows are not expected to be sufficient to recover the recorded value of the assets, the assets are written down to their estimated fair values based on the expected discounted future cash flows attributable to the assets. When assets are removed from operations and held for sale, we estimate impairment losses as the excess of the carrying value of the assets over their fair value. Factors affecting impairment of assets held for use include the overall profitability of the Company's business and our ability to generate positive cash flows. Changes in any of these factors could necessitate impairment recognition in future periods for assets held for use or assets held for sale.

*Accounting for Income Taxes*

Xilinx is a multinational corporation operating in multiple tax jurisdictions. Xilinx must determine the allocation of income to each of these jurisdictions based on estimates and assumptions, and apply the appropriate tax rates for these jurisdictions. Xilinx undergoes routine audits by taxing authorities regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. Tax audits often require an extended period of time to resolve and may result in income tax adjustments if changes to the allocation are required between jurisdictions with different tax rates.

In determining income for financial statement purposes, we must make certain estimates and judgments. These estimates and judgments occur in the calculation of certain tax liabilities and in the determination of the recoverability of certain deferred tax assets, which arise from temporary differences between the tax and financial statement recognition of revenue and expense. Additionally, we must estimate the amount and likelihood of potential losses arising from audits or deficiency notices issued by taxing authorities. The taxing authorities' positions and our assessment can change over time resulting in material impacts on the provision for income taxes in periods where these changes occur.

We must also assess the likelihood that we will be able to recover our deferred tax assets. If recovery is not likely, we must increase our provision for taxes by recording a reserve, in the form of a valuation allowance, for the deferred tax assets that we estimate will not ultimately be recoverable. As of April 3, 2004, we believe that all of our recorded deferred tax assets will ultimately be recovered. However, should there be a change in our ability to recover our deferred tax assets, our tax provision would increase in the period in which we determine that it is "more likely than not," under the provisions of SFAS 109, "Accounting for Income Taxes," that the tax benefit associated with the deferred tax assets will not be realized.

## Results of Operations

The following table summarizes the results of Xilinx's operations as a percentage of net revenues for the three years ended April 3, 2004:

| | 2004 | 2003 | 2002 |
|---|---|---|---|
| **Net Revenues** | **100.0%** | **100.0%** | **100.0%** |
| **Gross Margin** | **62.1** | **59.0** | **45.1** |
| Research and development | 17.7 | 19.2 | 20.2 |
| Selling, general and administrative | 19.1 | 20.4 | 22.5 |
| Amortization of goodwill (through fiscal 2002) and other intangibles | 0.7 | 1.2 | 4.2 |
| Impairment loss | 0.2 | 4.7 | 2.5 |
| Litigation settlement and contingency | 0.5 | 0.0 | (1.9) |
| Acquired in-process R&D | 0.5 | 0.0 | 0.0 |
| **Operating Income (Loss)** | **23.4** | **13.5** | **(2.4)** |
| Interest income and other, net, and impairment loss on investments | 1.7 | 1.2 | (16.6) |
| Provision (benefit) for income taxes | 3.4 | 3.8 | (7.8) |
| **Net Income (Loss)** | **21.7%** | **10.9%** | **(11.2)%** |

### Net Revenues

| | 2004 | Change | 2003 | Change | 2002 |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Net revenues | $1,397,846 | 21% | $1,155,977 | 14% | $1,015,579 |

We classify our product offerings into four categories: New, Mainstream, Base and Support Products. These product categories, excluding Support Products, are adjusted on a periodic basis to better reflect advances in technology. The most recent adjustment was on March 30, 2003, which was the beginning of our fiscal 2004. Amounts for the prior periods presented have been reclassified to conform to this latest categorization. New Products include our most recent product offerings and include the Spartan-IIE, Spartan-3, Virtex-II, Virtex-II Pro, Virtex-II EasyPath and CoolRunner-II product lines. Mainstream Products include the XC4000XL, XC4000XLA, XC4000XV, Spartan-II, SpartanXL, XC9500XL, XC9500XV, CoolRunner, Virtex-E and Virtex product lines. Base Products consist of our mature product families and include the XC3000, XC3100, XC4000, XC5200, XC9500, XC4000E, XC4000EX and Spartan families. Support Products make up the remainder of our product offerings and include configuration solutions (serial PROMs), software, IP cores, customer training, design services and support.

Xilinx's net revenues increased 21% in fiscal 2004 compared to fiscal 2003. The increase was primarily due to strong customer demand for our New Products and continued growth in our Consumer, Industrial and Other end market segment. Xilinx's net revenues increased 14% in fiscal 2003 compared to fiscal 2002. The increase was primarily due to the growth in the Storage and Consumer, Industrial and Other market segments.

### *Net Revenues by Product*

Net revenues by product categories for the three years ended April 3, 2004 were as follows:

| | 2004 | % of Total | % Change | 2003 | % of Total | % Change | 2002 | % of Total |
|---|---|---|---|---|---|---|---|---|
| | | | | (In millions) | | | | |
| New Products | $ 450.6 | 32 | 92 | $ 235.1 | 20 | 300 | $ 58.9 | 6 |
| Mainstream Products | 688.5 | 49 | 0 | 689.3 | 60 | 2 | 676.2 | 67 |
| Base Products | 162.4 | 12 | 1 | 160.5 | 14 | (23) | 207.3 | 20 |
| Support Products | 96.3 | 7 | 35 | 71.1 | 6 | (3) | 73.2 | 7 |
| Total Net Revenues | $1,397.8 | 100 | 21 | $1,156.0 | 100 | 14 | $1,015.6 | 100 |

The increase in revenues of New Products for both fiscal 2004 and 2003 compared to their respective prior fiscal years was due to the strong market acceptance of these products across a broad base of end markets including storage, communications and consumer-based applications.

The improved market conditions in the second half of fiscal 2004 were not enough to offset weakness in the first half of 2004 thus leading to relatively flat performance for Mainstream Products compared to fiscal 2003. After an economic downturn in fiscal 2002, a gradual improvement led to small growth in fiscal 2003 for Mainstream Products.

The small revenue growth in Base Products from fiscal 2003 to fiscal 2004 was due to improved market conditions. Revenue decline in Base Products in fiscal 2003 compared to fiscal 2002 was mainly due to the weak overall economic environment. Lastly, both configuration solutions (serial PROMs) and software contributed to the strong fiscal 2004 for Support Products compared to 2003.

In order to compete effectively, we pass manufacturing cost reductions on 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 the revenue decline in our mature products with increased revenues from newer products.

### *Net Revenues by Geography*

Net revenues by geography for the three years ended April 3, 2004 were as follows:

| | 2004 | % of Total | % Change | 2003 | % of Total | % Change | 2002 | % of Total |
|---|---|---|---|---|---|---|---|---|
| | | | | (In millions) | | | | |
| North America | $ 592.5 | 42 | 6 | $ 559.0 | 48 | 7 | $ 524.2 | 52 |
| Europe | 270.3 | 19 | 6 | 254.3 | 22 | 8 | 235.9 | 23 |
| Japan | 203.6 | 15 | 15 | 176.4 | 15 | 35 | 130.6 | 13 |
| APAC/ROW | 331.4 | 24 | 99 | 166.3 | 15 | 33 | 124.9 | 12 |
| Total Net Revenues | $1,397.8 | 100 | 21 | $1,156.0 | 100 | 14 | $1,015.6 | 100 |

The improvement of North America revenue in fiscal 2004 compared to 2003 was primarily due to the growth in the Communications and Storage and Servers markets, which benefited from an improved economy and healthier end market demand.

International revenues grew 35% and 21% in fiscal 2004 and 2003, respectively, and represented approximately 58%, 52% and 48% of total net revenues for fiscal years 2004, 2003 and 2002, respectively. Europe grew in fiscal 2004 compared to fiscal 2003 primarily due to strength in industrial, automotive and wireless communication applications. Japan and Asia Pacific/Rest of World (APAC/ROW) grew in fiscal 2004 compared to fiscal 2003 mainly due to consumer-based applications. APAC/ROW also benefited from the transfer of manufacturing by North American and European OEMs to Asia Pacific.

North America, Europe, Japan, and APAC/ROW all experienced revenue increases in fiscal 2003 as compared to fiscal 2002 due to the strength in the storage and consumer sectors. APAC/ROW revenue increase also benefited from the transfer of manufacturing by North American OEMs to Asia.

*Net Revenues by End Markets*

Our end market revenue data is derived from our understanding of our end customers' primary markets. We classify our revenue by end market in three categories: Communications; Storage and Servers; and Consumer, Industrial and Other. Net revenues by end markets for the three years ended April 3, 2004 were as follows:

| | 2004 | % Change | 2003 | % Change | 2002 |
|---|---|---|---|---|---|
| | (% of total net revenues) | | | | |
| Communications | 50% | 12 | 55% | (11) | 70% |
| Storage and Servers | 19 | 5 | 21 | 36 | 18 |
| Consumer, Industrial and Other | 31 | 56 | 24 | 121 | 12 |
| Total Net Revenues | 100% | 21 | 100% | 14 | 100% |

In the latter part of fiscal 2004, the Communications market began to recover driven by wireless and networking applications. The decline in fiscal 2003 compared to fiscal 2002 reflects overall economic decline. Storage and Servers revenues increased in fiscal 2004 and 2003 compared to their respective prior fiscal years largely due to several customer designs entering production. Storage and Servers business as a percentage of total revenues is expected to decline going forward as the other end markets gain strength and several large customer programs migrate to newer products. The strong growth in the Consumer, Industrial and Other in fiscal 2004 and 2003 compared to their respective prior fiscal years was due to increasing acceptance of programmable logic solutions in digital consumer, defense, instrumentation and automotive applications.

**Gross Margin**

| | 2004 | Change | 2003 | Change | 2002 |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Gross margin | $867,878 | 27% | $682,426 | 49% | $457,695 |
| Percentage of net revenues | 62.1% | | 59.0% | | 45.1% |

The gross margin improvements in fiscal 2004 compared to 2003, and 2003 compared to 2002 was largely due to higher revenue, improved yields and lower manufacturing costs due to the migration to 300-milimeter wafer production.

Gross margin may be adversely affected in the future due to product mix shifts, competitive pricing pressure, manufacturing yield issues and wafer pricing. We expect to mitigate this risk by migrating wafer technology from 200-milimeter to 300-milimeter, developing 90-nanometer process technology and improving yields.

Sales of inventory previously written off were not material during fiscal 2004, 2003 or 2002.

**Research and Development**

| | 2004 | Change | 2003 | Change | 2002 |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Research and development | $247,609 | 12% | $222,139 | 9% | $204,752 |
| Percentage of net revenues | 17.7% | | 19.1% | | 20.2% |

Research and development (R&D) expenses for fiscal 2004, 2003 and 2002 include non-cash deferred stock compensation of $3.8 million, $6.4 million and $8.5 million, respectively, associated with the November 2000 acquisition of RocketChips. The increase in R&D expenses from fiscal 2003 to 2004 was primarily related to process technology and development of next generation products. The increase in R&D expenses from fiscal 2002 to 2003 was primarily related to process development of new products, an increase in employee compensation expenses from reinstatement of full pay for fiscal 2003 and profit sharing expenses.

We will continue to invest in R&D efforts in a wide variety of areas such as 90-nanometer and more advanced process technologies, IP cores and the development of new design and layout software.

### Selling, General and Administrative

| | 2004 | Change | 2003 | Change | 2002 |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Selling, general and administrative | $266,664 | 13% | $235,347 | 3% | $228,759 |
| Percentage of net revenues | 19.1% | | 20.4% | | 22.5% |

The increase in SG&A expenses from fiscal 2003 to 2004 was primarily related to increased commissions associated with higher revenues, expenses related to increased sales resources in key markets and increased marketing activities. The increase in SG&A expenses from fiscal 2002 to 2003 was primarily related to higher sales commissions, higher employee compensation expenses due to the reinstatement of full pay for fiscal 2003 and profit sharing expenses, partially offset by a reduction in legal expenses due to the settlement of the Altera litigation in July 2001 (see "Altera Corporation Lawsuit Settlement" in this Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations).

### Amortization of Goodwill and Other Intangibles

Amortization expense for all intangible assets for fiscal 2004, 2003 and 2002 was $9.8 million, $15.3 million and $49.0 million, respectively. Of these amounts, $9.6 million, $14.6 million and $43.0 million for fiscal 2004, 2003 and 2002, respectively, related to the RocketChips acquisition and the remaining amounts related to other technology acquisitions. Amortization expense for these intangible assets has declined due to the complete amortization of certain intangibles associated with the RocketChips' acquisition and the cessation of goodwill amortization after fiscal 2002.

Goodwill and acquired intangibles were amortized through fiscal year 2002 using an estimated useful life of four to seven years. Under the provisions of SFAS 142, as of the beginning of fiscal 2003, we no longer amortized goodwill which instead is subject to periodic impairment tests, but we continued to amortize other intangible assets.

### Impairment Losses

The impairment loss on excess facilities and equipment recognized during the third quarter of fiscal 2003 of $54.7 million related primarily to excess facilities owned in San Jose, California. The Company lost a potential long-term arrangement to lease the facilities during the third quarter of fiscal 2003, leaving the Company with no near-term leasing alternatives or prospects for sale. The amount of the impairment was based on management's evaluation of future cash flows and an independent appraisal obtained during the third quarter of fiscal 2003.

During the third quarter of fiscal 2004, the Company received a purchase offer from a prospective buyer for an amount less than the facilities' net book value of $35.4 million. In accordance with the provisions of SFAS 144, an additional impairment charge of $3.4 million was recognized in the third quarter of fiscal 2004. During the fourth quarter of fiscal 2004, the Company sold the facilities for $33.8 million ($32.0 million, net of selling costs), resulting in no additional loss or gain.

The impairment loss on investments of $10.4 million and $4.3 million recognized during fiscal years 2003 and 2002, respectively, related to non-marketable equity securities in private companies. Of the $4.3 million of impairment losses on investments in fiscal 2002, $2.8 million is separately disclosed and $1.5 million was included in research and development expenses on the Company's consolidated statements of operations.

We recognized an impairment loss on intangible assets and equipment of $25.3 million during the second quarter of fiscal 2002 consisting of $14.9 million relating to goodwill and other intangible assets associated with a number of technology acquisitions completed during fiscal 2001 and 2000 and $10.4 million for the write-down of excess testers that were acquired in anticipation of higher unit growth.

### Write-Off of Acquired In-Process Research and Development

In connection with the acquisition of Triscend in fiscal 2004, approximately $7.0 million of in-process research and development costs were written off. The projects identified as in-process would have required additional effort in order to establish technological feasibility. These projects had identifiable technological risk factors that indicated that even though successful completion was expected, it was not assured. If an identified project is not successfully completed, there is no alternative future use for the project and the expected future income will not be realized. The acquired in-process research and development represented the fair value of technologies in the development stage that had not yet reached technological feasibility and did not have alternative future uses.

The acquired in-process research and development components consist of a graphical user interface and design implementation software. We do not plan to sell or provide these products to Xilinx or Triscend customers, however they will be integrated into Xilinx's product set. These products were approximately 60% complete at the time of acquisition. We expect to complete the development project by the end of fiscal 2005 with an estimated cost to complete of $2 million.

To determine the value of the in-process research and development, the expected future cash flow attributable to the in-process technology was discounted, taking into account the percentage of completion, utilization of pre-existing "core" technology, risks related to the characteristics and applications of the technology, existing and future markets, and technological risk associated with completing the development of the technology. We expensed these non-recurring charges in the period of acquisition. See Note 14 to our consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data."

**Investment in United Microelectronics Corporation**

In September 1995, Xilinx, UMC and other parties entered into a joint venture to construct a wafer fabrication facility in Taiwan, known as USIC. The Company made a total cumulative cash investment of $107.1 million in USIC. The investment entitled Xilinx to receive up to 31.25% of USIC's wafer capacity.

In January 2000, USIC merged into UMC and Xilinx's equity position in USIC converted into shares of UMC, which are publicly traded on the Taiwan Stock Exchange. As a result of this merger, we received approximately 222 million shares of UMC common stock, which represent approximately 2% of the combined UMC Group, and we recognized a non-cash gain of $674.7 million ($398.1 million net of taxes) in fiscal 2000. Since the merger, Xilinx has received a total of approximately 145 million UMC shares in four separate annual stock dividend distributions increasing our investment holdings to approximately 367 million shares. We retain wafer capacity rights in UMC equivalent to those we previously had in USIC, so long as we retain a certain percentage of our original UMC shares. If our holdings fall below the specified level, our wafer capacity rights would be prorated in accordance with the UMC shares we hold.

Restrictions on the sale of these shares, imposed by UMC and the Taiwan Stock Exchange, began to expire in July 2000 and fully expired in January 2004. As of April 3, 2004, the entire UMC investment was unrestricted.

We account for our investment in UMC as available-for-sale marketable securities in accordance with SFAS 115, "Accounting for Certain Debt and Equity Securities." At March 29, 2003, the restricted portion of the investment in UMC was accounted for as a cost method investment.

The fair value of our UMC shares declined to $239.0 million as of September 29, 2001. Because of the continued downturn in the global economy, in general, and in the technology sector in particular, we believed that the decline in the market value of our investment in UMC as of September 29, 2001 was other than temporary. Accordingly, during this second quarter of fiscal 2002, we recognized a pre-tax impairment loss on our investment in UMC of $191.9 million ($113.2 million, net of tax) to reflect this other-than-temporary decline in market value. The fair value of our unrestricted UMC shares subsequently increased by $141.4 million during the third and fourth quarters of fiscal 2002, increasing the total value of our UMC investment to $380.4 million at March 30, 2002. Under the provisions of SFAS 115, we increased the value of the UMC investment by $141.4 million, recognized deferred tax liabilities of $58.0 million and increased accumulated other comprehensive income by $83.4 million.

At March 29, 2003, our equity investment in UMC shares was valued at $209.3 million on the Company's consolidated balance sheet reflecting a $171.1 million decrease in value during fiscal 2003. Under SFAS 115, we decreased the value of our UMC investment by $171.1 million, recognized a deferred tax benefit of $70.2 million and decreased accumulated other comprehensive income (loss) by $100.9 million. As of March 29, 2003, the market value of our total UMC investment was $29.7 million below its adjusted cost of $239.0 million. We deemed the decline in value of our total investment in UMC to be temporary in nature.

The following table summarizes the cost basis and carrying values of the restricted and unrestricted portions of our investment in UMC:

| | April 3, 2004 | | March 29, 2003 | |
|---|---|---|---|---|
| | Adjusted Cost | Carrying Value | Adjusted Cost | Carrying Value |
| | (In millions) | | | |
| Unrestricted investment | $239.0 | $324.0 | $208.9 | $179.2 |
| Restricted investment | — | — | 30.1 | 30.1 |
| Total | $239.0 | $324.0 | $239.0 | $209.3 |

Under SFAS 115, since March 29, 2003, we have increased the value of our UMC investment by $114.7 million, recognized a deferred tax liability of $47.0 million and increased accumulated other comprehensive income by $67.7 million.

**Altera Corporation Lawsuit Settlement**

On July 18, 2001, the Company settled all of its outstanding patent litigation with Altera, under which Altera paid Xilinx $20 million and both parties exchanged limited patent licenses and executed agreements not to sue under any patent for at least five years. During fiscal 2002 we recorded the lawsuit settlement received of $19.4 million, net of settlement costs of approximately $600 thousand.

**Interest Income and Other, Net**

| | 2004 | Change | 2003 | Change | 2002 |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Interest income and other, net | $23,409 | (5)% | $24,628 | (7)% | $26,473 |
| Percentage of net revenues | 1.7% | | 2.1% | | 2.6% |

The decrease from fiscal 2003 to 2004 was primarily due to miscellaneous items of other income, net. Additionally, lower interest rates in fiscal 2004 largely offset the benefit of higher average cash and investment balances compared to the prior year. The decrease from fiscal 2002 to 2003 was primarily due to a reduction in capital gains recognized and lower interest rates in fiscal 2003 compared to the prior year. The amount of interest income and other, net in the future will continue to be impacted by the level of our average cash and investment balances, prevailing interest rates, and foreign currency exchange rates.

**Provision (Benefit) for Income Taxes**

| | 2004 | Change | 2003 | Change | 2002 |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Provision (benefit) for income taxes | $47,555 | 8% | $44,167 | N/A | $(79,347) |
| Effective tax rate | 13.6% | | 26.0% | | 41.1% |

The effective tax rates in all years reflect the impact of foreign income/loss at different rates and tax credits earned in the United States. The fiscal year 2004 effective tax rate reflects the one-time benefit for reversing previously accrued reserves for an IRS audit that disputed the calculation of royalty payments that the Company's Ireland subsidiary paid to license the Company's technology. The IRS agreed to a stipulation in April 2004 concurring with the Company's original royalty calculations. The increase in the Company's fiscal year 2002 effective tax rate resulted from one-time write-offs of impaired assets that were not deductible for tax purposes, and the amortization of nondeductible goodwill.

The Company filed petitions with the U.S. Tax Court on March 26, 2001 and January 14, 2003 in response to assertions by the IRS that the Company owed additional tax for fiscal years 1996 through 1999. The Company filed a petition with the U.S. Tax Court on January 16, 2004, in response to assertions by the IRS that the Company owed additional tax for fiscal year 2000. See Note 11 to our consolidated financial statements, included in Item 8. "Financial Statements and Supplementary Data."

## 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 critical technologies and make investments in complementary technologies, purchase facilities and capital equipment, repurchase our Common Stock under our stock repurchase program and finance working capital. Additionally, our investment in UMC is available for future sale.

## Fiscal 2004 Compared to Fiscal 2003

*Cash, Cash Equivalents and Short-term and Long-term Investments*

The combination of cash and cash equivalents and short-term and long-term investments at April 3, 2004 totaled $1.6 billion compared with $1.1 billion at March 29, 2003.

We generated positive cash flows from operations during fiscal 2004. As of April 3, 2004, we had cash, cash equivalents and short-term investments of $799 million and working capital of $920.4 million. Cash provided by operations of $432.5 million for fiscal 2004 was $87.5 million higher than the $345.0 million generated during fiscal 2003. Increases in cash generated by operations resulted primarily from net income adjusted for non-cash related items, and increases in accounts payable and deferred income on shipments to distributors, which were partially offset by an increase in accounts receivable.

Net cash used in investing activities of $354.8 million during fiscal 2004 included net purchases of available-for-sale securities of $325.8 million, $41.0 million for purchases of property, plant and equipment and $20.0 million for the acquisition of Triscend, net of cash acquired, partially offset by $32.0 million of proceeds from the sale of buildings and land.

Net cash provided by financing activities was $45.6 million in fiscal 2004 and consisted of $108.0 million of proceeds from the issuance of common stock under employee stock plans, partially offset by $62.3 million for the acquisition of treasury stock.

*Accounts Receivable*

Accounts receivable, net of allowances for doubtful accounts, customer returns and distributor pricing adjustments increased 25.9% from $197.7 million at the end of fiscal 2003 to $249.0 million at the end of fiscal 2004. The increase was primarily attributable to the increased level of revenue and an increase in shipments late in the year.

*Inventories*

Inventories decreased from $111.5 million at March 29, 2003 to $102.5 million at April 3, 2004 due to an increased demand for new products, and our continued focus on supply chain management.

We attempt to maintain sufficient levels of inventory in various product, package and speed configurations in order to keep lead times short and to meet forecasted customer demand. Conversely, we also attempt to minimize the handling costs associated with maintaining higher inventory levels and to fully realize the opportunities for cost reductions associated with architecture and manufacturing process advancements. We continually strive to balance these two objectives to provide excellent customer response at a competitive cost.

*Property, Plant and Equipment*

During 2004, we invested $41.0 million in property, plant and equipment compared to $46.0 million in 2003. Primary investments in fiscal 2004 were for test equipment, computer equipment, IT equipment and software. Software investments included additional enterprise resource planning software functionality and automation of critical business processes.

During the fourth quarter of fiscal 2004, we sold excess facilities consisting of two buildings and land near downtown San Jose, California for $33.8 million ($32.0 million, net of selling costs). After recognizing previous impairment losses on these excess facilities of $53.8 million in fiscal 2003 and $3.4 million in fiscal 2004, there was no gain or loss on the sale of the buildings and land.

*Current Liabilities*

Current liabilities increased from $313.8 million at the end of fiscal 2003 to $381.1 million at the end of fiscal 2004. The increase was primarily attributable to the increase in accounts payable and deferred income on shipments to distributors. The increase in accounts payable was a result of increased purchases and the increase in deferred income on shipments to distributors was due to increased inventory levels at distributors, related to higher revenue levels in 2004 compared to 2003 and an increase in shipments to distributors later in the year.

*Stockholders' Equity*

Stockholders' equity increased $532.3 million during fiscal 2004, principally as a result of $303.0 million in net income for the year ended April 3, 2004, the issuance of common stock under employee stock plans of $109.2 million, $3.8 million in amortization of deferred compensation related to the RocketChips acquisition, the related tax benefits associated with stock option exercises and the employee stock purchase plan and cumulative translation adjustment totaling $110.7 million and by $68.4 million in unrealized gains on available-for-sale securities, net of deferred taxes, primarily from our investment in UMC stock. The increases were partially offset by the acquisition of treasury stock of $62.8 million.

**Fiscal 2003 Compared to Fiscal 2002**

*Cash, Cash Equivalents and Short-term and Long-term Investments*

The combination of cash and cash equivalents and short-term and long-term investments at March 29, 2003 totaled $1.1 billion compared with $799 million at March 30, 2002.

We generated positive cash flows from operations during fiscal 2003. As of March 29, 2003, we had cash, cash equivalents and short-term investments of $675.6 million and working capital of $861.4 million. Cash provided by operations of $345.0 million for fiscal 2003 was $64.1 million higher than the $280.9 million generated during fiscal 2002. Increases in cash generated by operations resulted primarily from net income adjusted for receipt of federal income tax refunds of approximately $74.1 million and an increase in deferred income on shipments to distributors, which were partially offset by an increase in accounts receivable.

During fiscal 2003, net cash used in investing activities of $355.1 million included net purchases of available-for-sale securities of $315.6 million and $46.0 million of property, plant and equipment purchases partially offset by $6.5 million of proceeds from the sale of a building.

For fiscal 2003, net cash used in financing activities of $6.2 million included $60.8 million for the acquisition of treasury stock, partially offset by $54.6 million of proceeds from the issuance of common stock under employee stock plans.

*Accounts Receivable*

Accounts receivable, net of allowances for doubtful accounts, customer returns and distributor pricing adjustments increased 33.2% from $148.4 million at the end of fiscal 2002 to $197.7 million at the end of fiscal 2003. The increase was primarily attributable to the increased level of revenue and an increase in shipments late in the year, which were reflected in the higher levels of inventory at our distributors.

*Inventories*

Inventories increased from $79.3 million at March 30, 2002 to $111.5 million at March 29, 2003 due to an increased demand for new products, which led to higher levels of inventory production.

*Property, Plant and Equipment*

During 2003, we invested $46.0 million in property, plant and equipment compared to $94.9 million in 2002. Primary investments in fiscal 2003 were for building expansion, enterprise resources planning software and computer and IT equipment.

*Current Liabilities*

Current liabilities increased from $195.8 million at the end of fiscal 2002 to $313.8 million at the end of fiscal 2003. The increase was primarily attributable to the increase in income taxes payable and deferred income on shipments to distributors. The increase in income taxes payable was a result of higher taxable income and the increase in deferred income on shipments to distributors was due to increased inventory levels at distributors, related to higher revenue levels in 2003 compared to 2002.

*Stockholders' Equity*

Stockholders' equity increased $47.0 million during fiscal 2003, principally as a result of $125.7 million in net income for the year ended March 31, 2003, the issuance of common stock under employee stock plans of $54.6 million, $6.4 million in amortization of deferred compensation related to the RocketChips acquisition, and the related tax benefits associated with stock option exercises and the employee stock purchase plan and cumulative translation adjustment totaling $18.3 million. The increases were partially offset by $97.6 million in unrealized losses on available-for-sale securities, net of deferred taxes, primarily from our investment in UMC stock and the acquisition of treasury stock of $60.4 million.

**Contractual Obligations**

The following table summarizes our significant contractual obligations at April 3, 2004 and the effect such obligations are expected to have on our liquidity and cash flows in future periods. This table excludes amounts already recorded on our balance sheet as current liabilities at April 3, 2004.

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
| | | | (In millions) | | |
| Operating lease obligations(1) | $ 19.8 | $ 5.7 | $6.9 | $4.0 | $3.2 |
| Inventory and other purchase obligations(2) | 97.0 | 97.0 | — | — | — |
| Total | $116.8 | $102.7 | $6.9 | $4.0 | $3.2 |

(1) We lease some of our facilities and office buildings under operating leases that expire at various dates through December 2014. Rent expense under all operating leases was approximately $4.6 million for 2004.

(2) 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. We expect to receive and pay for the materials and services in the next three to six months.

**Off-Balance-Sheet Arrangements**

As of April 3, 2004, we did not have any significant off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

**Summary of Liquidity and Capital Resources**

On April 22, 2004, the Board of Directors declared our first quarterly common stock dividend, of $0.05 per share, which is payable on June 2, 2004 to stockholders of record at the close of business on May 12, 2004. Our dividend policy is impacted by, among other items, our views on potential future capital requirements relating to research and development, investments and acquisitions, legal risks, stock repurchase programs and other strategic investments.

We anticipate that existing sources of liquidity and cash flows from operations will be sufficient to satisfy our cash needs for the foreseeable future. However, the risk factors discussed below could affect our cash positions adversely. We will continue to evaluate opportunities for investments to obtain additional wafer capacity, procurement of additional capital equipment and facilities, development of new products, and potential acquisitions of technologies or businesses that could complement our business. We may use available cash or other sources of funding for such purposes.

**Factors Affecting Future Results**

The following risk factors and other information included in this Annual Report on Form 10-K should be carefully considered. The risks and uncertainties described below are not the only ones the Company faces. 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 would be materially adversely affected.

The semiconductor industry is characterized by rapid technological change, intense competition and cyclical market patterns which contribute to create factors that may affect our future operating results including:

**Market Demand**

- limited visibility of demand for products, especially new products;
- fluctuations in demand for our products and services;
- increased dependence on turns orders (orders received and shipped within the same fiscal quarter);
- reduced capital spending by our customers;
- weaker demand for our products or those of our customers due to a prolonged period of economic uncertainty;
- excess inventory within the supply chain including overbuilding of OEM products;
- additional excess and obsolete inventories and corresponding write-downs due to a significant deterioration in demand;
- inability to manufacture sufficient quantities of a given product in a timely manner;
- inability to obtain manufacturing capacity in sufficient volume;
- inability to predict the success of our customers' products in their markets;
- an unexpected increase in demand resulting in longer lead times that causes delays in customer production schedules;
- dependence on the health of the end markets and customers we serve;

**Competitive Environment**

- price and product competition in the semiconductor industry, which can change rapidly due to technological innovation;
- major customers converting to ASIC designs from Xilinx's PLDs;
- erosion of average selling prices;
- timely introduction of new products;

**Technology**

- lower gross margins due to product mix shifts and reduced manufacturing efficiency improvements;
- failure to retain or attract specialized technical/management personnel;
- timely implementation of new manufacturing technologies;
- ability to safeguard the Company's products from competitors by means of patents and other intellectual property protections;
- impact of new technologies which result in rapid escalation of demand for some products in the face of equally steep declines in demand for others;

**Other**

- changes in accounting rules;
- dependence on distributors to generate sales and process customer orders;
- impact of changes to current export/import laws and regulations;
- volatility of the securities market, particularly as it relates to the high technology sector and our investment in UMC;
- global events impacting the world economy or specific regions of the world; and,
- catastrophes that impact the ability of our supply chain partners to operate or deliver product.

We attempt to identify changes in market conditions as soon as possible; however, the dynamics of the market make prediction of and timely reaction to such events difficult. For example, the overbuilding in the telecommunications industry resulted in a reduction in capital spending causing a slowdown in orders for our products. Due to these and other factors, our past results, including those described in this report, are much less reliable predictors of the future than with companies in many older, more stable and mature industries. Based on the factors noted herein, we may experience substantial fluctuations in future operating results.

Our results of operations are impacted by global economic and political conditions, dependence on new products, dependence on independent manufacturers and subcontractors, competition, intellectual property, and litigation, each of which is discussed in greater detail below.

**Potential Effect of Global Economic and Political Conditions**

Sales and operations outside of the United States 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 and by changes in foreign currency exchange rates affecting those countries. For example, we have sales and operations in Asia Pacific and Japan. Past economic weakness in these markets adversely affected revenues, and such conditions may occur in the future. Sales to all direct OEMs and distributors are denominated in U.S. dollars. While the recent movement of the Euro and Yen against the U.S. dollar had no material impact to our business, increased volatility could impact our European and Japanese customers. Currency instability 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. Any or all of these factors could adversely affect our financial condition and results of operations in the future.

Our financial condition and results of operations are becoming increasingly dependent on the global economy. Any instability in worldwide economic environments, such as experienced after the terrorist attacks on September 11, 2001, could lead to a contraction of capital spending by our customers. Additional risks to us include U.S. military actions, economic sanctions imposed by the U.S. government, government regulation of exports, imposition of tariffs and other potential trade barriers, reduced protection for intellectual property rights in some countries and generally longer receivable collection periods. Moreover, our financial condition and results of operations could be affected in the event of political conflicts in Taiwan where our main wafer provider, UMC, as well as a significant number of suppliers to the semiconductor industry, end customers and contract manufacturers who provide manufacturing services worldwide, are located.

**Dependence on New Products**

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 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 wins;
- ability to engage in key relationships with companies that provide synergistic products and services;
- ability to utilize advanced manufacturing process technologies including a transition to 300 millimeter wafers as well as to circuit geometries on 90 nanometers and smaller;
- achieving acceptable yields;
- ability to obtain adequate production capacity from our wafer foundries and assembly subcontractors;
- ability to obtain advanced packaging;
- availability of supporting software design tools;
- utilization of predefined cores of logic;
- industry acceptance; and,
- successful deployment of systems by our customers.

We cannot assure you that our product development efforts will be successful, that our new products will achieve industry acceptance or that we will 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. As a result, we will 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.

**Dependence on Independent Manufacturers and Subcontractors**

We do not manufacture our own silicon wafers. During fiscal year 2004, all of our wafers were manufactured in Taiwan by UMC, in Japan by Seiko and in the United States by IBM. 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. We are dependent on these foundries, especially UMC, which supplies over 70% of our wafers. We rely on UMC to produce wafers with competitive performance and cost attributes, which include transitioning to advanced manufacturing process technologies, producing wafers at acceptable yields, and delivering 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. In addition, greater demand for wafers produced by the foundries raises the likelihood of potential wafer price increases.

UMC's foundries in Taiwan and Seiko's foundries in Japan as well as many of our operations in California are centered in areas that have been seismically active in the recent past. Should there be a major earthquake in our suppliers' or our operating locations in the future, our operations, including our manufacturing activities, may be disrupted. This type of disruption could result in our inability to ship products in a timely manner, thereby materially adversely affecting our financial condition and results of operations. Additionally, disruption of operations at these foundries for any reason, including other natural disasters such as 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.

We are also dependent on subcontractors to provide semiconductor assembly, test and shipment services. Any prolonged inability to obtain wafers or assembly, test or shipment services with competitive performance cost attributes, adequate yields or timely delivery, 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 financial condition and results of operations.

**Competition**

Our future success depends on our ability to be competitive in the semiconductor industry. See "Competition" in Item 1. "Business."

**Intellectual Property**

We rely upon patent, copyright, trade secret, mask work and trademark laws to protect our intellectual property. We cannot assure you that such intellectual property rights can be successfully asserted in the future or will not be invalidated, circumvented or challenged. From time to time, third parties, including our competitors, have asserted patent, copyright and other intellectual property rights to technologies that are important to us. We cannot assure you that third parties will not assert infringement claims against us in the future, that assertions by third parties will not result in costly litigation or that we would prevail in such litigation or be able to license any valid and infringed patents from third parties on commercially reasonable terms. Litigation, regardless of its outcome, could result in substantial costs and diversion of our resources. Any infringement claim or other litigation against us or by us could materially adversely affect our financial condition and results of operations.

**Litigation**

We are currently engaged in several legal matters. See Item 3. "Legal Proceedings."

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Interest Rate Risk

Our exposure to interest rate risk relates primarily to our investment portfolio. Our primary aim with our investment portfolio is to invest available cash while preserving principal and meeting liquidity needs. The portfolio includes tax-advantaged municipal bonds, tax-advantaged auction rate securities, commercial paper, corporate bonds and U.S. Treasury securities. 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. These securities are subject to interest rate risk and will decrease in value if market interest rates increase. A hypothetical 10% increase or decrease in market interest rates compared to interest rates at April 3, 2004 and March 29, 2003 would not materially affect the fair value of our available-for-sale securities and the impact on our investment portfolio would be less than $10 million for each fiscal year.

### Foreign Currency 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 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 transaction is settled. Gains and losses on any instruments not meeting the above criteria are recognized in income or expenses in the consolidated statement of operations as they are incurred We did not execute material hedge transactions during fiscal 2002, 2003 and 2004.

We will enter into forward currency exchange contracts to hedge our overseas monthly operating expenses when deemed appropriate.

Our investments in several subsidiaries are recorded in currencies other than the U.S. dollar. As these foreign currency denominated investments 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). In addition, as our subsidiaries maintain investments denominated in other than local currencies, exchange rate fluctuations will occur. A hypothetical 10% favorable or unfavorable change in foreign currency exchange rates compared to rates at April 3, 2004 and March 29, 2003 would not materially affect our financial position or results of operations.

Our investment in UMC consists of shares, the value of which is determined by the Taiwan Stock Exchange. This value is converted from new Taiwan dollars into U.S. dollars and included in our determination of the change in the fair value of our investment in UMC which is accounted for under the provisions of SFAS 115. The market value of our investment in UMC was approximately $324 million at April 3, 2004 as compared to our adjusted cost basis of approximately $239 million.

# ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

## XILINX, INC.
### CONSOLIDATED STATEMENTS OF OPERATIONS

| | Years Ended | | |
|---|---|---|---|
| | April 3, 2004 | March 29, 2003 | March 30, 2002 |
| | (In thousands, except per share amounts) | | |
| Net revenues | $1,397,846 | $1,155,977 | $1,015,579 |
| Costs and expenses: | | | |
| Cost of revenues | 529,968 | 473,551 | 557,884 |
| Research and development | 247,609 | 222,139 | 204,752 |
| Selling, general and administrative | 266,664 | 235,347 | 228,759 |
| Amortization of goodwill (through fiscal 2002) and other intangibles | 9,725 | 14,580 | 42,998 |
| Impairment loss on excess facilities, intangible assets and equipment | 3,376 | 54,691 | 25,336 |
| Litigation settlement and contingency | 6,400 | — | — |
| Write-off of acquired in-process research and development | 6,969 | — | — |
| Altera Corporation lawsuit settlement received | — | — | (19,400) |
| Total costs and expenses | 1,070,711 | 1,000,308 | 1,040,329 |
| Operating income (loss) | 327,135 | 155,669 | (24,750) |
| Impairment loss on investments | — | (10,425) | (2,825) |
| Impairment loss on United Microelectronics Corp. investment | — | — | (191,852) |
| Interest income and other, net | 23,409 | 24,628 | 26,473 |
| Income (loss) before income taxes | 350,544 | 169,872 | (192,954) |
| Provision (benefit) for income taxes | 47,555 | 44,167 | (79,347) |
| **Net income (loss)** | **$ 302,989** | **$ 125,705** | **$ (113,607)** |
| Net income (loss) per share: | | | |
| Basic | $ 0.89 | $ 0.37 | $ (0.34) |
| Diluted | $ 0.85 | $ 0.36 | $ (0.34) |
| Shares used in per share calculations: | | | |
| Basic | 341,427 | 337,069 | 333,556 |
| Diluted | 354,551 | 348,622 | 333,556 |

See notes to consolidated financial statements

**XILINX, INC.**

**CONSOLIDATED BALANCE SHEETS**

| | April 3, 2004 | March 29, 2003 |
|---|---|---|
| | (In thousands, except par value amounts) | |
| **ASSETS** | | |
| ***Current assets:*** | | |
| Cash and cash equivalents | $ 337,343 | $ 213,995 |
| Short-term investments | 461,617 | 461,600 |
| Accounts receivable, net of allowances for doubtful accounts and customer returns of $3,989 and $3,618 in 2004 and 2003, respectively | 248,956 | 197,690 |
| Inventories | 102,454 | 111,504 |
| Deferred tax assets | 90,386 | 150,147 |
| Prepaid expenses and other current assets | 60,796 | 40,346 |
| Total current assets | 1,301,552 | 1,175,282 |
| Property, plant and equipment, at cost: | | |
| Land | 61,445 | 72,974 |
| Buildings | 226,833 | 247,452 |
| Machinery and equipment | 254,854 | 254,616 |
| Furniture and fixtures | 38,603 | 37,108 |
| | 581,735 | 612,150 |
| Accumulated depreciation and amortization | (246,621) | (229,167) |
| Net property, plant and equipment | 335,114 | 382,983 |
| Long-term investments | 767,671 | 434,369 |
| Investment in United Microelectronics Corp. | 324,026 | 209,293 |
| Goodwill | 111,627 | 100,724 |
| Other intangible assets, less accumulated amortization of $69,583 and $59,752 in 2004 and 2003, respectively | 16,813 | 18,690 |
| Other assets | 80,670 | 100,335 |
| **Total Assets** | $2,937,473 | $2,421,676 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| ***Current liabilities:*** | | |
| Accounts payable | $ 77,936 | $ 41,739 |
| Accrued payroll and related liabilities | 54,607 | 48,736 |
| Income taxes payable | 60,430 | 85,198 |
| Deferred income on shipments to distributors | 150,979 | 120,831 |
| Other accrued liabilities | 37,178 | 17,330 |
| Total current liabilities | 381,130 | 313,834 |
| Deferred tax liabilities | 73,281 | 157,103 |
| Commitments and contingencies | | |
| ***Stockholders' equity:*** | | |
| Preferred stock, $.01 par value; 2,000 shares authorized; none issued and outstanding | — | — |
| Common stock, $.01 par value; 2,000,000 shares authorized; 346,989 shares issued and 346,962 shares outstanding at April 3, 2004; 339,026 shares issued and 339,005 shares outstanding at March 29, 2003 | 3,470 | 3,390 |
| Additional paid-in capital | 903,991 | 744,166 |
| Retained earnings | 1,521,568 | 1,218,579 |
| Treasury stock, at cost (27 shares at April 3, 2004 and 21 shares at March 29, 2003) | (1,031) | (541) |
| Accumulated other comprehensive income (loss) | 55,064 | (14,855) |
| Total stockholders' equity | 2,483,062 | 1,950,739 |
| **Total Liabilities and Stockholders' Equity** | $2,937,473 | $2,421,676 |

See notes to consolidated financial statements

## XILINX, INC.
### CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended | | |
|---|---|---|---|
| | April 3, 2004 | March 29, 2003 | March 30, 2002 |
| | (In thousands) | | |
| **Cash flows from operating activities:** | | | |
| Net income (loss) | $ 302,989 | $ 125,705 | $ (113,607) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | |
| Depreciation and amortization | 67,923 | 72,450 | 106,097 |
| Amortization of deferred compensation | 3,767 | 6,390 | 10,981 |
| Write-off of acquired in-process research and development | 6,969 | — | — |
| Net gain on sale of available-for-sale securities | (6,650) | (5,454) | (9,572) |
| Impairment loss on excess facilities | 3,376 | 53,836 | — |
| Impairment loss on intangible assets | — | — | 14,925 |
| Impairment loss on equipment | — | 855 | 10,411 |
| Impairment loss on investments | — | 10,425 | 4,322 |
| Litigation settlement and contingency | 6,400 | — | — |
| Gain on sale of building | — | (508) | — |
| Impairment loss on United Microelectronics Corp. investment | — | — | 191,852 |
| Provision (benefit) for deferred income taxes | 49,275 | (24,423) | (1,403) |
| Tax benefit from exercise of stock options | 109,236 | 17,093 | 52,401 |
| Changes in assets and liabilities: | | | |
| Accounts receivable, net | (50,160) | (49,259) | 24,336 |
| Inventories | 9,614 | (14,858) | 245,943 |
| Deferred income taxes | (60,366) | 20,338 | 10,906 |
| Prepaid expenses and other current assets | (10,035) | 45,384 | (39,550) |
| Other assets | 6,234 | (4,447) | (20,076) |
| Accounts payable | 35,867 | 5,008 | (67,943) |
| Accrued liabilities | 11,872 | 15,084 | (1,031) |
| Income taxes payable | (83,709) | 20,331 | (77,378) |
| Deferred income on shipments to distributors | 29,898 | 51,050 | (60,720) |
| Total adjustments | 129,511 | 219,295 | 394,501 |
| Net cash provided by operating activities | 432,500 | 345,000 | 280,894 |
| ***Cash flows from investing activities:*** | | | |
| Purchases of available-for-sale securities | (2,181,741) | (1,544,365) | (1,085,053) |
| Proceeds from sale or maturity of available-for-sale securities | 1,855,933 | 1,228,813 | 962,207 |
| Purchases of property, plant and equipment | (41,040) | (46,049) | (94,883) |
| Proceeds from sale of buildings and land | 32,047 | 6,463 | — |
| Acquisition of business, net of cash acquired | (19,997) | — | — |
| Net cash used in investing activities | (354,798) | (355,138) | (217,729) |
| ***Cash flows from financing activities:*** | | | |
| Acquisition of treasury stock | (62,328) | (60,846) | (125,580) |
| Proceeds from issuance of common stock | 107,974 | 54,643 | 81,088 |
| Proceeds from sale of put options | — | — | 2,970 |
| Net cash provided by (used in) financing activities | 45,646 | (6,203) | (41,522) |
| Net increase (decrease) in cash and cash equivalents | 123,348 | (16,341) | 21,643 |
| Cash and cash equivalents at beginning of year | 213,995 | 230,336 | 208,693 |
| Cash and cash equivalents at end of year | $ 337,343 | $ 213,995 | $ 230,336 |
| **Supplemental schedule of non-cash activities:** | | | |
| Issuance of treasury stock under employee stock plans | $ 62,284 | $ 68,059 | $ 188,575 |
| **Supplemental disclosure of cash flow information:** | | | |
| Income taxes paid (refunds received) | $ 34,163 | $ (62,984) | $ 13,865 |

See notes to consolidated financial statements

## XILINX, INC.
### CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

| | Common Stock Outstanding | | Additional Paid-in Capital | Retained Earnings | Treasury Stock | Accumulated Other Comprehensive Income (Loss) | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | | | | | |
| | | | | (In thousands) | | | |
| **Balance at March 31, 2001** | 331,140 | $3,311 | $ 725,626 | $1,257,083 | $ (70,584) | $ 2,880 | $1,918,316 |
| Components of comprehensive loss: | | | | | | | |
| Net loss | — | — | — | (113,607) | — | — | (113,607) |
| Net unrealized gain on available-for-sale securities, net of taxes of $57,458 | — | — | — | — | — | 79,180 | 79,180 |
| Cumulative translation adjustment | — | — | — | — | — | (512) | (512) |
| Total comprehensive loss | | | | | | | (34,939) |
| Issuance of common shares under employee stock plans | 7,022 | 70 | 80,148 | — | — | — | 80,218 |
| Acquisition of treasury stock | (2,161) | (22) | — | — | (126,188) | — | (126,210) |
| Issuance of treasury stock under employee stock plans | — | — | (152,380) | (36,195) | 188,575 | — | — |
| Issuance of shares for RocketChips | 187 | 2 | — | — | — | — | 2 |
| Put option premiums | — | — | 2,970 | — | — | — | 2,970 |
| Deferred compensation—RocketChips | — | — | 8,483 | — | — | — | 8,483 |
| Deferred compensation—other | — | — | 2,499 | — | — | — | 2,499 |
| Tax benefit from exercise of stock options | — | — | 52,401 | — | — | — | 52,401 |
| **Balance at March 30, 2002** | 336,188 | 3,361 | 719,747 | 1,107,281 | (8,197) | 81,548 | 1,903,740 |
| Components of comprehensive income: | | | | | | | |
| Net income | — | — | — | 125,705 | — | — | 125,705 |
| Net unrealized loss on available-for-sale securities, net of tax benefit of $67,850 | — | — | — | — | — | (97,638) | (97,638) |
| Cumulative translation adjustment | — | — | — | — | — | 1,235 | 1,235 |
| Total comprehensive income | | | | | | | 29,302 |
| Issuance of common shares under employee stock plan | 5,206 | 52 | 54,588 | — | — | — | 54,640 |
| Acquisition of treasury stock | (2,389) | (23) | — | — | (60,403) | — | (60,426) |
| Issuance of treasury stock under employee stock plans | — | — | (53,652) | (14,407) | 68,059 | — | — |
| Deferred compensation—RocketChips | — | — | 6,390 | — | — | — | 6,390 |
| Tax benefit from exercise of stock options | — | — | 17,093 | — | — | — | 17,093 |
| **Balance at March 29, 2003** | 339,005 | 3,390 | 744,166 | 1,218,579 | (541) | (14,855) | 1,950,739 |
| Components of comprehensive income: | | | | | | | |
| Net income | — | — | — | 302,989 | — | — | 302,989 |
| Net unrealized gain on available-for-sale securities, net of taxes of $47,485 | — | — | — | — | — | 68,359 | 68,359 |
| Cumulative translation adjustment | — | — | — | — | — | 1,560 | 1,560 |
| Total comprehensive income | | | | | | | 372,908 |
| Issuance of common shares under employee stock plans | 9,889 | 99 | 109,106 | — | — | — | 109,205 |
| Acquisition of treasury stock | (1,932) | (19) | — | — | (62,774) | — | (62,793) |
| Issuance of treasury stock under employee stock plans | — | — | (62,284) | — | 62,284 | — | — |
| Deferred compensation—RocketChips | — | — | 3,767 | — | — | — | 3,767 |
| Tax benefit from exercise of stock options | — | — | 109,236 | — | — | — | 109,236 |
| **Balance at April 3, 2004** | 346,962 | $3,470 | $ 903,991 | $1,521,568 | $ (1,031) | $ 55,064 | $2,483,062 |

See 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 intellectual property cores, design services, customer training, field engineering and technical support. The wafers used to manufacture its products are obtained from independent wafer manufacturers located in Taiwan, Japan and the United States. The Company is dependent on these foundries to produce and deliver wafers on a timely basis. The Company is also dependent on subcontractors, located in the Asia Pacific region, to provide semiconductor assembly, test and shipment services. Xilinx is a global company with manufacturing and test facilities in the United States and Ireland and sales offices throughout the world. The Company derives over one-half its revenues from international sales, primarily in Europe, Japan and Asia Pacific.

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

*Basis of Presentation*

The accompanying consolidated financial statements include the accounts of Xilinx and its wholly owned subsidiaries after elimination of all significant intercompany transactions. The Company uses a 52- to 53-week fiscal year ending on the Saturday nearest March 31. Fiscal 2004 was a 53-week year ended on April 3, 2004. The additional week included in the third quarter of fiscal 2004 did not have a material effect on the results of operations. Fiscal 2003 was a 52-week year ended on March 29, 2003. Fiscal 2002 was a 52-week year ended on March 30, 2002. Fiscal 2005 will be a 52-week year ending on April 2, 2005.

The consolidated statement of operations for fiscal 2002 includes a reclassification of the Altera Corporation lawsuit settlement received of $19.4 million from a separate line after operating income (loss) to a separate line before operating income (loss). Certain other amounts from the prior years have been reclassified to conform to the current year presentation.

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the 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, among others, the useful lives of assets, assessment of recoverability of property, plant and equipment, intangible assets and goodwill, inventory write-downs, allowances for doubtful accounts and customer returns, potential reserves relating to litigation and tax 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.

*Cash Equivalents and Investments*

Cash equivalents consist of highly liquid investments with original maturities of three months or less. Short-term investments consist of tax-advantaged municipal bonds, commercial paper, and tax-advantaged auction rate securities with maturities greater than 90 days but less than one year from the balance sheet date. Long-term investments consist of U.S. Treasury notes, corporate bonds, government agency bonds, tax-advantaged municipal bonds with maturities greater than one year, unless the investments are specifically identified to fund current operations, in which case they are classified as short-term investments, and equity investments.

The Company invests its cash, cash equivalents, short-term and long-term investments through various banks and investment banking and asset management institutions. This diversification of risk is consistent with its policy to maintain liquidity and ensure the ability to collect principal. The Company maintains an offshore investment portfolio denominated in U.S. dollars with investments in non-U.S. based issuers. All investments are made pursuant to corporate investment policy guidelines. Investments include commercial paper, Euro dollar bonds, Euro dollar floaters (Euro dollar bonds with coupon resets at predetermined intervals) and offshore money market funds.

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 the Company has 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. No investments were classified as held-to-maturity at April 3, 2004 or March 29, 2003. 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 (loss) 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 interest income and other, net. 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 (determined using the first-in, first-out method), or market (estimated net realizable value) and are comprised of the following at fiscal year-ends:

| | 2004 | 2003 |
|---|---|---|
| | (In thousands) | |
| Raw materials | $ 8,651 | $ 7,339 |
| Work-in-process | 54,633 | 65,852 |
| Finished goods | 39,170 | 38,313 |
| | $102,454 | $111,504 |

The Company reviews and sets standard costs quarterly at current manufacturing costs. The Company's manufacturing overhead standards for product costs are calculated assuming full absorption of forecasted spending over projected volumes. Given the cyclicality of the market, the obsolescence of technology and product life cycles, the Company writes down inventory to net realizable value based on backlog, forecasted demand and technological obsolescence. These factors are impacted by market and economic conditions, technology changes, new product introductions and changes in strategic direction and require estimates that may include uncertain elements. In addition, backlog is subject to revisions, cancellations and rescheduling. Actual demand may differ from forecasted demand and such differences may have a material effect on the Company's gross margins.

*Property, Plant and Equipment*

Property, plant and equipment are recorded at cost, net of accumulated depreciation. Depreciation for financial reporting purposes is computed using the straight-line method over the estimated useful lives of the assets of two to five years for machinery, equipment, furniture and fixtures and up to 30 years for buildings. Depreciation expense totaled $53.7 million, $52.2 million and $51.7 million for fiscal year 2004, 2003 and 2002, respectively.

During the fourth quarter of fiscal 2004, the Company sold excess facilities consisting of two buildings and land near downtown San Jose, California for $33.8 million ($32.0 million, net of selling costs). After recognizing previous impairment losses on these excess facilities of $53.8 million in fiscal 2003 and $3.4 million in fiscal 2004, there was no gain or loss on the sale of the buildings and land.

During fiscal 2003, the Company sold its former software facility in Boulder, Colorado for $6.5 million and recognized a gain of $508 thousand, which is included in interest income and other, net on the consolidated statement of operations.

*Impairment of Long-Lived Assets Including Goodwill and Other Intangibles*

The Company evaluates the carrying value of long-lived assets and acquired intangibles including goodwill on an annual basis, or more frequently if impairment indicators arise. When indicators of impairment exist and assets are held for use, the Company estimates future undiscounted cash flows attributable to long-lived assets. In the event such cash flows are not expected to be sufficient to recover the recorded value of the assets, the assets are written down to their estimated fair values based on the expected discounted future cash flows attributable to the assets. When assets are removed from operations and held for sale, Xilinx estimates impairment losses as the excess of the carrying value of the assets over their fair value.

Effective the beginning of the first quarter of fiscal 2003, the Company completed the adoption of SFAS No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). As required by SFAS 142, the Company stopped amortizing the remaining balances of goodwill as of the beginning of fiscal 2003. Goodwill is subject to impairment tests annually or earlier if indicators of potential impairment exist, using a fair-value-based approach. All other intangible assets continue to be amortized over their estimated useful lives and assessed for impairment under SFAS 144. The Company completed the initial goodwill impairment review as of the beginning of fiscal 2003, and completed the annual review during the fourth quarter of fiscal 2003 and fiscal 2004, and found no impairment. Unless there are indicators of impairment, our next impairment review for RocketChips and Triscend will be completed in the fourth quarter of fiscal 2005.

A reconciliation of previously reported net income (loss) and net income (loss) per share to the amounts adjusted for the exclusion of goodwill amortization, is as follows:

| | 2004 | 2003 | 2002 |
|---|---|---|---|
| Net income (loss) as reported | $302,989 | $125,705 | $(113,607) |
| Goodwill amortization, net of tax | — | — | 29,821 |
| Adjusted net income (loss) | $302,989 | $125,705 | $ (83,786) |
| Per share—basic: | | | |
| Reported net income (loss) | $ 0.89 | $ 0.37 | $ (0.34) |
| Goodwill amortization, net of tax | — | — | 0.09 |
| Adjusted net income (loss) | $ 0.89 | $ 0.37 | $ (0.25) |
| Per share—diluted: | | | |
| Reported net income (loss) | $ 0.85 | $ 0.36 | $ (0.34) |
| Goodwill amortization, net of tax | — | — | 0.09 |
| Adjusted net income (loss) | $ 0.85 | $ 0.36 | $ (0.25) |

*Revenue Recognition*

Sales to distributors are made under agreements providing distributor price adjustments and rights of return under certain circumstances. Revenue and costs relating to distributor sales are deferred until products are sold by the distributors to customers. Revenue recognition depends on notification from the distributor that product has been sold to the end customer. Accounts receivable from distributors are recognized and inventory is relieved when title to inventories transfers, typically upon shipment at which point the Company has a legally enforceable right to collection under normal payment terms.

Revenue from sales to the Company's direct customers is recognized upon shipment provided that persuasive evidence of a sales arrangement exists, the price is fixed, title has transferred, collection of resulting receivables is reasonably assured, there are no customer acceptance requirements and there are no remaining significant obligations. For each of the periods presented, there were no formal acceptance provisions with the Company's direct customers.

Revenue from software term licenses is deferred and recognized as revenue over the term of the licenses of one year. Revenue from support services is recognized when the service is provided.

Allowances for end customer sales returns are recorded based on historical experience and for known pending customer returns or allowances.

*Foreign Currency Translation*

The U.S. dollar is the functional currency for the Company's 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, net.

The functional currency is the local currency for each of the Company's other foreign subsidiaries. Assets and liabilities are translated from foreign currencies into U.S. dollars at month-end exchange rates and statements of operations are translated at the average monthly exchange rates. Exchange gains or losses arising from translation of foreign currency denominated assets and liabilities are included as a component of accumulated other comprehensive income (loss) in stockholders' equity.

*Derivative Financial Instruments*

As part of the Company's ongoing asset and liability management activities, it periodically enters into financial arrangements to reduce financial market risks. Xilinx may use derivative financial instruments to hedge foreign currency, equity and interest rate market exposures of underlying assets and liabilities. The Company does not enter into derivative financial instruments for trading or speculative purposes. For fiscal years 2004 and 2003, the use of derivative financial instruments was not material to the Company's results of operations or its financial position and there were no outstanding derivative financial instruments as of April 3, 2004 or March 29, 2003.

*Stock-Based Compensation*

The Company accounts for stock-based compensation under Accounting Principles Board's Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees" and related interpretations, using the intrinsic value method. In addition, the Company has adopted the disclosure requirements related to its stock plans according to Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" (SFAS 123), as amended by SFAS No. 148 "Accounting for Stock-Based Compensation—Transition and Disclosure" (SFAS 148).

As required by SFAS 148, the following table shows the estimated effect on net income (loss) and net income (loss) per share if the Company had applied the fair value recognition provisions of SFAS 123 to stock-based compensation:

| | 2004 | 2003 | 2002 |
|---|---|---|---|
| | (In thousands, except per share amounts) | | |
| Net income (loss) as reported | $ 302,989 | $ 125,705 | $(113,607) |
| Deduct: Stock-based employee compensation expense determined under fair value based method for all awards, net of tax | (103,075) | (114,334) | (114,280) |
| Pro forma net income (loss) | $ 199,914 | $ 11,371 | $(227,887) |
| Net income (loss) per share: | | | |
| Basic—as reported | $ 0.89 | $ 0.37 | $ (0.34) |
| Basic—pro forma | $ 0.59 | $ 0.03 | $ (0.68) |
| Diluted—as reported | $ 0.85 | $ 0.36 | $ (0.34) |
| Diluted—pro forma | $ 0.56 | $ 0.03 | $ (0.68) |

The fair values of stock options and stock purchase plan rights under the stock option plans and employee stock purchase plan were 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. The Company's 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. Calculated under SFAS 123, the per share weighted-average fair values of stock options granted during 2004, 2003 and 2002 were $13.38, $19.73 and $19.22, respectively. The per share weighted-average fair values of stock purchase rights granted under the Stock Purchase Plan during 2004, 2003 and 2002 were $12.53, $10.10 and $16.13, respectively. The fair value of stock options and stock purchase plan rights granted in fiscal years 2004, 2003 and 2002 were estimated at the date of grant using no expected dividends and the following weighted average assumptions:

| | Stock Options | | | Stock Purchase Plan Rights | | |
|---|---|---|---|---|---|---|
| | 2004 | 2003 | 2002 | 2004 | 2003 | 2002 |
| Expected life of options (years) | 4.50 | 4.00 | 3.50 | 0.50 | 0.50 | 0.50 |
| Expected stock price volatility | 0.61 | 0.78 | 0.76 | 0.56 | 0.79 | 0.95 |
| Risk-free interest rate | 2.8% | 3.0% | 3.8% | 1.1% | 1.4% | 3.3% |

On March 31, 2004, the FASB issued an Exposure Draft (ED), "Share-Based Payment—An Amendment of FASB Statements No. 123 and 95." The proposed Statement addresses the accounting for transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. The proposed Statement would eliminate the ability to account for share-based compensation transactions using APB 25, and generally would require instead that such transactions be accounted for using a fair-value based method. As proposed, companies would be required to recognize an expense for compensation cost related to share-based payment arrangements including stock options and employee stock purchase plans. As proposed, the new rules would be applied on a modified prospective basis as defined in the ED, and would be effective for public companies for fiscal years beginning after December 15, 2004. Current estimates of option values using the Black Scholes method (as shown above) may not be indicative of results from valuation methodologies ultimately adopted in the final rules.

*Income Taxes*

All income tax amounts reflect the use of the liability method under SFAS No. 109, "Accounting for Income Taxes." Under this method, deferred tax assets and liabilities are determined based on the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial and income tax reporting purposes.

*Recent Accounting Pronouncements*

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" which amends and clarifies accounting for derivative instruments and hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 149). SFAS 149 provides guidance relating to decisions made (a) as part of the Derivatives Implementation Group process, (b) in connection with other FASB projects dealing with financial instruments and (c) regarding implementation issues raised in the application of the definition of a derivative and the characteristics of a derivative that contains financing components. SFAS 149 was effective for contracts entered into or modified and for hedging relationships designated after June 30, 2003. The adoption of SFAS 149 did not have a material impact on the Company's financial condition or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," (SFAS 150) which requires freestanding financial instruments such as mandatorily redeemable shares, forward purchase contracts and written put options to be reported as liabilities by their issuers. The provisions of SFAS 150 were effective for instruments entered into or modified after May 31, 2003 and to pre-existing instruments as of June 29, 2003. The adoption of SFAS 150 did not have a material impact on the Company's financial condition or results of operations.

In May 2003, Emerging Issues Task Force (EITF) Issue No 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables," (EITF 00-21) was finalized. EITF 00-21 provides guidance on how to account for arrangements that involve the delivery or performance of multiple products, services and/or rights to use assets. The provisions of EITF 00-21 apply to revenue arrangements entered into in fiscal periods beginning after June 15, 2003. In December 2003, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 104, "Revenue Recognition," which codifies and rescinds certain sections of SAB No. 101, "Revenue Recognition", in order to make this interpretive guidance consistent with EITF No. 00-21. The adoption of these standards did not have a material impact on the Company's financial condition or results of operations.

In December 2003, the FASB issued a revision to Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" ("FIN 46R" or the "Interpretation"). FIN 46R clarifies the application of ARB No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support provided by any parties, including the equity holders. FIN 46R requires the consolidation of these entities, known as variable interest entities ("VIEs"), by the primary beneficiary of the entity. The primary beneficiary is the entity, if any, that will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns, or both.

Among other changes, the revisions of FIN 46R (a) clarified some requirements of the original FIN 46, which had been issued in January 2003, (b) eased some implementation problems, and (c) added new scope exceptions. FIN 46R deferred the effective date of the Interpretation for Xilinx, to the period ended April 3, 2004, except that the Company applied the unmodified provisions of the Interpretation to entities that were previously considered "special-purpose entities" in practice and under the FASB literature prior to the issuance of FIN 46R for the period ended January 3, 2004.

Among the scope exceptions, companies are not required to apply the modified Interpretation to an entity that meets the criteria to be considered a "business" as defined in the Interpretation unless one or more of four specified conditions exist. FIN 46R applies immediately to a VIE created or acquired after January 31, 2003. The Company does not have any interests in VIEs.

*Product Warranty and Indemnification*

The Company generally sells products with a limited warranty for product quality. The Company provides for known product issues and an estimate of incurred but unidentified product issues based on historical activity. The warranty accrual and related expense for known product issues, which were not significant for fiscal 2003, increased in fiscal 2004 predominately due to a specific quality incident with one of our vendors. The following table presents a reconciliation of the Company's product warranty liability, which is included in other accrued liabilities on the Company's consolidated balance sheet, for fiscal 2004:

| | 2004 |
|---|---|
| | (In thousands) |
| Balance at beginning of fiscal year | $ — |
| Provision | 7,361 |
| Utilized | 1,456 |
| Balance at end of fiscal year | $5,905 |

The Company generally sells its products with a limited indemnification of customers against intellectual property infringement claims related to the Company's products. Xilinx has historically received only a limited number of requests for indemnification under these provisions and has not been requested to make any significant payments pursuant to these provisions.

*Concentrations of Credit Risk*

As of April 3, 2004, two distributors (Memec and Avnet) accounted for 59% and 22% of total accounts receivable, respectively. As of March 29, 2003, Memec and Avnet accounted for 49% and 34% of total accounts receivable, respectively. Memec accounted for 47%, 45% and 44% of worldwide net revenues in fiscal 2004, 2003 and 2002, respectively. Avnet accounted for 31%, 32% and 30% of worldwide net revenues in fiscal 2004, 2003 and 2002, respectively. The Company continuously monitors the creditworthiness of its distributors and believes their sales to diverse end customers and to diverse geographies further serve to mitigate the Company's exposure to credit risk.

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. In the event of termination of a distributor agreement, inventory held by the distributor must be returned.

No end customer accounted for more than 10% of net revenues in fiscal 2004, 2003 or 2002.

The Company mitigates concentrations of credit risk in its investments in debt securities by investing more than 90% of its portfolio in AA or higher grade securities as rated by Standard & Poor's. Additionally, Xilinx limits its investments in the debt securities of a single issuer and attempts to further mitigate credit risk by diversifying risk across geographies and type of issuer. At April 3, 2004, 55% and 45% of its investments in debt securities were domestic and foreign, respectively, and 39% were issued by corporate entities and 61% by government agencies and municipalities.

**Note 3. Investment in United Microelectronics Corporation**

In September 1995, Xilinx, UMC and other parties entered into a joint venture to construct a wafer fabrication facility in Taiwan, known as USIC. The Company made a total cumulative cash investment of $107.1 million in USIC. The investment entitled Xilinx to receive up to 31.25% of USIC's wafer capacity.

In January 2000, USIC merged into UMC and Xilinx's equity position in USIC converted into shares of UMC, which are publicly traded on the Taiwan Stock Exchange. As a result of this merger, Xilinx received approximately 222 million shares of UMC common stock, which represent approximately 2% of the combined UMC Group, and the Company recognized a non-cash gain of $674.7 million ($398.1 million net of taxes) in fiscal 2000. Since the merger, Xilinx has received a total of approximately 145 million UMC shares in four separate annual stock dividend distributions increasing the Company's investment holdings to approximately 367 million shares. The Company retains wafer capacity rights in UMC equivalent to those it previously had in USIC, so long as it retains a certain percentage of its original UMC shares. If the Company's holdings fall below the specified level, its wafer capacity rights would be prorated in accordance with the UMC shares held.

Restrictions on the sale of these shares, imposed by UMC and the Taiwan Stock Exchange, began to expire in July 2000 and fully expired in January 2004. As of April 3, 2004, the entire UMC investment was unrestricted.

The Company accounts for its investment in UMC as available-for-sale marketable securities in accordance with SFAS 115. At March 29, 2003, the restricted portion of the investment in UMC was accounted for as a cost method investment.

The fair value of the Company's UMC shares declined to $239.0 million as of September 29, 2001. Because of the continued downturn in the global economy, in general, and in the technology sector in particular, the Company believed that the decline in the market value of its investment in UMC as of September 29, 2001 was other than temporary. Accordingly, during this second quarter of fiscal 2002, Xilinx recognized a pre-tax impairment loss on its investment in UMC of $191.9 million ($113.2 million, net of tax) to reflect this other-than-temporary decline in market value. The fair value of the Company's unrestricted UMC shares subsequently increased by $141.4 million during the third and fourth quarters of fiscal 2002, increasing the total value of its UMC investment to $380.4 million at March 30, 2002. Under the provisions of SFAS 115, the Company increased the value of the UMC investment by $141.4 million, recognized deferred tax liabilities of $58.0 million and increased accumulated other comprehensive income by $83.4 million.

At March 29, 2003, the Company's equity investment in UMC shares was valued at $209.3 million on the Company's consolidated balance sheet reflecting a $171.1 million decrease in value during fiscal 2003. Under SFAS 115, the Company decreased the value of its UMC investment by $171.1 million, recognized a deferred tax benefit of $70.2 million and decreased accumulated other comprehensive income (loss) by $100.9 million. As of March 29, 2003, the market value of the total UMC investment was $29.7 million below its adjusted cost of $239.0 million. The Company deemed the decline in value of its total investment in UMC to be temporary in nature.

The following table summarizes the cost basis and carrying values of the restricted and unrestricted portions of the investment in UMC:

| | April 3, 2004 | | March 29, 2003 | |
|---|---|---|---|---|
| | Adjusted Cost | Carrying Value | Adjusted Cost | Carrying Value |
| | (In millions) | | | |
| Unrestricted investment | $239.0 | $324.0 | $208.9 | $179.2 |
| Restricted investment | — | — | 30.1 | 30.1 |
| Total | $239.0 | $324.0 | $239.0 | $209.3 |

Under SFAS 115, since March 29, 2003, the Company has increased the value of its UMC investment by $114.7 million, recognized a deferred tax liability of $47.0 million and increased accumulated other comprehensive income by $67.7 million.

**Note 4. Financial Instruments**

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

| | April 3, 2004 | | | | March 29, 2003 | | | |
|---|---|---|---|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| | (In thousands) | | | | | | | |
| Money market funds | $ 153,899 | $ — | $ — | $ 153,899 | $ 89,896 | $ — | $ — | $ 89,896 |
| Commercial paper | 98,340 | — | — | 98,340 | 12,972 | — | — | 12,972 |
| Corporate bonds | 209,770 | 202 | (98) | 209,874 | 261,521 | 747 | (238) | 262,030 |
| Auction rate securities | 277,998 | 30 | (712) | 277,316 | 284,857 | — | (487) | 284,370 |
| Municipal bonds | 426,203 | 2,241 | (393) | 428,051 | 350,992 | 4,837 | (666) | 355,163 |
| U.S. Treasury notes | 52,144 | 802 | — | 52,946 | — | — | — | — |
| Government agency bonds | 257,554 | 3,445 | (125) | 260,874 | 42,409 | 132 | (45) | 42,496 |
| Investment in UMC | 239,042 | 84,984 | — | 324,026 | 208,917 | — | (29,749) | 179,168 |
| Investment—other | 9 | — | — | 9 | 260 | — | — | 260 |
| | $1,714,959 | $ 91,704 | $(1,328) | $1,805,335 | $1,251,824 | $5,716 | $(31,185) | $1,226,355 |
| Included in: | | | | | | | | |
| Cash and cash equivalents | | | | $ 252,021 | | | | $ 151,218 |
| Short-term investments | | | | 461,617 | | | | 461,600 |
| Long-term investments | | | | 767,671 | | | | 434,369 |
| Investment in UMC | | | | 324,026 | | | | 179,168 |
| | | | | $1,805,335 | | | | $1,226,355 |

The amortized cost and estimated fair value of marketable debt securities (commercial paper, corporate bonds, municipal bonds, U.S. Treasury notes and government agency bonds) at April 3, 2004, 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.

| | Amortized Cost | Estimated Fair Value |
|---|---|---|
| | (In thousands) | |
| Due in one year or less | $ 249,992 | $ 250,163 |
| Due after one year through five years | 659,393 | 664,564 |
| Due after five years through ten years | 80,193 | 80,699 |
| Due after ten years | 54,433 | 54,659 |
| | $1,044,011 | $1,050,085 |

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

| | 2004 | 2003 | 2002 |
|---|---|---|---|
| | (In thousands) | | |
| Gross realized gains on sale of available-for-sale securities | $ 7,360 | $ 5,836 | $ 9,882 |
| Gross realized losses on sale of available-for-sale securities | (710) | (382) | (310) |
| Net realized gains (losses) on sale of available-for-sale securities | $ 6,650 | $ 5,454 | $ 9,572 |
| Amortization of (premiums)/discounts on available-for-sale securities | $(4,427) | $(5,000) | $(5,195) |

**Note 5. Balance Sheet Information**

The following table discloses those current assets and liabilities that individually exceed 5% of the respective consolidated balance sheet amounts at each fiscal year. Individual balances that are less than 5% of the respective consolidated balance sheet amounts are aggregated and disclosed as "other."

| | 2004 | 2003 |
|---|---|---|
| | (In thousands) | |
| Accrued payroll and related liabilities | | |
| Accrued compensation | $48,444 | $42,698 |
| Other | 6,163 | 6,038 |
| | $54,607 | $48,736 |

No individual amounts within other accrued liabilities exceed 5% of total current liabilities at April 3, 2004 and March 29, 2003.

**Note 6. Impairment Losses**

The impairment loss on excess facilities and equipment recognized during the third quarter of fiscal 2003 of $54.7 million related primarily to excess facilities owned in San Jose, California. The Company lost a potential long-term arrangement to lease the facilities during the third quarter of fiscal 2003, leaving the Company with no near-term leasing alternatives or prospects for sale. The amount of the impairment was based on management's evaluation of future cash flows and an independent appraisal obtained during the third quarter of fiscal 2003.

During the third quarter of fiscal 2004, the Company received a purchase offer from a prospective buyer for an amount less than the facilities' net book value of $35.4 million. In connection with the offer, management determined the facilities should be reclassified from "held for use" to "held for sale" reflecting management's expectation that the facilities would be sold. An additional impairment charge of $3.4 million was recognized in the third quarter of fiscal 2004. During the fourth quarter of fiscal 2004, the Company sold the facilities for $33.8 million ($32.0 million, net of selling costs), resulting in no additional loss or gain.

The impairment loss on investments of $10.4 million and $4.3 million recognized during fiscal 2003 and 2002 respectively, related to non-marketable equity securities in private companies. Of the $4.3 million of impairment loss on investments in fiscal 2002, $2.8 million is separately disclosed and $1.5 million was included in research and development expenses on the Company's consolidated statements of operations.

During fiscal year 2002, the Company recognized impairment losses on intangible assets and equipment totaling approximately $25.3 million. The total includes $14.9 million of charges relating to goodwill and other intangible assets associated with a number of technology acquisitions completed during fiscal 2001 and 2000 and $10.4 million for the write-down of excess testers that provided no future economic benefit as they were acquired in anticipation of higher unit growth.

**Note 7. Commitments**

Xilinx leases some of its facilities and office buildings under operating leases that expire at various dates through December 2014. Some of the operating leases require payment of operating costs, including property taxes, repairs, maintenance and insurance. Approximate future minimum lease payments under operating leases are as follows:

| Year | (In thousands) |
|---|---|
| 2005 | $ 5,698 |
| 2006 | 3,802 |
| 2007 | 3,110 |
| 2008 | 2,355 |
| 2009 | 1,624 |
| Thereafter | 3,243 |
| | $19,832 |

Most of the Company's leases contain renewal options. Rent expense under all operating leases was approximately $4.6 million for fiscal 2004, $3.4 million for fiscal 2003 and $5.4 million for fiscal 2002.

Other commitments at April 3, 2004 totaled $97.0 million and consist of purchases of inventory and other purchase obligations related to subcontractors that manufacture silicon wafers and provide assembly and test services. The Company expects to receive and pay for the materials and services in the next three to six months.

**Note 8. Net Income (Loss) Per Share**

The computation of basic net income (loss) per share for all periods presented is derived from the information on the consolidated statements of operations, and there are no reconciling items in the numerator used to compute diluted net income (loss) per share. The total shares used in the denominator of the diluted net income (loss) per share calculation includes 13.1 million and 11.6 million common equivalent shares attributable to outstanding stock options for fiscal years 2004 and 2003, respectively, that are not included in basic net income (loss) per share. For fiscal 2002, 18.0 million common stock equivalents attributable to the Company's stock option plans were excluded from the calculation of diluted net loss per share, as they were antidilutive.

Outstanding out-of-the-money stock options to purchase approximately 21.1 million, 22.9 million and 8.8 million shares, for fiscal 2004, 2003 and 2002, respectively, under the Company's stock option plans were excluded by the treasury stock calculation of diluted net income (loss) per share. These options could be dilutive in the future if the Company's average share price increases and is equal to or greater than the exercise price of these options.

**Note 9. Comprehensive Income (Loss)**

Comprehensive income (loss) 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 (loss) and comprehensive income (loss) for the Company is from unrealized gains (losses) on its available-for-sale securities, net of taxes, and foreign currency translation adjustments. The components of comprehensive income (loss) are as follows

| | 2004 | 2003 | 2002 |
|---|---|---|---|
| | | (In thousands) | |
| Net income (loss) | $302,989 | $125,705 | $(113,607) |
| Net change in unrealized gain (loss) on available-for-sale securities, net of tax | 70,974 | (96,078) | 82,592 |
| Reclassification adjustment for gains on available-for-sale securities, net of tax, included in earnings | (2,615) | (1,560) | (3,412) |
| Net change in cumulative translation adjustment | 1,560 | 1,235 | (512) |
| Comprehensive income (loss) | $372,908 | $ 29,302 | $ (34,939) |

The components of accumulated other comprehensive income (loss) at fiscal year-ends are as follows:

| | 2004 | 2003 |
|---|---|---|
| | (In thousands) | |
| Accumulated unrealized gain (loss) on available-for-sale securities, net of tax | $ 53,375 | $ (14,984) |
| Accumulated cumulative translation adjustment | 1,689 | 129 |
| Accumulated other comprehensive income (loss) | $ 55,064 | $ (14,855) |

The change in the accumulated unrealized gain (loss) on available-for-sale securities, net of tax, at April 3, 2004, primarily reflects the increase in value of the UMC investment since March 29, 2003 (see Note 3). In addition, the value of the Company's short-term and long-term investments increased by $3.1 million during fiscal 2004. In accordance with SFAS 115, the Company increased the value of these investments by $3.1 million, increased deferred tax liabilities by $1.2 million and increased accumulated other comprehensive income (loss) by $1.9 million.

## Note 10. Stockholders' Equity

*Preferred Stock*

The Company's Certificate of Incorporation authorized 2 million shares of undesignated preferred stock. The preferred stock may be issued in one or more series. The Board of Directors is authorized to determine or alter the rights, preferences, privileges and restrictions granted to or imposed upon any wholly unissued series of preferred stock. As of April 3, 2004 and March 29, 2003, no preferred shares were issued or outstanding.

*Common Stock Repurchase Program*

The Board of Directors has approved stock repurchase programs enabling the Company to repurchase its common stock. In June 2002, the Board authorized the repurchase of up to an additional $100 million of common stock. These share repurchase programs have no stated expiration date. During fiscal 2004, 2003 and 2002, the Company repurchased a total of 1.9 million, 2.4 million and 2.2 million shares of common stock for $62.8 million, $60.4 million and $126.2 million, respectively. In fiscal 2004, 2003 and 2002, 1.9 million, 2.4 million and 3.5 million shares were reissued, respectively, for employee stock option exercises and employee stock purchase plan requirements. Through April 3, 2004, the Company had repurchased $91.7 million of the $100 million of common stock approved for repurchase under the current program. As of April 3, 2004, the Company held approximately 27 thousand shares of treasury stock in conjunction with the stock repurchase program and approximately 21 thousand shares as of March 29, 2003.

*Put Options*

During fiscal 2002, Xilinx sold put options that entitled the holder of each option to sell to the Company, by physical delivery, one share of common stock at specified prices. The cash proceeds from the sale of put options of $3.0 million for fiscal 2002 have been included in additional paid-in capital following the provisions of EITF Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock." During fiscal 2003, the final put options were presented to Xilinx requiring the Company to acquire 300 thousand shares at strike prices ranging from $40 to $45 per share. As of April 3, 2004 and March 29, 2003, no shares of common stock were subject to future issuance under outstanding put options.

*Employee Stock Option Plans*

Under existing stock option plans (Option Plans), options reserved for future issuance to employees and directors of the Company total 86.8 million shares as of April 3, 2004, including 28.7 million shares available for future grants. Options to purchase shares of the Company's 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 two or four years.

A summary of the Company's Option Plans activity, and related information are as follows:

| | Shares Available for Options | Options Outstanding: Number of Shares | Options Outstanding: Weighted Average Exercise Price |
|---|---|---|---|
| | (shares in thousands) | | |
| *March 31, 2001* | 23,863 | 54,425 | $19.98 |
| Additional shares reserved | — | — | — |
| Granted | (9,804) | 9,804 | 35.34 |
| Exercised | — | (6,359) | 9.10 |
| Forfeited | 1,101 | (1,101) | 40.80 |
| *March 30, 2002* | 15,160 | 56,769 | 23.45 |
| Additional shares reserved | 13,209 | — | — |
| Granted | (5,538) | 5,538 | 34.02 |
| Exercised | — | (3,594) | 8.06 |
| Forfeited | 802 | (802) | 43.58 |
| *March 29, 2003* | 23,633 | 57,911 | 25.14 |
| Additional shares reserved | 13,448 | — | — |
| Granted | (9,714) | 9,714 | 26.43 |
| Exercised | — | (8,162) | 10.07 |
| Forfeited | 1,340 | (1,340) | 39.36 |
| *April 3, 2004* | 28,707 | 58,123 | $27.13 |

The above table does not include additional shares that become available under a quasi-evergreen program. This program, approved by stockholders in 1999, permits the Company to increase the amount available for issuance under the 1997 Stock Plan for each of five years commencing with fiscal year 2000 by an amount equal to the lesser of 20 million shares or 4% of the number of shares outstanding as of the beginning of the prior fiscal year, as adjusted for splits, stock dividends and certain other changes to the outstanding capital stock of the Company or an amount determined by the Board of Directors. On April 8, 2004, the Board approved the addition of 13.6 million shares increasing the total amount of shares available for grant to 42.3 million under the Company's employee stock option plans. This 13.6 million share allotment marks the end of the Company's quasi-evergreen program.

The following information relates to options outstanding and exercisable under the Option Plans at April 3, 2004:

| Range of Exercise Prices | Options Outstanding: Options Outstanding | Options Outstanding: Weighted Average Remaining Contractual Life (Years) | Options Outstanding: Weighted Average Exercise Price | Options Exercisable: Options Exercisable | Options Exercisable: Weighted Average Exercise Price |
|---|---|---|---|---|---|
| | (shares in thousands) | | | | |
| $0.57—$8.25 | 6,784 | 1.43 | $ 6.59 | 6,782 | $ 6.59 |
| $8.31—$9.97 | 6,747 | 3.71 | $ 9.61 | 6,741 | $ 9.61 |
| $9.98—$18.71 | 7,131 | 3.75 | $12.93 | 6,724 | $12.66 |
| $18.78—$21.81 | 6,134 | 5.26 | $21.46 | 5,815 | $21.51 |
| $21.85—$23.49 | 7,140 | 8.97 | $23.37 | 1,757 | $23.34 |
| $23.53—$33.13 | 7,108 | 7.37 | $31.10 | 4,392 | $31.71 |
| $33.19—$38.89 | 5,945 | 7.56 | $36.80 | 3,381 | $36.62 |
| $39.00—$44.84 | 5,937 | 7.54 | $42.01 | 3,584 | $41.95 |
| $46.75—$86.75 | 4,839 | 6.18 | $72.87 | 4,544 | $73.09 |
| $96.63—$96.63 | 358 | 6.29 | $96.63 | 328 | $96.63 |
| $0.57—$96.63 | 58,123 | 5.71 | $27.13 | 44,048 | $25.84 |

At March 29, 2003, 45.1 million options were exercisable at an average price of $20.98. At March 30, 2002, 40.9 million options were exercisable at an average price of $16.74.

*Employee Qualified Stock Purchase Plan*

Under the Company's 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 the Company's 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. Employees purchased 1.7 million shares for $27.0 million in fiscal 2004, 1.6 million shares for $25.6 million in fiscal 2003 and 700 thousand shares for $22.8 million in fiscal 2002. At April 3, 2004, 4.0 million shares were available for future issuance out of 27.5 million shares authorized.

**Note 11. Income Taxes**

The provision (benefit) for income taxes consists of the following:

| | | 2004 | 2003 | 2002 |
|---|---|---|---|---|
| | | | (In thousands) | |
| Federal: | Current | $(41,633) | $ 46,093 | $(84,315) |
| | Deferred | 49,129 | (16,109) | 24,227 |
| | | 7,496 | 29,984 | (60,088) |
| State: | Current | 2,248 | 7,540 | 3,227 |
| | Deferred | 146 | (8,314) | (25,630) |
| | | 2,394 | (774) | (22,403) |
| Foreign: | Current | 37,665 | 14,957 | 3,144 |
| Total | | $ 47,555 | $ 44,167 | $(79,347) |

The tax benefits associated with stock option exercises and the employee stock purchase plan were $109 million, $17 million and $52 million, for fiscal years 2004, 2003 and 2002, respectively. Such benefits are credited to additional paid-in capital when realized. The Company has federal and state tax loss and tax credit carryforwards of approximately $454 million and $83 million, respectively. If unused, these tax loss carryforwards and $61 million of the tax credit carryforwards will expire in 2007 through 2024. Pretax income from foreign operations was $387 million, $185 million and $14 million for fiscal years 2004, 2003 and 2002, respectively. Unremitted foreign earnings that are considered to be permanently invested outside the United States and on which no U.S. taxes have been provided, accumulated to approximately $482 million as of April 3, 2004. The residual U.S. tax liability, if such amounts were remitted, would be approximately $121 million.

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

| | 2004 | 2003 | 2002 |
|---|---|---|---|
| | | (In thousands) | |
| Income (loss) before provision (benefit) for taxes | $350,544 | $169,872 | $(192,954) |
| Federal statutory tax rate | 35% | 35% | 35% |
| Computed expected tax | $122,690 | $ 59,455 | $ (67,534) |
| State taxes net of federal benefit | 1,556 | (503) | (14,562) |
| Tax exempt interest | (4,005) | (3,628) | (3,667) |
| Foreign earnings at lower tax rates | (32,327) | (3,627) | 8,784 |
| Effect of IRS Stipulation | (34,418) | — | — |
| Amortization of goodwill | — | — | 9,884 |
| Tax credits | (5,619) | (8,445) | (13,235) |
| Other | (322) | 915 | 983 |
| Provision (benefit) for income taxes | $ 47,555 | $ 44,167 | $ (79,347) |

The major components of deferred tax assets and liabilities consist of the following at April 3, 2004 and March 29, 2003:

| | 2004 | 2003 |
|---|---|---|
| | (In thousands) | |
| Deferred tax assets: | | |
| Inventory valuation differences | $ 6,374 | $ 14,289 |
| Deferred income on shipments to distributors | 33,874 | — |
| Nondeductible accrued expenses | 33,776 | 29,584 |
| Tax loss and tax credit carryforwards | 209,794 | 109,132 |
| Current net value of investments | — | 10,485 |
| Intangible and fixed assets | 15,873 | 34,981 |
| Other | 6,464 | 10,186 |
| Total deferred tax assets | 306,155 | 208,657 |
| Deferred tax liabilities: | | |
| Unremitted foreign earnings | (153,978) | (111,279) |
| Deferred income on shipments to distributors | — | (9,513) |
| Capital gain from merger of USIC with UMC | (57,818) | (57,818) |
| Current net value of investments | (37,000) | — |
| Other | (4,066) | — |
| Total deferred tax liabilities | (252,862) | (178,610) |
| Total net deferred tax assets | $ 53,293 | $ 30,047 |

The difference between the net deferred taxes per the consolidated balance sheet and the net deferred taxes above, of $36 million and $37 million at April 3, 2004 and March 29, 2003, respectively, is included in other assets on the consolidated balance sheet.

The IRS has audited and issued proposed adjustments to the Company for fiscal years 1996 through 2001. To date, several issues have been settled with the Appeals Office of the IRS. As of April 3, 2004, unresolved issues asserted by the IRS total $19.0 million in additional taxes due, including penalties and a reduction of future net operating losses of $31.2 million.

The Company filed a petition with the U.S. Tax Court on March 26, 2001, in response to assertions by the IRS that the Company owed additional tax for fiscal years 1996 through 1998. Several issues, including the arm's length royalty issue discussed below, have been settled with the Appeals Office of the IRS.

In October 2002, the IRS issued a notice of deficiency for fiscal year 1999. The notice of deficiency was based on issues that were also asserted in the previous notice of deficiency for fiscal years 1996 through 1998. On January 14, 2003, the Company filed a petition with the U.S. Tax Court in response to the October 2002 notice of deficiency.

In October 2003, the IRS issued a notice of deficiency for fiscal year 2000. The notice of deficiency was based on issues that were also asserted in the previous notices of deficiency for fiscal years 1996 through 1999. In addition, the IRS disallowed a carryback of general business credits from fiscal year 2000 to fiscal year 1995. The Company filed a petition with the U.S. Tax Court on January 16, 2004, in response to the October 2003 notice of deficiency.

On April 6, 2004, Xilinx filed a settlement stipulation concerning the arm's length royalty for the license between the Company and Xilinx Ireland for fiscal years 1996 through 1999. On April 29, 2004, the Company filed a settlement stipulation concerning the arm's length royalty for the license between the Company and Xilinx Ireland for fiscal year 2000. The IRS agreed not to increase Xilinx's taxable income for this issue. The IRS had asserted increased taxable income of $242 million for fiscal years 1996 through 1999 and $57 million for fiscal year 2000.

One of the unresolved issues relates to whether the value of compensatory stock options must be included in the cost sharing agreement with Xilinx Ireland. The Company and the IRS filed cross motions for summary judgment in 2002 relating to this stock option cost sharing issue. In March 2003, the IRS changed its position concerning the treatment of stock options in cost sharing agreements. The IRS now excludes stock options granted prior to the beginning of the cost sharing agreement with Xilinx Ireland. The IRS change in position reduced the amount originally at issue on the treatment of stock options in cost sharing agreements, which was the subject of the summary judgment motions. On October 28, 2003, the Tax Court issued an order denying both Xilinx's and the IRS's cross motions for summary judgment on the stock option cost sharing issue. The order stated that evidence is necessary to establish whether the stock options are a cost related to research and development and to determine whether unrelated parties would share the cost of stock options in a cost sharing agreement. The Court has granted an IRS motion to amend its answer to assert an alternative deficiency based on the Black-Scholes value of stock options on grant. The trial for this issue has been set for July 14, 2004, and fiscal year 1999 has been combined with fiscal years 1997 to 1998.

Xilinx is in discussions with the Appeals Office to resolve and settle the remaining issues, other than the stock option cost sharing issue discussed above. It is premature to comment further on the likely outcome of any issues that have not been settled to date. The Company believes it has meritorious defenses to the remaining adjustments and sufficient taxes have been provided.

**Note 12. Segment Information**

Xilinx designs, develops, and markets programmable logic semiconductor devices and the related software design tools. The Company operates and tracks its results in one operating segment.

Enterprise wide information is provided in accordance with SFAS 131, "Disclosures about Segments of an Enterprise and Related Information." Geographic revenue information for fiscal years 2004, 2003 and 2002 is based on the shipment location. Long-lived assets include property, plant and equipment and goodwill. Property, plant and equipment information is based on the physical location of the asset at the end of each fiscal year while goodwill is based on the location of the owning entity.

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

| | 2004 | 2003 | 2002 |
|---|---|---|---|
| | | (In thousands) | |
| United States | $ 525,312 | $ 454,988 | $ 441,912 |
| Foreign: | | | |
| Other North America | 67,189 | 104,002 | 82,330 |
| Europe | 270,324 | 254,342 | 235,931 |
| Japan | 203,652 | 176,386 | 130,578 |
| Asia Pacific/Rest of World | 331,369 | 166,259 | 124,828 |
| Total Foreign | 872,534 | 700,989 | 573,667 |
| Worldwide total | $1,397,846 | $1,155,977 | $1,015,579 |

Net long-lived assets by country at fiscal year-ends were as follows at:

| | 2004 | 2003 | 2002 |
|---|---|---|---|
| | | (In thousands) | |
| United States | $361,058 | $394,544 | $465,849 |
| Foreign: | | | |
| Ireland | 80,365 | 81,493 | 73,106 |
| Other | 5,318 | 7,671 | 11,539 |
| Total Foreign | 85,683 | 89,164 | 84,645 |
| Worldwide total | $446,741 | $483,708 | $550,494 |

**Note 13. Contingencies**

The Company filed petitions with the U.S. Tax Court on March 26, 2001 and January 14, 2003 in response to assertions by the IRS that the Company owed additional tax for fiscal years 1996 through 1999. The Company filed a petition with the U.S. Tax Court on January 16, 2004, in response to assertions by the IRS that the Company owes additional tax for fiscal year 2000 (see Note 11). Other than these petitions, Xilinx knows of no legal proceedings contemplated by any governmental authority or agency against the Company.

In March 2002, Aldec, Inc. (Aldec) filed a complaint in the United States District Court, Northern District of California, alleging copyright infringement and breach of contract by the Company arising from the expiration of a license agreement for certain Aldec software. Aldec sought a temporary restraining order (TRO) simultaneous with the filing of its complaint. The Court denied the request for a TRO. On September 2, 2003, the Company settled all outstanding litigation with Aldec for an amount that was immaterial to the Company's results of operations or its financial condition.

In fiscal year 2004, the Company allowed sales representative agreements with three related European entities, Rep'tronic S.A., Rep'tronic España, and Acsis S.r.l., a Rep'tronic Company (collectively Rep'tronic) to expire pursuant to their terms. In May 2003, Rep'tronic filed lawsuits in the High Court of Ireland against the Company claiming compensation arising from termination of an alleged commercial agency between Rep'tronic and the Company. On March 31, 2004, Rep'tronic amended each of its statements of claim to include an additional claim related to the termination of the alleged commercial agency. The Company has not yet been required to file its defense and no significant discovery has occurred.

On January 21, 2004, Rep'tronic S.A. joined Xilinx SARL into a lawsuit before the Labor Court of Versailles brought by five former Rep'tronic S.A. employees against Rep'tronic S.A. for unfair dismissal. Rep'tronic S.A. is seeking indemnification from Xilinx SARL on the theory that the employees of Rep'tronic S.A. became the employees of Xilinx SARL or Xilinx Ireland upon the expiration of the sales representative agreement. Xilinx SARL will file its evidence on July 14, 2004. A hearing has been set for September 20, 2004.

On February 10, 2004, Rep'tronic S.A. filed a lawsuit against Xilinx SARL in the Commercial Court of Versailles. The lawsuit is pled as an unfair competition matter but the claims and the facts upon which they are based are essentially the same as the commercial agency claims being addressed before the High Court of Ireland. Xilinx SARL has filed its defense. No hearing has been set.

The Company has accrued amounts that represent anticipated payments for liability for the Rep'tronic litigation under the provisions of SFAS 5.

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.

**Note 14. Business Combinations**

*Triscend Corporation*

In March 2004, Xilinx completed the acquisition of Triscend Corporation (Triscend), a privately held fabless semiconductor company with expertise in configurable embedded microcontroller technology. The acquisition was accounted for under the purchase method of accounting. The total purchase price for Triscend was $30 million in cash plus $1.2 million of acquisition related costs. Xilinx recorded a charge to operations upon consummation of the transaction for acquired in-process research and development of approximately $7 million. In addition, Xilinx recorded approximately $18.9 million of goodwill and other intangible assets, which resulted in amortization expense of approximately $100 thousand in fiscal 2004. The financial results for Triscend are included in the Company's consolidated results from the date of acquisition. Pro forma information is not presented due to the immateriality of the operating results of Triscend prior to the acquisition.

Following is the purchase allocation based on estimated fair value of the assets acquired and liabilities assumed. Management considered a number of factors, including an independent appraisal and expected uses of assets and dispositions of liabilities, in determining the final purchase price allocation.

| | Amount (In thousands) | Amortization Life |
|---|---|---|
| Current assets | $11,282 | |
| Long-term tangible assets | 392 | |
| Goodwill | 10,903 | |
| Other intangible assets: | | |
| Patents | 7,194 | 5 years |
| Customer Base | 760 | 3 years |
| Acquired in-process research and development | 6,969 | |
| Liabilities assumed | (6,292) | |
| Total purchase price | $31,208 | |

**Note 15. Goodwill and Other Intangible Assets**

As of April 3, 2004 and March 29, 2003, the gross and net amounts of goodwill and of other intangible assets for all acquisitions were as follows:

| | 2004 | 2003 | Amortization Life |
|---|---|---|---|
| | (In thousands) | | |
| Goodwill—gross | $163,152 | $152,249 | 3 to 5 years (through fiscal 2002 only) |
| Less accumulated amortization | 51,525 | 51,525 | |
| Goodwill—net | $111,627 | $100,724 | |
| Noncompete agreements—gross | $ 23,600 | $ 23,600 | 3 years |
| Less accumulated amortization | 23,600 | 19,011 | |
| Noncompete agreements—net | — | 4,589 | |
| Patents—gross | 22,335 | 15,141 | 5 to 7 years |
| Less accumulated amortization | 8,351 | 6,286 | |
| Patents—net | 13,984 | 8,855 | |
| Miscellaneous intangibles—gross | 40,461 | 39,701 | 2 to 5 years |
| Less accumulated amortization | 37,632 | 34,455 | |
| Miscellaneous intangibles—net | 2,829 | 5,246 | |
| Total other intangible assets—gross | 86,396 | 78,442 | |
| Less accumulated amortization | 69,583 | 59,752 | |
| Total other intangible assets—net | $ 16,813 | $ 18,690 | |

Amortization expense for all intangible assets for fiscal year 2004, 2003, and 2002 was $9.8 million, $15.3 million and $49.0 million, respectively. Intangible assets are amortized on a straight-line basis.

Based on the carrying value of other intangible assets recorded at April 3, 2004, and assuming no subsequent impairment of the underlying assets, the annual amortization expense for other intangible assets is expected to be as follows: 2005—$5.0 million; 2006—$4.4 million; 2007—$3.6 million; 2008—$2.5 million; 2009—$1.3 million.

**Note 16. Subsequent Events**

On April 22, 2004, the Board authorized the repurchase of up to an additional $250 million of common stock.

On April 22, 2004, the Board of Directors declared the Company's first quarterly common stock dividend, of $0.05 per share, which is payable on June 2, 2004 to stockholders of record at the close of business on May 12, 2004.

## REPORT OF ERNST & YOUNG LLP,
## INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Xilinx, Inc.

We have audited the accompanying consolidated balance sheets of Xilinx, Inc. as of April 3, 2004 and March 29, 2003, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended April 3, 2004. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Xilinx, Inc. at April 3, 2004 and March 29, 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended April 3, 2004, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, effective at the beginning of fiscal 2003, Xilinx adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."

/s/ ERNST & YOUNG LLP

San Jose, California
May 25, 2004

## XILINX, INC.
## SCHEDULE II
## VALUATION AND QUALIFYING ACCOUNTS

| Description | Beginning of Year | Charged (Credited) to Income | Deductions(a) | Balance at End of Year |
|---|---|---|---|---|
| | (In thousands) | | | |
| For the year ended March 30, 2002: | | | | |
| Allowance for doubtful accounts | $3,625 | $ — | $ — | $3,625 |
| Allowance for customer returns(b) | $1,059 | $ 2,828 | $793 | $3,094 |
| For the year ended March 29, 2003: | | | | |
| Allowance for doubtful accounts | $3,625 | $ — | $ 12 | $3,613 |
| Allowance for customer returns(b) | $3,094 | $(2,261) | $828 | $ 5 |
| For the year ended April 3, 2004: | | | | |
| Allowance for doubtful accounts | $3,613 | $ 226 | $ 26 | $3,813 |
| Allowance for customer returns | $ 5 | $ 176 | $ 5 | $ 176 |

(a) Represents amounts written off against the allowances or customer returns.

(b) Prior years' presentation of valuation and qualifying accounts have been modified to be consistent with the fiscal 2004 presentation, which excludes amounts, principally consisting of distributor pricing adjustments, that have no impact on income or net amounts expected to be realized from assets and liabilities.

## SUPPLEMENTARY FINANCIAL DATA

### Quarterly Data (Unaudited)

| Year ended April 3, 2004 | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|---|---|---|---|---|
| | (In thousands, except per share amounts) | | | |
| Net revenues | $313,287 | $315,547 | $365,632 | $403,380 |
| Gross margin | 188,188 | 192,650 | 225,958 | 261,082 |
| Net income | 46,241(1) | 56,410 | 69,449(2) | 130,889(3) |
| Net income per share: | | | | |
| Basic | $ 0.14 | $ 0.17 | $ 0.20 | $ 0.38 |
| Diluted | $ 0.13 | $ 0.16 | $ 0.19 | $ 0.36 |
| Shares used in per share calculations: | | | | |
| Basic | 339,761 | 341,295 | 342,861 | 346,477 |
| Diluted | 351,780 | 353,366 | 356,226 | 361,035 |

(1) Net income includes litigation settlement and contingency of $6,400.

(2) Net income includes impairment loss on excess facilities of $3,376.

(3) Net income includes a $34,418 reduction in taxes associated with an IRS tax settlement and a write-off of acquired in-process research and development of $6,969 related to the acquisition of Triscend.

| Year ended March 29, 2003 | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|---|---|---|---|---|
| | (In thousands, except per share amounts) | | | |
| Net revenues | $289,853 | $277,871 | $282,739 | $305,514 |
| Gross margin | 169,517 | 164,130 | 165,616 | 183,163 |
| Net income (loss) | 41,006 | 38,720 | (3,430)(1) | 49,409(2) |
| Net income (loss) per share: | | | | |
| Basic | $ 0.12 | $ 0.11 | $ (0.01) | $ 0.15 |
| Diluted | $ 0.12 | $ 0.11 | $ (0.01) | $ 0.14 |
| Shares used in per share calculations: | | | | |
| Basic | 336,518 | 337,481 | 337,242 | 337,920 |
| Diluted | 351,858 | 346,902 | 337,242 | 348,410 |

(1) Net income (loss) includes impairment loss on excess facilities and equipment of $54,691 and impairment loss on investments of $8,254.

(2) Net income (loss) includes impairment loss on investments of $2,171.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable

## ITEM 9A. 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 Securities Exchange Act of 1934, as amended, 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 the Company's 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.

We evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as of the end of the period covered by this Annual Report on Form 10-K (Controls Evaluation Date),under the supervision and with the participation of management, including our CEO and CFO. Based upon that evaluation, our CEO and CFO concluded that, while no cost-effective control system will preclude all errors and irregularities, the Company's disclosure controls and procedures are effective to provide reasonable assurance that the financial statements and other disclosures in our SEC reports are reliable.

From the Controls Evaluation Date to the date of the filing of this Annual Report on Form 10-K, there have been no significant changes in internal controls or in other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

## PART III

Certain information required by Part III is omitted from this Report in that the Registrant will file a definitive proxy statement pursuant to Regulation 14A (the Proxy Statement) not later than 120 days after the end of the fiscal year covered by this Report, and certain information included therein is incorporated herein by reference. Only those sections of the Proxy Statement that specifically address the items set forth herein are incorporated by reference. Such incorporation does not include the Compensation Committee Report or the Performance Graph included in the Proxy Statement.

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information concerning the Company's directors required by Item 401 of Regulation S-K is incorporated by reference to the section entitled "Proposal One-Election of Directors" in our Company's Proxy Statement.

The information concerning the Company's executive officers required by Item 401 of Regulation S-K is incorporated by reference to Item 1. "Business—Executive Officers of the Registrant" within this Form 10-K.

The information required by Item 405 of Regulation S-K is incorporated by reference to the section entitled "Section 16(a) Beneficial Ownership Reporting Compliance" in our Company's Proxy Statement.

The information included in Item 1—"Business—Corporate Governance" within this Form 10-K identifying the financial expert who serves on the Audit Committee of our Board of Directors is incorporated by reference in this section.

The information required by Item 406 of Regulation S-K is incorporated by reference to the section entitled "Board of Directors—Principles of Corporate Governance" in our Company's Proxy Statement and to Item 1.—"Business—Corporate Governance" within this Form 10-K.

The Company's Codes of Conduct are available on the investor relations page of its website at *www.investor.xilinx.com*. Printed copies of these documents are also available to stockholders upon written request directed to Corporate Secretary, Thomas R. Lavelle, Xilinx, Inc., 2100 Logic Drive, San Jose, CA 95124.

### ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to the sections entitled "Compensation of Directors" and "Executive Compensation" in our Company's Proxy Statement.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 403 of Regulation S-K is incorporated by reference to the section entitled "Security Ownership of Certain Beneficial Owners and Management" in our Company's Proxy Statement. The information required by Item 201(d) of Regulation S-K is set forth below. The table below sets forth certain information as of April 3, 2004 about the Company's common stock that may be issued upon the exercise of options, warrants and rights under all of our existing equity compensation plans:

| Plan Category | A<br>Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights | B<br>Weighted-average Exercise Price of Outstanding Options, Warrants and Rights | C<br>Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in Column A) |
|---|---|---|---|
| **Equity Compensation Plans Approved by Security Holders** | | | |
| 1988 Stock Option Plan | 13,873,041 | $ 8.99 | 0 |
| 1997 Stock Plan | 43,901,186 | $32.95 | 26,513,000(2) |
| 1990 Employee Stock Purchase Plan | N/A | N/A | 3,990,164 |
| Total—Approved Plans | 57,774,227 | $27.20 | 30,503,164 |
| **Equity Compensation Plans *NOT* Approved by Security Holders(1)** | | | |
| Supplemental Stock Option Plan(3) | 6,000 | $39.85 | 2,194,000 |
| Total—All Plans | 57,780,227 | $27.20 | 32,697,164 |

(1) In November 2000, the Company acquired RocketChips. Under the terms of the merger, the Company assumed all of the stock options previously issued to RocketChips' employees pursuant to four different stock option plans. A total of approximately 807,000 options were assumed by the Company. Of this amount, a total of 342,949 options, with an average weighted exercise price of $15.18, remained outstanding as of April 3, 2004. These options are excluded from the above table. All of the options assumed by the Company remain subject to the terms of the RocketChips' stock option plan under which they were issued. Subsequent to acquiring RocketChips, the Company has not made any grants or awards under any of the RocketChips' stock option plans and the Company has no intention to do so in the future.

(2) This number does not include additional shares that become available under a quasi-evergreen program. This program, approved by stockholders in 1999, permits the Company to increase the amount available for issuance under the 1997 Stock Plan for each of five years commencing with fiscal year 2000 by an amount equal to the lesser of 20 million shares or 4% of the number of shares outstanding as of the beginning of the prior fiscal year, as adjusted for splits, stock dividends and certain other changes to the outstanding capital stock of the Company or an amount determined by the Board of Directors. On April 8, 2004, the Board approved the addition of 13.6 million shares increasing the total amount of shares available for grant to 42.3 million including 40.1 million shares from the 1997 Stock Plan and 2.2 million shares from the Supplemental Stock Option Plan. This 13.6 million share allotment marks the end of the Company's quasi-evergreen program.

(3) Our Supplemental Stock Option Plan, which was not subject to stockholder approval, is intended to help us attract and retain outstanding individuals in order to promote the success of the Company's business. The plan permits stock options to be granted to employees and consultants of the Company, except that our officers and members of our Board of Directors may not be granted options under the plan. The number of shares that may be issued pursuant to options granted under the plan is 2.2 million, subject to adjustment for stock splits, stock dividends and certain other changes to the outstanding capital stock of the Company. Only non-qualified stock options may be granted under the plan (that is, options that do not entitle the optionee to special U.S. income tax treatment). The plan is administered by the Compensation Committee, which has broad discretion to set the terms of options (including the number of shares, exercise price, vesting conditions and terms of options), to determine to whom they will be granted, to interpret the plan and the option agreements and to take such other actions and make such other determinations as it determines necessary or advisable in the administration of the plan. Subject to the foregoing, options granted under the plan generally expire not later than 12 months after the optionee ceases to be an employee or consultant. Upon a merger of the Company with or into another company, or the sale of substantially all of the Company's assets, each option outstanding under the plan may be assumed or substituted with a similar option by the acquiring company, or the outstanding options will become exercisable in connection with the merger or sale. Our Board of Directors is authorized at any time to amend, alter, suspend or terminate the plan, but no such change may impair the rights of any option recipient under the plan without the written consent of the participant and the Company.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated by reference to the section entitled "Employment Contracts and Termination of Employment and Change-in-Control Arrangements" in our Company's Proxy Statement.

## ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated by reference to the sections entitled "Ratification of Appointment of Independent Auditors" and "Fees Paid to Ernst & Young LLP" in our Company's Proxy Statement.

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) (1) The financial statements required by Item 15(a) are included in Item 8 of this Annual Report on Form 10-K.

(2) The financial statement schedules required by Item 15(a) are included in Item 8 of this Annual Report on Form 10-K.

Schedules not filed have been omitted because they are not applicable, are not required or the information required to be set forth therein is included in the financial statements or notes thereto.

(3) The exhibits listed below in (c) are filed or incorporated by reference as part of this Annual Report on Form 10-K.

(b) Reports on Form 8-K

On January 21, 2004, Xilinx furnished a report on Form 8-K relating to its financial information for the fiscal quarter ended January 3, 2004, as presented in a press release dated January 21, 2004.

(c) Exhibits

| Exhibit Number | Description |
|---|---|
| 3.1(1) | Restated Certificate of Incorporation of the Company, as amended to date. |
| 3.2(2) | Bylaws of the Company, as amended to date. |
| 4.1(3) | Preferred Shares Rights Agreement dated as of October 4, 1991 between the Company and The First National Bank of Boston, as Rights Agent. |
| 10.1(4) | Lease dated March 27, 1995 for adjacent facilities at 2055 Logic Drive and 2065 Logic Drive, San Jose, California. |
| 10.2(4) | First Amendment to Master Lease dated April 27, 1995 for the Company's facilities at 2100 Logic Drive and 2101 Logic Drive, San Jose, California. |
| 10.3(5) | Lease dated October 8, 1997 for an additional facility on Logic Drive, San Jose, California. |
| 10.4.1(6) | Agreement of Purchase and Sale of Land in Longmont, Colorado dated November 24, 1997. |
| 10.4.2(6) | First Amendment to Agreement of Purchase and Sale of Land in Longmont, Colorado dated January 15, 1998. |
| 10.5(2)* | 1988 Stock Option Plan, as amended. |
| 10.6(7)* | 1990 Employee Qualified Stock Purchase Plan, as amended. |
| 10.7(7)* | 1997 Stock Option Plan. |
| 10.8(2)* | Form of Indemnification Agreement between the Company and its officers and directors. |
| 10.9(8)* | Letter Agreement dated as of January 22, 1996 of the Company to Willem P. Roelandts. |
| 10.10.1(8)* | Consulting Agreement dated as of June 1, 1996 between the Company and Bernard V. Vonderschmitt. |
| 10.10.2(6)* | Amended Services and Compensation Exhibit to the Consulting Agreement dated as of June 1, 1996 between the Company and Bernard Vonderschmitt. |
| 10.10.3(6)* | Second Amendment to the Consulting Agreement dated as of June 1, 1996 between the Company and Bernard Vonderschmitt. |
| 10.11(9)* | Letter Agreement dated as of April 1, 1997 of the Company to Richard W. Sevcik. |
| 10.12.1(10)(11) | Foundry Venture Agreement dated as of September 14, 1995 between the Company and United Microelectronics Corporation (UMC). |
| 10.12.2(10)(11) | FabVen Foundry Capacity Agreement dated as of September 14, 1995 between the Company and UMC. |
| 10.12.3(10)(11) | Written Assurances Re: Foundry Venture Agreement dated as of September 29, 1995 between UMC and the Company. |

| Exhibit Number | Description |
|---|---|
| 10.13.1(8)(10) | Advance Payment Agreement entered into on May 17, 1996 between Seiko Epson Corporation (Seiko) and the Company. |
| 10.13.2(6)(10) | Amended and Restated Advance Payment Agreement with Seiko dated December 12, 1997. |
| 10.14(8) | Indenture dated November 1, 1995 between the Company and State Street Bank and Trust Company. |
| 10.15(10)(12) | Letter Agreement dated January 13, 2000 between the Company and UMC. |
| 10.16(13)* | Supplemental Stock Option Plan. |
| 21.1 | Subsidiaries of the Company. |
| 23.1 | Consent of Independent Registered Public Accounting Firm. |
| 24.1 | Power of Attorney (included in the signature page). |
| 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. |

(1) Filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended March 30, 1991.

(2) Filed as an exhibit to the Company's Registration Statement on Form S-1 (File No. 33-34568) which was declared effective June 11, 1990.

(3) Filed as an exhibit to the Company's Registration Statement on Form S-1 (File No. 33-43793) effective November 26, 1991.

(4) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended April 1, 1995.

(5) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 27, 1997.

(6) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended December 27, 1997.

(7) Filed as an exhibit to the Company's Registration Statement on Form S-8 (File No. 333-62897) effective September 4, 1998.

(8) Filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended March 30, 1996.

(9) Filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended March 29, 1997.

(10) Confidential treatment requested as to certain portions of these documents.

(11) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995.

(12) Filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2001.

(13) Filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended March 30, 2002.

* Management contract or compensatory plan or arrangement required to be filed as an exhibit to the Company's Annual Report on Form 10-K pursuant to Item 15(c) herein.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Jose, State of California, on the 4th day of June 2004.

XILINX, INC.

By: /s/ WILLEM P. ROELANDTS

Willem P. Roelandts,
*President, Chief Executive Officer and Chairman of the Board of Directors*

## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Willem P. Roelandts and Kris Chellam, jointly and severally, his/her attorneys-in-fact, each with the power of substitution, for him/her in any and all capacities, to sign any amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his/her substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934 this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ WILLEM P. ROELANDTS<br>(Willem P. Roelandts) | President, Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer) | June 4, 2004 |
| /s/ KRIS CHELLAM<br>(Kris Chellam) | Senior Vice President, Finance and Chief Financial Officer (Principal Accounting and Financial Officer) | June 4, 2004 |
| /s/ RICHARD W. SEVCIK<br>(Richard W. Sevcik) | Executive Vice President, General Manager and Director | June 4, 2004 |
| /s/ JOHN L. DOYLE<br>(John L. Doyle) | Director | June 4, 2004 |
| /s/ JERALD G. FISHMAN<br>(Jerald G. Fishman) | Director | June 4, 2004 |
| /s/ PHILIP T. GIANOS<br>(Philip T. Gianos) | Director | June 4, 2004 |
| /s/ WILLIAM G. HOWARD, JR.<br>(William G. Howard, Jr.) | Director | June 4, 2004 |
| /s/ HAROLD E. HUGHES, JR.<br>(Harold E. Hughes, Jr.) | Director | June 4, 2004 |
| /s/ ELIZABETH VANDERSLICE<br>(Elizabeth Vanderslice) | Director | June 4, 2004 |

# Xilinx 2004 Proxy

Xilinx 2004 Proxy

June 4, 2004

Dear Xilinx Stockholder:

You are cordially invited to attend the 2004 Annual Meeting of Stockholders to be held on Thursday, August 5, 2004 at 11:00 a.m. Pacific Daylight Time, at Xilinx, Inc.'s headquarters located at 2050 Logic Drive, San Jose, California, 95124. We look forward to your attendance either in person or by proxy. For your convenience, we are pleased to offer a live webcast of our annual meeting at www.investor.xilinx.com.

If you received your annual meeting materials by mail, the notice of annual meeting, proxy statement and proxy card from Xilinx's Board of Directors (the "Board") are enclosed. If you received your annual mailing materials via email, the email contains voting instructions and links to the annual report and proxy statement on the Internet.

At this meeting, the agenda includes the annual election of directors and a proposal to ratify the appointment of our independent auditors, Ernst & Young LLP, as well as any other business that may properly come before the meeting or any adjournment or postponement thereof. The Board recommends that you vote **FOR** the election of each of the director nominees nominated by the Board Nominating and Governance Committee and **FOR** the ratification of Ernst & Young LLP as independent auditors of the Company for the fiscal year ending April 2, 2005. Please refer to the proxy statement for detailed information on each of the proposals.

At the meeting, we will also report on the operations of the Company, and you will have an opportunity to ask questions. Whether or not you plan to attend, please take a few minutes now to vote online or via telephone or, alternatively, mark, sign, date and return your proxy in the enclosed postage-paid envelope so that your shares will be represented.

Thank you for your continuing interest in Xilinx.

Very truly yours,

Willem P. Roelandts

Willem P. Roelandts
President, Chief Executive Officer and
Chairman of the Board

**IMPORTANT: WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, YOU ARE REQUESTED TO VOTE YOUR PROXY ONLINE OR BY TELEPHONE, OR, IN THE ALTERNATIVE, COMPLETE AND PROMPTLY RETURN THE ENCLOSED PROXY IN THE ENVELOPE PROVIDED. PLEASE REFERENCE THE "PROXY VOTING; VOTING VIA THE INTERNET AND TELEPHONE" SECTION ON PAGE 1 FOR ADDITIONAL INFORMATION.**

**XILINX, INC.**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**
**August 5, 2004**

TO OUR STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Xilinx, Inc., a Delaware corporation (the "Company"), will be held on Thursday, August 5, 2004 at 11:00 a.m., Pacific Daylight Time, at the Company's headquarters located at 2050 Logic Drive, San Jose, California, 95124 for the following purposes:

1. To elect eight (8) directors to serve for the ensuing year or until their successors are duly elected and qualified; and

2. To ratify the appointment of Ernst & Young LLP as independent auditors of the Company for the fiscal year ending April 2, 2005; and

3. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the proxy statement accompanying this notice.

Only stockholders of record at the close of business on June 7, 2004 are entitled to notice of and to vote at the meeting.

All stockholders are cordially invited to attend the meeting in person. However, to ensure your representation at the meeting, you are urged to vote online or via telephone or, in the alternative, to mark, sign, date and return the enclosed proxy card as promptly as possible in the postage-prepaid envelope enclosed for that purpose. **If you have Internet access, we encourage you to record your vote on the Internet.** Any stockholder of record attending the meeting may vote in person even if he or she returned a proxy.

FOR THE BOARD OF DIRECTORS

Thomas R. Lavelle

Thomas R. Lavelle
Secretary

San Jose, California
June 4, 2004

**IMPORTANT: WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, YOU ARE REQUESTED TO VOTE YOUR PROXY ONLINE OR BY TELEPHONE, OR, IN THE ALTERNATIVE, COMPLETE AND PROMPTLY RETURN THE ENCLOSED PROXY IN THE ENVELOPE PROVIDED. PLEASE REFERENCE THE "PROXY VOTING; VOTING VIA THE INTERNET AND TELEPHONE" SECTION ON PAGE 1 FOR ADDITIONAL INFORMATION.**

XILINX, INC.

PROXY STATEMENT
FOR ANNUAL MEETING OF STOCKHOLDERS

This Proxy Statement is being mailed to stockholders of Xilinx, Inc., a Delaware corporation (the "Company"), on or about June 16, 2004 in connection with the solicitation by the Board of Directors of proxies to be used at the Annual Meeting of Stockholders of the Company to be held on Thursday, August 5, 2004 at 11:00 a.m., Pacific Daylight Time, at the Company's headquarters, located at 2050 Logic Drive, San Jose, California 95124, and any adjournment and postponement thereof.

The cost of preparing, assembling and mailing the notice of annual meeting of stockholders, proxy statement and form of proxy and the solicitation of proxies will be paid by the Company. The Company has retained the services of Innisfree M&A Incorporated to assist in obtaining proxies from brokers and nominees of stockholders for the Annual Meeting of Shareholders. The estimated cost of such services is approximately $5,000 plus out-of-pocket expenses. Proxies may also be solicited in person or by telephone or electronically by personnel of the Company who will not receive any additional compensation for such solicitation. The Company will pay brokers or other persons holding stock in their names or the names of their nominees for the expenses of forwarding soliciting material to their principals.

## INFORMATION CONCERNING VOTING AND PROXY SOLICITATION

### Voting

Each stockholder is entitled to one vote for each share of Common Stock of the Company ("Common Stock") with respect to all matters presented at the Annual Meeting. Stockholders do not have the right to cumulate their votes in the election of directors.

### Record Date

Only stockholders of record at the close of business (5:00 p.m., Eastern Daylight Time) on June 7, 2004 (the "Record Date") are entitled to notice of and to vote at the meeting and at any adjournment or postponement thereof. Stockholders of record will be entitled to one vote for each share of Common Stock held. For information regarding holders of more than 5% of the outstanding Common Stock, see "Security Ownership of Certain Beneficial Owners and Management."

### Shares Outstanding

As of the close of business on May 19, 2004, there were 347,107,731 shares of Common Stock outstanding. The closing price of the Company's Common Stock on May 19, 2004, as reported by the NASDAQ national market was $34.68 per share.

### Proxy Voting; Voting via the Internet and Telephone

Shares for which proxy cards are properly executed and returned or that are properly voted via the Internet or by telephone will be voted at the Annual Meeting in accordance with the directions given or, in the absence of directions, will be voted "FOR" the election of each of the nominees to the Board named herein and "FOR" the ratification of Ernst & Young LLP as the Company's independent auditors for fiscal year 2005. It is not expected that any matters other than the election of Directors and the ratification of the Company's independent auditors will be brought before the Annual Meeting. If, however, other matters are properly presented, the persons named as proxies in the accompanying proxy card will vote in accordance with their discretion with respect to such matters.

To ensure that your vote is recorded promptly, please vote as soon as possible, even if you plan to attend the annual meeting in person. Most stockholders have three options for submitting their votes: (1) via the Internet, (2) by phone or (3) by mail, using the paper proxy card. If you have Internet access, we encourage you to record your vote on the Internet. It is convenient and it saves your Company significant postage and processing costs. In addition, when you vote via the Internet or by phone prior to the meeting date, your vote is recorded immediately and there is no risk that postal delays will cause your vote to arrive late and therefore not be counted. For further instructions on voting, see your proxy card or the e-mail you received for electronic delivery of this proxy statement. If you attend the annual meeting, you may also submit your vote in person, and any previous votes that you submitted, whether by Internet, phone or mail, will be superseded by the vote that you cast at the annual meeting.

**Electronic Delivery of Xilinx Stockholder Communications**

If you decide to vote via the Internet as described above, at that time, you will have the opportunity to elect to have all future stockholder communications delivered to you electronically. We encourage you to sign up for such electronic delivery as it conserves natural resources and reduces printing and mailing costs.

**Householding**

In an effort to reduce printing costs and postage fees, the Company has adopted a practice approved by the SEC called "householding." Under this practice, stockholders who have the same address and last name and do not participate in electronic delivery of proxy materials will receive only one copy of the Company's proxy materials unless one or more of these stockholders notifies the Company that they wish to continue receiving individual copies. Stockholders who participate in householding will continue to receive separate proxy cards.

If you share an address with another stockholder and received only one set of proxy materials and would like to request a separate copy of these materials, please send your request to: Xilinx, Inc., 2100 Logic Drive, San Jose, CA 95124, Attn: Investor Relations, call Investor Relations at (800) 836-4002, or visit the Company's website at www.xilinx.com. You may also contact the Company if you received multiple copies of the proxy materials and would prefer to receive a single copy in the future.

**Quorum; Abstentions; Broker Non-Votes**

The required quorum for the transaction of business at the Annual Meeting is a majority of the outstanding shares of Common Stock as of the Record Date. Votes cast by proxy or in person at the Annual Meeting will be tabulated by the inspector of elections appointed for the Annual Meeting and will determine whether or not a quorum is present. Shares that are voted "FOR," "AGAINST" or "WITHHELD" (abstentions) are treated as being present at the meeting for purposes of establishing a quorum and are also treated as votes eligible to be cast by the record owners of the Common Stock present in person or represented by proxy at the Annual Meeting and entitled to vote on the subject matter (the "Votes Cast") with respect to such matter. In the absence of instructions, shares represented by valid proxies shall be voted in accordance with the recommendations of the Board of Directors as shown on the proxy. The inspector of elections will treat broker non-votes as present only for purposes of determining a quorum and not as Votes Cast. Broker non-votes occur when a stockholder owning Common Stock through a bank, brokerage or other nominee ("street name") does not provide voting instructions to the bank, brokerage firm or other custodian holding his/her shares and that person does not exercise discretion to vote those shares. Under the rules that govern brokers who are record owners of shares that are held in street name for the beneficial owners of the shares, brokers who do not receive voting instructions from their clients have the discretion to vote uninstructed shares on routine matters but have no discretion to vote them on non-routine matters. The proposals to be voted upon at the annual meeting are routine matters.

**Vote Required**

With respect to the election of directors, the eight nominees receiving the highest number of votes at the meeting shall be elected as directors. Affirmative votes constituting a majority of the Votes Cast will be required to ratify the appointment of Ernst & Young LLP. Abstentions will have the effect of a vote against the ratification of Ernst & Young LLP. Broker non-votes will not have an affect either for or against any of the proposals.

**Revocability of Proxies**

A stockholder giving a proxy may revoke it at any time before it is voted by delivering to Thomas R. Lavelle, the Secretary of the Company, at 2050 Logic Drive, San Jose, California 95124, a written notice of revocation or a duly executed proxy bearing a later date, or by appearing at the meeting and voting in person. Attendance at the meeting will not, by itself, be sufficient to revoke a proxy. Accessing the webcast of the annual meeting will not, by itself, constitute attendance at the annual meeting and will not enable a stockholder to revoke his, her or its proxy using the Internet. Any stockholder owning Common Stock in street name wishing to revoke his/her voting instructions must contact the bank, brokerage firm or other custodian who holds his/her shares or by obtaining a legal proxy from such bank or brokerage firm and voting in person at the Annual Meeting.

**Deadline for Receipt of Stockholder Proposals**

Proposals of stockholders of the Company which are intended to be presented by such stockholders at the Company's fiscal 2005 Annual Meeting of Stockholders must be received by the Company no later than February 4, 2005, and satisfy the other requirements set forth in Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), in order to be eligible for inclusion in the proxy statement and form of proxy relating to that meeting.

Proxies solicited by the Company grant the proxy holders discretionary authority to vote on any matter raised at the meeting. If a stockholder intends to submit a proposal at the next meeting of stockholders that is not eligible for inclusion in the proxy statement relating to that meeting, the stockholder must give notice to the Company no later than May 6, 2005. If a stockholder does not comply with the foregoing notice provision and does not also satisfy the requirements of Rule 14a-4(c) under the Exchange Act, the proxy holders will be allowed to use their discretionary voting authority when and if the proposal is raised at the next annual meeting of stockholders.

In addition, the Company's Bylaws include advance notice provisions that require stockholders desiring to bring nominations or other business before an annual stockholders meeting to do so in accordance with the terms of the advance notice provisions regardless of whether the stockholder seeks to include such matters in the Company's Proxy Statement pursuant to Rule 14a-8. These advance notice provisions require that, among other things, stockholders give timely written notice to the Secretary of the Company regarding such nominations or other business and otherwise satisfy the requirements set forth in the Bylaws. To be timely, a stockholder who intends to present nominations or a proposal at the fiscal 2005 Annual Meeting of Stockholders without inclusion of the proposal in the Company's proxy materials must provide written notice of the nominations or other business they wish to propose to the Secretary no less than 90 days prior to the 2005 Annual Meeting of Stockholders. If a stockholder fails to meet these deadlines and fails to satisfy the requirements of Rule 14a-4 under the Securities Exchange Act of 1934, the Company may exercise discretionary voting authority under proxies it solicits to vote on any such proposal as it determines appropriate.

## PROPOSAL ONE

## ELECTION OF DIRECTORS

### Nominees

A board of eight directors is to be elected at the Annual Meeting. Pursuant to action by the Board's Nominating and Governance Committee, the Company is nominating the eight individuals named below, each of whom is currently a director of the Company. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the Company's eight nominees named below. In the event that any nominee of the Company is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who shall be designated by the present Board of Directors to fill the vacancy. The Company is not aware of any nominee who will be unable or will decline to serve as a director. The term of office of each person elected as a director will continue until the next Annual Meeting of Stockholders or until his successor has been elected and qualified.

| Name of Nominee | Age | Principal Occupation | Director Since |
|---|---|---|---|
| Willem P. Roelandts | 59 | President, Chief Executive Officer and Chairman of the Board of Directors, Xilinx, Inc. | 1996 |
| John L. Doyle | 72 | Consultant | 1994 |
| Jerald G. Fishman | 58 | President and CEO, Analog Devices Inc. | 2000 |
| Philip T. Gianos | 54 | General Partner, InterWest Partners | 1985 |
| William G. Howard, Jr. | 62 | Consultant | 1996 |
| Harold E. Hughes, Jr. | 58 | Consultant | 2003 |
| Richard W. Sevcik | 56 | Executive Vice President and General Manager, Xilinx, Inc. | 2000 |
| Elizabeth Vanderslice | 40 | Consultant | 2000 |

**Mr. Roelandts** joined the Company in January 1996 as Chief Executive Officer and a member of the Company's Board of Directors. In April 1996, he was appointed to the additional position of President of the Company and assumed the role of Chairman of the Board of Directors on August 7, 2003 upon the retirement of Bernard V. Vonderschmitt. Prior to joining the Company, Mr. Roelandts served at Hewlett-Packard Company, a computer manufacturer, as Senior Vice President and General Manager of Computer Systems Organizations from August 1992 through January 1996 and as Vice President and General Manager of the Network Systems Group from December 1990 through August 1992. Effective March 26, 2004, Mr. Roelandts became a member of the Board of Directors of Applied Materials, Inc.

**Mr. Doyle** joined the Company's Board of Directors in 1994. Mr. Doyle was formerly employed by Hewlett-Packard Company, where he served as Executive Vice President of Business Development from 1988 through 1991; Executive Vice President, Systems Technology Sector from 1986 to 1988; Executive Vice President, Information Systems and Networks from 1984 to 1986; and Vice President, Research and Development, from 1981 to 1984. Mr. Doyle also served as Co-Chief Executive Officer of Hexcel Corp., a manufacturer of honeycomb, advanced composites, reinforced fabrics and resins, from July 1993 to December 1993. From September 1991 to July 1993, and from December 1993 to the present, Mr. Doyle has been an independent consultant. Mr. Doyle also serves as a director of Analog Devices, Inc., and DURECT Corporation.

**Mr. Fishman** has been President and Chief Executive Officer of Analog Devices, Inc., a semiconductor manufacturer, since November 1996. Mr. Fishman also serves as a director of Analog Devices, Inc. and Cognex Corporation.

**Mr. Gianos** has been a General Partner of InterWest Partners, a venture capital firm focused on information technology and life sciences, since August 1982. Prior to joining InterWest Partners, Mr. Gianos was with IBM Corporation for eight years in engineering management. He managed both chip design and systems integration for several IBM office automation products.

**Dr. Howard** has worked as an independent consultant for various semiconductor and microelectronics companies since December 1990. From October 1987 to December 1990, Dr. Howard was a senior fellow at the National Academy of Engineering conducting studies of technology management. Dr. Howard held various management positions at Motorola, Inc. between 1969 and 1987, most recently as Senior Vice President and Director of Research and Development. Dr. Howard also serves as a director of BEI Electronics, Inc., BEI Technologies, Inc., Credence Systems Corporation, and Ramtron International Corporation.

**Mr. Hughes** has worked as an independent consultant since 2000. Mr. Hughes was employed by Intel Corporation, a semiconductor manufacturer, from 1974 through 1997 where he held several positions including the roles of Chief Financial Officer (1989-1992) and Treasurer (1979-1986). From 1997 to 2000, Mr. Hughes founded and acted as CEO for Pandesic, LLC, a firm providing web-based SAP systems, which was sold to SAP AG. Mr. Hughes also serves as a director of Remec, Inc., Rambus, Inc. and Berkeley Technology, Ltd., formerly known as London Pacific Group.

**Mr. Sevcik** joined the Company in April 1997 as Senior Vice President and General Manager. He was elected to the Board of Directors of the Company in 2000. Mr. Sevcik assumed his current position of Executive Vice President and General Manager in January 2004. Prior to joining the Company, Mr. Sevcik worked at Hewlett-Packard Company for 10 years where, from 1994 through 1996, he served as Group General Manager of its Systems Technology Group and oversaw five divisions involved with product development for servers, workstations, operating systems, microprocessors, networking and security. In 1995, he was named Vice President at Hewlett-Packard.

**Ms. Vanderslice** served as a General Manager of Terra Lycos, Inc., an Internet access and interactive content provider, from July 1999 until July 2001. Prior to joining Terra Lycos, Ms. Vanderslice was a vice president of Wired Digital, Inc., an online services company, beginning in 1995 and served as its president and CEO from 1996 through June 1999 when she led its acquisition by Lycos. Prior to joining Wired Digital, Ms. Vanderslice served as a principal in the investment banking firm Sterling Payot Company and in 1994 became a vice president at H. W. Jesse & Co., a San Francisco investment banking and business strategy-consulting firm spun off from Sterling Payot.

There are no family relationships among the executive officers of the Company or the Board of Directors.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR"
THE ELECTION OF THE DIRECTOR NOMINEES.**

## PROPOSAL TWO

## RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

The Audit Committee has selected Ernst & Young LLP, independent auditors, to audit the consolidated financial statements of the Company for the fiscal year ending April 2, 2005 and recommends that stockholders vote for ratification of such appointment. Although the Company is not required to submit to a vote of the stockholders the ratification of the appointment of Ernst & Young LLP, the Company, the Board and the Audit Committee, as matter of good corporate governance, has determined to ask the stockholders to ratify the appointment. If the appointment of Ernst & Young LLP is not ratified, the Audit Committee will take the vote under advisement in evaluating whether to retain Ernst & Young LLP.

Representatives of Ernst & Young LLP attend meetings of the Audit Committee of the Board of Directors including executive sessions of the Audit Committee at which no members of Xilinx management are present. Ernst & Young LLP has audited the Company's financial statements for each fiscal year since the fiscal year ended March 31, 1984. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting. In addition, they will have an opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions from stockholders.

### Fees Paid to Ernst & Young LLP

The following table shows the fees billed or to be billed for audit and other services provided by Ernst & Young LLP for fiscal years 2004 and 2003.

| | 2004 | 2003 |
|---|---|---|
| Audit Fees | $ 814,000 | $553,000 |
| Audit Related Fees | 97,000 | 34,000 |
| Tax Fees | 141,000 | 45,000 |
| All Other Fees | 21,000 | 54,000 |
| Total | $1,073,000 | $686,000 |

**Audit Fees.** This category includes fees for the audit of the Company's annual financial statements and for the review of the Company's interim financial statements on Form 10-Q. This category also includes advice on any audit and accounting matters that arose during the audit or the review of interim financial statements and statutory audits required by non-U.S. jurisdictions.

**Audit Related Fees.** This category consists of assurance and related services that are reasonably related to the performance of the annual audit or interim financial statement review and are not reported under "Audit Fees." The services for fees disclosed in this category include benefit plan audits, accounting consultations, assurance services related to government grants, due diligence related to an acquisition, and review of internal controls in connection with Sarbanes-Oxley Section 404 implementation.

**Tax Fees.** This category consists of fees for tax compliance, tax planning and tax advice services.

**All Other Fees.** This category consists of fees for other products and services provided by the Independent Auditor including business continuity planning review, tax litigation services, general corporate compliance services and tax matter lobbying.

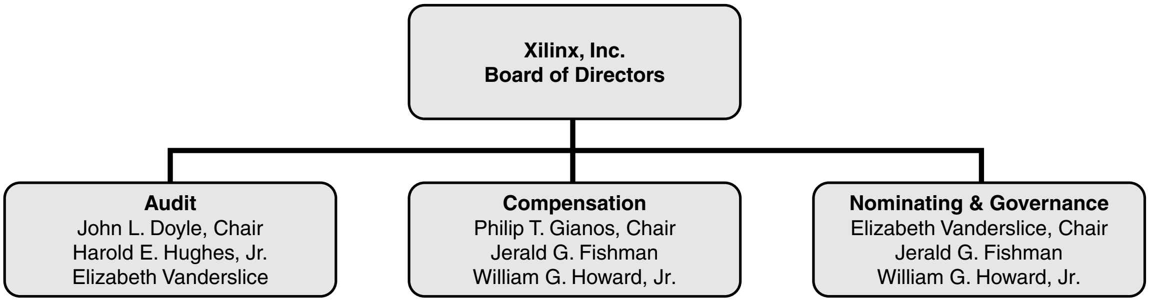
### Audit Committee's Pre-approval Policy and Procedures

During fiscal year 2004, the Audit Committee of our Board of Directors adopted policies and procedures for approval of audit and non-audit services by our independent auditors. The policy of the Audit Committee is to pre-approve any and all services provided to the Company by the external auditors.

In its review of non-audit services, the Audit Committee considers whether the provision of such services is compatible with maintaining Ernst & Young LLP's independence. The Company did not waive its pre-approval policies and procedures during the year ended April 3, 2004.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE RATIFICATION OF ERNST & YOUNG LLP AS THE COMPANY'S INDEPENDENT AUDITORS FOR FISCAL YEAR 2005.**

## BOARD MEETINGS AND COMMITTEES




The Board of Directors of the Company held a total of six (6) meetings during the fiscal year ended April 3, 2004. All directors are expected to attend each meeting of the Board and the committees on which he or she serves, and are also expected to attend the Annual Meeting of Stockholders. All directors attended the 2003 Annual Meeting of Stockholders. No director attended fewer than 75% of the aggregate of all meetings of the Board of Directors or its committees on which such director served during the fiscal year.

The Board of Directors has a standing Audit Committee, Compensation Committee, and Nominating and Governance Committee. Each director serving on these Committees is "independent" in accordance with NASDAQ Stock Market Marketplace Rule 4200(a)(15) and Rule 10A-3 of the Securities Exchange Act of 1934. The Board of Directors and its Committees have authority to engage independent advisors and consultants and have used such services. Each of the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee, is subject to charters approved by the Board, which are posted on the investor relations page of the Company's website at www.investor.xilinx.com.

The Audit Committee, which currently consists of John L. Doyle, Harold E. Hughes, Jr. and Elizabeth Vanderslice, met six (6) times during fiscal year 2004. The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities to the stockholders relating to the Company's financial statements and the financial reporting process, the systems of internal accounting and financial controls, and the audit process. Mr. Hughes joined the Audit Committee on June 12, 2003 to replace Mr. William Howard, Jr. The Board has determined that each Audit Committee member is able to read and understand fundamental financial statements as required by the corporate governance listing standards of NASDAQ. The Audit Committee operates in accordance with a written charter adopted by the Board, which complies with the NASDAQ corporate governance listing standards. The Audit Committee has amended its charter to reflect activities it already performed, including review of related-party transactions. A copy of its amended charter is attached to this Proxy Statement as Appendix A.

In addition to each of the members of the Audit Committee being independent, the Board of Directors has determined that at least one member of the Committee — Harold E. Hughes, Jr. — qualifies as an "audit committee financial expert" as defined by SEC rules. Stockholders should understand that this designation is a disclosure requirement of the SEC related to Mr. Hughes's experience and understanding with respect to certain accounting and auditing matters. The designation does not impose upon Mr. Hughes, any duties, obligations or liability that are greater than are generally imposed on him as a member of the Audit Committee and the Board, and his designation as an audit committee financial expert pursuant to this SEC requirement does not affect the duties, obligations or liability of any other member of the Audit Committee or the Board.

The Compensation Committee, which currently consists of Philip T. Gianos, Jerald G. Fishman and William G. Howard, Jr., met six (6) times during fiscal year 2004. The Compensation Committee has responsibility for establishing the compensation policies of the Company. The Committee determines the compensation of the Company's Board of Directors and its CEO and other executive officers and has exclusive authority to grant options to executive officers under the 1997 Stock Plan. The CEO is not present during the Committee's deliberations and voting on CEO compensation, but may be present during voting and deliberations related to compensation of other executive officers.

The Nominating and Governance Committee, which currently consists of Elizabeth Vanderslice, Jerald G. Fishman and William G. Howard, Jr. met five (5) times during fiscal year 2004. The Nominating and Governance Committee has responsibility for nominating individuals to serve as members of the Board of Directors, and to establish policies affecting corporate governance. The Nominating and Governance Committee, among other things, determines the size and composition of the Company's Board of Directors and nominates directors and executive officers for election. The Board believes in bringing a diversity of cultural backgrounds and viewpoints to the Board and desires that its directors and nominees possess critical skills in the areas of semiconductor design and marketing, manufacturing, systems, software and finance. These factors, and any other qualifications considered useful by the Board, are reviewed in the context of an assessment of the perceived needs of the Board at a particular point in time. As a result, the priorities and emphasis of the Nominating and Governance Committee may change from time to time to take into account changes in business and other trends, and the portfolio of skills and experience of current and prospective Board members. Therefore, while focused on the achievement and the ability of potential candidates to make a positive contribution with respect to such factors, the Nominating and Governance Committee has not established any specific minimum criteria or qualifications that a director or nominee must possess. While not actively seeking to increase its membership at this time, the Board remains apprised of qualified individuals who may be candidates in the future.

The Board does not have term limits, require the resignation of a director upon his or her job change, or have a policy limiting the number of boards on which a director may serve. As necessary and as part of its annual evaluation of current Board members, the Nominating and Governance Committee considers the skills and viewpoints previously mentioned as desirable director qualifications, any job changes, the amount of time each director spends on Xilinx matters and to what extent, if any, other commitments the directors may have outside of Xilinx impact the director's service to Xilinx. In connection with its evaluation of Board composition, the Nominating and Governance Committee also considers rotating directors' positions on the Board Committees.

Consideration of new Board nominee candidates typically involves a series of internal discussions, review of information concerning candidates and interviews with selected candidates. In fiscal year 2004, the Company did not employ a search firm or pay fees to other third parties in connection with seeking or evaluating Board nominee candidates. The Nominating and Governance Committee will consider candidates proposed by stockholders using the same process it uses for a candidate recommended by a member of the Board, an employee, or a search firm, should one be engaged. A stockholder seeking to recommend a prospective nominee for the Committee's consideration should submit the candidate's name and qualifications by mail addressed to the Corporate Secretary, Thomas R. Lavelle, Xilinx, Inc., 2100 Logic Drive, San Jose, CA 95124, sent by email to corporate.secretary@xilinx.com, or faxed to the Corporate Secretary at (408) 377-6137.

## BOARD OF DIRECTORS—PRINCIPLES OF CORPORATE GOVERNANCE

### Overview

The Company and its Board of Directors regularly review and evaluate the Company's corporate governance principles and practices. The Board's governance guidelines, the charters for each of the Board's Committees, and each of the Company's Code of Conduct and the Directors' Code of Ethics are posted on the investor relations page of the Company's website at www.investor.xilinx.com. Printed copies of these documents are also available to stockholders upon written request addressed to Corporate Secretary, Thomas R. Lavelle, Xilinx, Inc., 2100 Logic Drive, San Jose CA 95124 or by email at corporate.secretary@xilinx.com.

### Board Composition and Governance

The Board believes there should be a substantial majority of independent directors on the Board. The Board also believes that it is useful and appropriate to have members of management as directors, including the Chief Executive Officer. With the exception of Mr. Roelandts and Mr. Sevcik, each of the Company's directors qualifies as "independent" in accordance with NASDAQ Stock Market Marketplace Rule 4200(a)(15) and Rule 10A-3 of the Securities Exchange Act of 1934. Independent directors are given an opportunity to meet outside the presence of members of management, and hold such meetings regularly.

All directors are elected annually at the annual stockholder meeting.

The Board has adopted and implemented a self-evaluation process and has made changes in Board meeting procedures based on feedback from the process.

### Lead Independent Director

It is the written policy of the Board of Directors that if the Chairman is also the Chief Executive Officer of the Company, the Board will designate an independent director to serve as Lead Independent Director, who is responsible for coordinating the activities of the independent directors, as well as other duties, including chairing meetings among the independent directors. Upon Mr. Vonderschmitt's retirement from the Board of Directors on August 7, 2003, Mr. Roelandts became the Chairman of the Xilinx Board of Directors. At that time, Jerald G. Fishman assumed the role of Lead Independent Director. The Nominating and Governance Committee of the Board of Directors reviews the position of Lead Independent Director and identifies the director who serves as Lead Independent Director.

### Director Retirement Policy

The Board has adopted a mandatory retirement policy for directors, under which directors may not stand for re-election to the Board after age 75.

### CEO Succession

The Board of Directors has addressed the issue of succession of the Chief Executive Officer, and is committed to regularly reviewing its policy.

### Internal Audit

The Company's Internal Audit function reports to the Audit Committee of the Board and administratively to the Company's Chief Financial Officer.

**Codes of Conduct and Ethics.** The Company has adopted a Code of Conduct applicable to the Company's directors and employees, including the Company's Chief Executive Officer, Chief Financial Officer and its principal accounting personnel. The Code of Conduct includes protections for employees who report violations of the Code of Conduct and other improprieties and includes an anonymous reporting process to provide employees with an additional channel to report any perceived violations. The Board receives notification of violations reported through the anonymous reporting process from the appropriate Committee chairperson.

The Audit Committee has approved the adoption of the Financial Executives International Code of Financial Ethics by the Company's finance employees which supplements the employee Code of Conduct

The Board of Directors has adopted a separate Code of Ethics pertaining particularly to the Board which covers topics including insider trading, conflicts of interests, financial reporting and compliance with other laws.

A waiver of any violation of the Code of Conduct by an executive officer or director and a waiver of any violation of the Directors' Code of Ethics may only be made by the Board or its Nominating and Governance Committee. The Company will post any such waivers on its website under the Corporate Governance page of www.investor.xilinx.com.

**Stockholder Value.** The Board of Directors is cognizant of the interests of the stockholders and accordingly has adopted the following provisions:

- All employee stock plans are submitted to the stockholders for approval prior to adoption;
- The Company has an existing agreement under which there will be no repricing of stock options without obtaining the approval of the stockholders; and
- The Company has an agreement to limit annual dilution under its stock plans for employees to 3% or less.

**Stockholder Communications to the Board.** Stockholders may initiate any communication with the Board of Directors in writing and send them addressed in care of the Company's Corporate Secretary, Thomas R. Lavelle, at Xilinx, Inc., 2100 Logic Drive, San Jose, CA 95124, sent by e-mail to corporate.secretary@xilinx.com, or faxed to the Corporate Secretary at (408) 377-6137. The name of any specific intended recipient, group or committee should be noted in the communication. The Board has instructed the Corporate Secretary to forward such correspondence only to the intended recipients; however, the Board has also instructed the Corporate Secretary, prior to forwarding any correspondence, to review such correspondence and, in his discretion, not to forward certain items if they are deemed of a commercial or frivolous nature or otherwise inappropriate for the Board's consideration. In such cases, and as necessary for follow up at the Board's direction, correspondence may be forwarded elsewhere in the Company for review and possible response. This centralized process will assist the Board in reviewing and responding to stockholder communications in an appropriate manner.

## COMPENSATION OF DIRECTORS

The Company pays its directors $30,000 per year to attend Board meetings. Chairpersons of the Compensation and Nominating and Governance Committees receive an additional $10,000 per year and the Chairperson of the Audit Committee receives an additional $15,000 per year. Members of the Compensation and Nominating and Governance Committees receive an additional $3,000 per year and the members of the Audit Committee receive an additional $5,000 per year. The Lead Independent Director also receives an additional $10,000 per year. All payments are made on a quarterly basis.

The Company's 1997 Stock Plan currently provides for an automatic grant of nonqualified options to non-employee directors of the Company. Each eligible non-employee director is granted an initial option to purchase 36,000 shares of Common Stock on the date of the director's first meeting after becoming a director and an additional option to purchase 12,000 shares of Common Stock on an annual basis thereafter. Director options are granted with an exercise price equal to the fair market value of the Company's Common Stock on the date of grant and currently vest over four years.

Directors who are actively employed as executives by the Company receive no additional compensation for their service as directors. Mr. Roelandts and Mr. Sevcik are the only employee directors of the Company.

Mr. Vonderschmitt served as a consultant to the Company until his retirement as Chairman of the Board of Directors on August 7, 2003. A description of Mr. Vonderschmitt's compensation under a consulting agreement is contained in the discussion captioned "Employment Contracts and Termination of Employment and Change-in-Control Agreements."

## EXECUTIVE COMPENSATION

In addition to the information we are required to disclose by the Rules and Regulations of the SEC, we have voluntarily included additional disclosures in this section with respect to our equity based compensation plans so that the investors can make a more informed decision when deciding how to vote their proxies.

### Summary Compensation Table

The following table sets forth compensation paid for services to the Company in all capacities during the last three fiscal years to (i) the Company's Chief Executive Officer, and (ii) the four other most highly compensated individuals who were serving as executive officers of the Company at the end of the Company's fiscal year ended April 3, 2004 (collectively, the "Named Executive Officers").

| | Annual Compensation | | | Long-Term Compensation Awards(3) | |
|---|---|---|---|---|---|
| **Name and Principal Position** | **Fiscal Year** | **Salary($)** | **Bonus($)(2)** | **Options(#)** | **All Other Compensation ($)(7)** |
| Willem P. Roelandts, | | | | | |
| President, Chief Executive Officer | 2004 | $715,500 | $391,013 | 300,000(4) | $36,146 |
| and Chairman of the Board of | 2003 | $715,500 | $408,902 | 300,000(5) | $ 5,856 |
| Directors | 2002 | $561,966(1) | $ 0 | 303,620(6) | $ 4,557 |
| Kris Chellam, | 2004 | $314,923 | $147,753 | 100,000(4) | $57,285 (9) |
| Senior Vice President, Finance and | 2003 | $345,000 | $169,740 | 100,000(5) | $ 6,245 |
| Chief Financial Officer | 2002 | $265,734(1) | $ 0 | 101,209(6) | $ 3,523 |
| Steven D. Haynes, | 2004 | $315,000 | $123,638 | 100,000(4) | $36,146 |
| Senior Vice President, Worldwide | 2003 | $315,000 | $129,938 | 100,000(5) | $ 5,856 |
| Sales and Services | 2002 | $256,119(1) | $ 0 | 91,790(6) | $ 4,557 |
| Richard W. Sevcik, | 2004 | $465,000 | $222,968 | 150,000(8) | $36,146 |
| Executive Vice President and | 2003 | $465,000 | $228,780 | 150,000(5) | $ 5,856 |
| General Manager | 2002 | $395,831(1) | $ 0 | 151,157(6) | $ 4,557 |
| Sandeep S. Vij, | 2004 | $275,000 | $107,938 | 50,000(4) | $36,135 |
| Vice President, Worldwide Marketing | 2003 | $275,000 | $113,438 | 55,000(5) | $ 6,676 |
| | 2002 | $226,175(1) | $ 0 | 56,407(6) | $ 3,391 |

(1) The Executive Officer had his salary reduced for a portion of the fiscal year as part of the Company's Payroll Reduction Program.

(2) Represents management incentives earned in fiscal years 2004, 2003, and 2002 for achievement of corporate and individual objectives.

(3) The Company has not granted any stock appreciation rights or restricted stock awards and does not have any Long-Term Incentive Plans as that term is defined in regulations promulgated by the SEC.

(4) Represents options granted on April 5, 2004 based on anticipated contributions by the employee.

(5) Represents options granted on April 1, 2003 based on anticipated contributions by the employee.

(6) Represents options granted on November 15, 2001 and April 1, 2002 based on anticipated contributions by the employee.

(7) Includes the market value of shares purchased pursuant to the 1990 Employee Qualified Stock Purchase Plan on the date of such purchase, minus the purchase price of such shares under the Employee Qualified Stock Purchase Plan.

(8) Represents options granted on April 5, 2004 based on anticipated contributions by the employee and options granted on February 18, 2004 for promotion to Executive Vice President.

(9) Includes a distribution of $21,139 in deferred compensation.

**Option Grants in Last Fiscal Year**

The following table shows option grants during the fiscal year ended April 3, 2004 for the Named Executive Officers and the potential realizable value of those options, assuming 5% and 10% annual appreciation, at the end of the ten-year option term.

| | Individual Grants | | | | Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term($)(5) | |
|---|---|---|---|---|---|---|
| Name | Options Granted(#) (1)(2) | % of Total Options Granted to Employees in Fiscal Year(%) | Exercise Price ($)(3) | Expiration Date(4) | 5% | 10% |
| Willem P. Roelandts | 300,000 | 3.1% | $40.11 | 04/05/14 | $7,567,489 | $19,177,503 |
| Kris Chellam | 100,000 | 1.0% | $40.11 | 04/05/14 | $2,522,496 | $ 6,392,501 |
| Steven D. Haynes | 100,000 | 1.0% | $40.11 | 04/05/14 | $2,522,496 | $ 6,392,501 |
| Richard W. Sevcik | 130,000 | | $40.11 | 04/05/14 | $3,279,245 | $ 8,310,251 |
| | 20,000(6) | 1.5% | $41.74 | 02/18/14 | $ 525,001 | $ 1,330,456 |
| Sandeep S. Vij | 50,000 | .5% | $40.11 | 04/05/14 | $1,261,248 | $ 3,196,250 |

(1) These options were granted under the Company's 1997 Stock Option Plan, have a 10-year term, vest over a four-year period of employment and have an exercise price equal to market value on the date of grant.

(2) The number of options represented in this column represents options granted April 5, 2004 based on anticipated contributions by the employee to the Company.

(3) The exercise price may be paid by check, cash or delivery of shares that have been held for a minimum of six months.

(4) Options may terminate before their expiration dates if the optionee's status as an employee, director, or consultant is terminated, upon the optionee's death or upon an acquisition of the Company.

(5) Potential realizable value is based on an assumption that the market price of the stock appreciates at the stated rate, compounded annually from the date of grant until the end of the ten-year option term. These values are calculated based on requirements established by the SEC and do not reflect the Company's estimate of future stock price appreciation.

(6) Represents options granted on February 18, 2004 for promotion to Executive Vice President.

### Aggregated Option Exercises in Last Fiscal Year and Fiscal Year End Options

The following table sets forth, as to the Named Executive Officers, certain information concerning exercise of options during the fiscal year ended April 3, 2004, and the year-end value of unexercised options:

| Name | Shares Acquired on Exercise(#) | Value Realized ($) | Number of Securities Underlying Unexercised Options at Fiscal Year-end(#) | | Value of Unexercised In-the-Money Options at Fiscal Year-end($)(1) | |
|---|---|---|---|---|---|---|
| | | | Exercisable | Unexercisable | Exercisable | Unexercisable |
| Willem P. Roelandts | 1,125,000 | $28,001,514 | 3,513,182 | 441,338 | $84,398,204 | $4,371,582 |
| Kris Chellam | 105,000 | $ 2,928,487 | 637,892 | 143,317 | $13,390,688 | $1,384,550 |
| Steven D. Haynes | 378,618 | $ 9,678,338 | 97,346 | 134,150 | $ 290,065 | $1,358,881 |
| Richard W. Sevcik | 300,000 | $ 6,437,312 | 1,114,117 | 230,400 | $24,357,250 | $2,065,333 |
| Sandeep S. Vij | 154,000 | $ 3,349,965 | 271,382 | 76,025 | $ 4,103,850 | $ 763,457 |

(1) Calculated by determining the difference between the fair market value of the Securities underlying the options at April 2, 2004 ($39.97 per share) and the exercise price of the options.

### Employee and Executive Option Grants For Fiscal Years 2004, 2003 and 2002

Our stock option program is a broad-based, long-term retention program that is intended to attract and retain talented employees and align stockholder and employee interests. All of our employees participate in at least one of our stock option plans. The following table sets forth option grants to employees and Named Executive Officers (as defined below) during the last three fiscal years ended April 3, 2004.

| | 2004 | 2003 | 2002 |
|---|---|---|---|
| Net grants during the year as a % of outstanding shares | 2.8% | 1.4% | 2.6% |
| Grants to Named Executive Officers during the year as a % of total options granted | 7.2% | 8.0% | 8.6% |
| Grants to Named Executive Officers during the year as a % of outstanding shares | 0.2% | 0.1% | 0.2% |
| Cumulative options held by Named Executive Officers as a % of total outstanding options | 11.5% | 13.8% | 14.0% |

The following table sets forth information relating to In-the-Money and Out-of-the-Money Option information for all option grants of the Company outstanding as of the end of fiscal year 2004:

**In-the-Money and Out-of-the-Money Option Information**
**As of the End of Fiscal Year 2004**

| (shares in thousands) | Exercisable Shares | Unexercisable Shares | Total Shares | Weighted Average Exercise Price |
|---|---|---|---|---|
| In-the-Money(1) | 35,888 | 11,397 | 47,285 | $17.70 |
| Out-of-the-Money(1) | 8,160 | 2,678 | 10,838 | $61.60 |
| Total Options Outstanding | 44,048 | 14,075 | 58,123 | $25.84 |

(1) Out-of the-money options are those options with an exercise price equal to or above the closing price of $39.97 per share on April 2, 2004.

### Security Ownership of Certain Beneficial Owners and Management

The following table sets forth the beneficial ownership of Common Stock of the Company as of May 19, 2004, except as noted below, by (i) each stockholder known to the Company to be a beneficial owner of more than 5% of the Company's Common Stock, (ii) each of the Company's directors, (iii) each of the named officers in the Summary Compensation Table and (iv) all directors and executive officers as a group. The Company believes that each of the beneficial owners of the Common Stock listed below, based on information furnished by such beneficial owners, has sole voting power and investment power with respect to such shares, except as otherwise set forth in the footnotes below and subject to applicable community property laws.

| Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership | Percent of Class |
|---|---|---|
| **Greater than 5% Stockholders** | | |
| The TCW Group Inc. | 25,855,253(1) | 7.6% |
| 865 South Figueroa Street | | |
| Los Angeles, CA 90017 | | |
| Capital Research and Management Company | 20,752,000(2) | 6.1% |
| 333 South Hope Street | | |
| Los Angeles, CA 90071 | | |
| FMR Corp | 17,771,092(3) | 5.2% |
| 82 Devonshire Street | | |
| Boston, MA 02109 | | |
| **Directors** | | |
| Willem P. Roelandts | 3,663,412(4) | 1.0% |
| John L. Doyle | 231,052(5) | * |
| Jerald G. Fishman | 59,170(6) | * |
| Philip T. Gianos | 114,744(7) | * |
| William G. Howard, Jr. | 372,045(8) | * |
| Harold E. Hughes, Jr. | 11,250(9) | * |
| Richard W. Sevcik | 1,160,708(10) | * |
| Elizabeth Vanderslice | 46,898(11) | * |

| Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership | Percent of Class |
|---|---|---|
| **Named Executive Officers** | | |
| Kris Chellam | 715,880(12) | * |
| Steven D. Haynes | 145,130(13) | * |
| Sandeep S. Vij | 300,036(14) | * |
| All directors and executive officers as a group (11 persons) | 6,820,325(15) | 2.0% |

* Less than 1%

(1) Based on information contained in an amendment to Schedule 13G, dated as of December 31, 2003, which was filed by this stockholder pursuant to Section 13 of the Securities and Exchange Act of 1934, as amended, on February 13, 2004.

(2) Based on information contained in an amendment to Schedule 13G, dated as of December 31, 2003, which was filed by this stockholder pursuant to Section 13 of the Securities and Exchange Act of 1934, as amended, on February 10, 2004.

(3) Based on information contained in an amendment to Schedule 13G, dated as of December 31, 2003, which was filed by this stockholder pursuant to Section 13 of the Securities and Exchange Act of 1934, as amended, on February 17, 2004.

(4) Includes options to purchase 3,594,987 shares of Common Stock exercisable within 60 days from May 19, 2004. Mr. Roelandts is President, Chief Executive Officer and Chairman of the Board of Directors of the Company in addition to being a director.

(5) Includes options to purchase 228,052 shares of Common Stock exercisable within 60 days from May 19, 2004 and 3,000 shares held by the Doyle Family Trust.

(6) Includes options to purchase 59,170 shares of Common Stock exercisable within 60 days from May 19, 2004.

(7) Includes options to purchase 52,052 shares of Common Stock exercisable within 60 days from May 19, 2004 and 40 shares held by Mr. Gianos's son.

(8) Includes options to purchase 372,045 shares of Common Stock exercisable within 60 days from May 19, 2004.

(9) Includes options to purchase 11,250 shares of Common Stock exercisable within 60 days from May 19, 2004

(10) Includes options to purchase 1,151,234 shares of Common Stock exercisable within 60 days from May 19, 2004.

(11) Includes options to purchase 46,670 shares of Common Stock exercisable within 60 days from May 19, 2004 and 228 shares held in joint ownership.

(12) Includes options to purchase 662,822 shares of Common Stock exercisable within 60 days from May 19, 2004, 40,362 shares of Common Stock held by the Chellam Family Trust, 8,000 shares of Common Stock held by a Family Corporation, 1,025 shares of Common Stock held by Mr. Chellam's immediate family and 1,000 shares of Common Stock held by Mr. Chellam's mother-in-law.

(13) Includes options to purchase 120,296 shares of Common Stock exercisable within 60 days from May 19, 2004, and 24,834 shares held in a joint trust.

(14) Includes options to purchase 284,750 shares of Common Stock exercisable within 60 days from May 19, 2004, and 15,286 shares held in joint trust.

(15) Includes options held by executive officers and directors of the Company to purchase an aggregate of 6,583,328 shares of Common Stock exercisable within 60 days from May 19, 2004.

## EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AND CHANGE-IN-CONTROL ARRANGEMENTS

**Employment Contracts**

On January 11, 1996, the Company entered into a letter agreement with Willem P. Roelandts, its current President, Chief Executive Officer and Chairman of the Board, relating to terms of his employment, his initial level of compensation and payment of certain compensation in the event of his termination from the Company under certain circumstances. The agreement provides for initial base compensation of $41,667 per month, a target bonus equal to 60% of base salary and the grant of options to purchase 3,200,000 shares of Common Stock, exercisable at $7.95 per share and vesting over a five-year period. The letter agreement provides that in the event that Mr. Roelandts voluntarily terminates his employment with the Company or is terminated for cause, he will not be eligible to receive any severance payments. The letter agreement also provides that if Mr. Roelandts is terminated without cause within one year of a change in control of the Company, he would receive two year's base pay, two year's target bonus, two year's medical and dental insurance and full vesting of all previously unvested stock options.

Bernard V. Vonderschmitt performed the role of Chairman of the Board of Directors pursuant to a consulting agreement from the time of his resignation as Chief Executive Officer of the Company on June 1, 1996, until his retirement from the Board of Directors on August 7, 2003. The consulting agreement, which terminated upon Mr. Vonderschmitt's retirement, provided for nominal compensation of $1/year, reimbursement of expenses incurred in the course of his rendering services to the Company, medical and dental insurance for Mr. Vonderschmitt and his spouse, and the continued ability to exercise vested stock options. Upon his retirement from the Board, Mr. Vonderschmitt was given the honorary title of Chairman Emeritus. He may continue to purchase health insurance for himself and his spouse through the Company with all costs passed through to Mr. Vonderschmitt.

On April 10, 1997, the Company entered into a letter agreement with Richard W. Sevcik, its current Executive Vice President, relating to terms of his employment, his initial level of compensation and payment of certain compensation in the event of his termination from the Company under certain circumstances. The agreement provides for a hire-on bonus of $150,000 payable over two years in equal installments, initial base compensation of $29,167 per month, a target bonus equal to 50% of base salary with the first two fiscal year 1998 quarters guaranteed and the grant of options to purchase 1,200,000 shares of Common Stock, exercisable at $11.72 per share and vesting over a four-year period. The letter agreement provides that in the event that Mr. Sevcik voluntarily terminates his employment with the Company or is terminated for cause, he will not be eligible to receive any severance payments. The letter agreement also provides that if Mr. Sevcik is terminated without cause within one year of a change in control of the Company, he would receive one year's base pay, one year's target bonus, one year's medical and dental insurance and one year's vesting of unvested stock options.

On December 3, 1997, the Board of Directors approved a discretionary program enabling it to provide for the acceleration of the vesting by one year of options held by an officer in the event of the voluntary resignation by such officer at or after attaining the age of fifty-five (55) with at least five year's service as an officer of the Company. Such acceleration of the vesting of options is subject to certain restrictions and conditions as determined by the Board of Directors.

**Change in Control Arrangements**

***1997 Stock Plan***

**Merger or Consolidation**

In the event of a merger of the Company with or into another corporation, or the sale of substantially all of the assets of the Company, each outstanding option shall be assumed or an equivalent option or right substituted by the successor corporation or a parent or subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the option the optionee shall fully vest in and have the right to exercise the option as to all of the options including options which would not otherwise be vested or exercisable. If an option becomes fully vested and exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the optionee would be fully vested and would have the right to exercise the option(s) for a period of thirty (30) days. If not exercised within said thirty-day period, the option right would terminate upon the expiration of such period.

**Dissolution or Liquidation**

In the event of the proposed dissolution or liquidation of the Company, the Administrator in its discretion may provide for an optionee to have the right to exercise his or her option until ten (10) days prior to such transaction as to all of the options covered thereby, including shares as to which the options would not otherwise be exercisable. To the extent it has not been previously exercised, an option would terminate immediately prior to the consummation of such proposed action.

**Changes in Capitalization**

Subject to any required action by the stockholders of the Company, the number of shares of Common Stock covered by each outstanding option, and the number of shares of Common Stock which have been authorized for issuance under the 1997 Stock Plan but as to which no options have yet been granted or which have been returned to the Plan upon cancellation or expiration of an option, as well as the price per share of Common Stock covered by each such outstanding option, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock.

## REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. It assists the Board of Directors in fulfilling its oversight responsibilities to the stockholders relating to the Company's financial statements and the financial reporting process, the systems of internal accounting and financial controls, and the audit process. While the Committee sets the overall corporate tone for quality financial reporting, management has the primary responsibility for the preparation, presentation and integrity of the Company's financial statements and implementation of the reporting process including the systems of internal controls and procedures designed to reasonably assure compliance with accounting standards, applicable laws and regulations. In accordance with law, the Audit Committee has ultimate authority and responsibility to select, compensate, evaluate and, when appropriate, replace the Company's independent auditors.

The Company's independent auditors, Ernst & Young LLP, are responsible for expressing an opinion on the conformity of the Company's audited financial statements to generally accepted accounting principles in the United States. In carrying out its responsibilities, the Committee is empowered to investigate any matter with full access to all books, records, facilities and personnel of the Company and has the power to retain outside counsel or other experts for this purpose. The Committee members are not professional accountants or auditors, and their functions are not intended to duplicate or certify the activities of management and the independent auditors.

In fulfilling its oversight responsibilities, the Committee reviewed the audited financial statements in the Annual Report with management including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgements, and the clarity of disclosures in the financial statements. The Committee also discussed with Ernst & Young LLP, matters required to be discussed by Statement on Auditing Standards No. 61, as amended by Statement on Auditing Standards No. 90 (Communications with Audit Committees). In addition, the Committee has received and reviewed the written disclosures and the letter from Ernst & Young LLP, required by the Independent Standards Board Standard No. 1, (Independence Discussions with Audit Committees), and has discussed with them their independence from the Company and its management.

Based on the reviews and discussions referred to above, the Committee recommended to the Board of Directors that the audited financial statements be included in Xilinx's Annual Report on Form 10-K for the fiscal year ended April 3, 2004 for filing with the SEC.

Audit Committee of the Board of Directors
—John L. Doyle, Chairman
—Harold E. Hughes, Jr.
—Elizabeth Vanderslice

The foregoing Audit committee report is not soliciting material, is not deemed filed with the SEC and is not to be incorporated by reference in any filing of Xilinx under the Securities Act of 1933, as amended, referred to as the Securities Act, or under the Exchange Act, whether made before or after the date of this Proxy Statement and irrespective of any general incorporation language in any such filing.

## REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS FOR FISCAL YEAR 2004

### Overview

The Compensation Committee of the Board of Directors establishes the general compensation policies of the Company, determines the specific compensation levels for senior management and administers the bonus programs (Pay for Xilinx Performance ("PXP") and Profit Sharing ("PSP")), the 1990 Employee Qualified Stock Purchase Plan, the 1997 Stock Plan and the Deferred Compensation Plan. The Compensation Committee is comprised of independent, non-employee directors who have no interlocking relationships as defined by the SEC. The Committee regularly consults independent compensation data such as public company proxy statements and the Radford Management Survey in setting executive compensation. The companies whose proxies and other publicly available materials the Committee reviews in the course of setting executive compensation levels satisfy all or some of the following criteria: they are in similar industries as the Company; they are of roughly similar size (as measured by revenues and aggregate market capitalization) as the Company; they have similar growth expectations as the Company; or they are other companies against whom Xilinx competes for talent.

The Company applies a similar philosophy to compensation for all employees, including senior management. This philosophy is based upon the premise that the achievements of the Company result from the coordinated efforts of all individuals' contributions working toward common, defined goals.

Base salaries for the Company's executive officers are reviewed and adjusted on an annual basis. In determining compensation for the Company's executive officers for the 2004 fiscal year, the Committee considered a number of factors. In the case of all executive officers of the Company, determination of base salary was based on a number of criteria, including the individual officer's performance level during the prior year, the officer's base compensation level during the prior year, individual achievements of that officer and base salary paid to officers in comparable positions at companies in Xilinx's industry and of comparable size. Determination of base salary is not made in accordance with a strict formula which measures weighted qualitative and quantitative factors, but rather is based on objective data synthesized to competitive ranges following statistical analysis and subjective policies and practices, including an overall review of the foregoing factors, all of which are considered when making the determination of base salary.

Whether or not bonuses are paid is determined solely by whether or not the Company has achieved corporate financial goals for a given quarter. PXP was implemented for senior management on October 1, 2002. It is the Compensation Committee's opinion that PXP improves the link between Company performance and bonus payments to employees. Under PXP, if bonuses are paid, they are based on pre-set performance against revenue and operating profit goals. With respect to target bonuses for each executive officer, a target percentage was established based on target bonuses of comparable officers at comparable companies. During fiscal year 2004, partial cash bonuses were paid to each executive officer of the Company.

The Committee's determination with respect to stock option grants to executive officers for fiscal year 2004 was based on future anticipated contributions by the individual and corporate performance. Determination of option grant amounts is not made in accordance with a strict formula which measures weighted qualitative and quantitative factors, but rather is based on objective data synthesized to competitive ranges following statistical analysis and subjective policies and practices, including an overall review of both individual and corporate performance and the value of stock option grants of comparable officers at comparable companies.

### Compensation Philosophy

The goals of the compensation program are to align compensation with the individual's and the Company's performance and to enable the Company to attract, retain and reward personnel who contribute to the long-term success of the Company. The Company's compensation program for executive officers is based on the same principles that apply to all Xilinx employees.

**Competitive Levels of Compensation**

The Company is committed to providing a compensation program that helps to attract and retain the people necessary to achieve its objectives. To ensure that this program is competitive, the Company periodically reviews the compensation practices of other companies in similar industries. The Company believes that its compensation levels are near the median of industry compensation levels.

**Compensation Linked to Performance**

Executive officers are rewarded based upon corporate and individual performance. Corporate performance is evaluated by reviewing the extent to which strategic and business plan goals are met, including such factors as revenue growth, operating profit and performance relative to that of competitors. Individual performance is evaluated in the context of progress against established objectives.

**Compensation Determination and Administration Processes**

The Company generally applies its compensation philosophy worldwide, in accordance with local law. The Company believes that all employees should understand the performance evaluation and compensation administration processes and endeavors to make such processes fully comprehensible to them.

**Modes of Compensation**

Approximately once a year, the Company reviews employees' base salaries, taking into consideration each employee's performance and salaries for competitive positions in the labor market.

The Company believes that all employees are responsible for achieving corporate profit objectives. At the beginning of fiscal year 2004, the Company had two worldwide bonus programs: PSP and PXP. These programs provide for a portion of profits to be shared with employees only if the Company achieves pre-stated levels of growth in revenue and an operating income objective. The Company's officers and key employees, including certain of the Named Executive Officers, participate in PXP, while all other employees (with the exception of employees in the Sales Incentive Plan) participate in PSP (provided that they are employed for the entire calendar quarter). Officers and key employees do not participate in PSP.

Effective October 2002, the Company instituted the Pay for Xilinx Performance bonus program. Under PXP, employees who are eligible receive the distribution of a bonus payment on a quarterly basis if certain levels of revenue and operating profit margin are achieved by the Company. For the Executive Officers, the PXP formula also includes a small portion relating to the achievement of certain strategic initiatives. Individual awards are based upon salary, Company performance and level of responsibility.

On April 1, 2000, the Compensation Committee adopted a non-qualified deferred compensation plan. Under the Deferred Compensation Plan, certain key employees and non-employee directors may defer a portion of their salary and bonus. Participants' deferrals earn rates of return based on the performance of the mutual funds selected by the participants.

The Company believes it is important to align employee and stockholder long-term interests by creating a strong and direct link between employee compensation and stockholder return. To this effect, the Company has both a 1988 Stock Option Plan and a 1997 Stock Plan, as well as a 1990 Employee Qualified Stock Purchase Plan.

Under the 1990 Employee Qualified Stock Purchase Plan, employees who meet the required work hours are entitled to purchase shares of Common Stock at 85% of the fair market value of the stock at certain specified dates.

**Compensation of the Chief Executive Officer**

Pursuant to the recommendation of the Compensation Committee, Mr. Roelandts had an annual base salary in the amount of $715,500 for fiscal year 2004. Mr. Roelandts was also eligible for a performance-based bonus targeted at 70% of his annual base salary upon the achievement of certain performance goals set by the Board of Directors. Mr. Roelandts received a bonus during fiscal year 2004, based on the same formula as applicable to other employees. The Committee determined Mr. Roelandts' compensation pursuant to objective data synthesized to competitive ranges following statistical analysis and subjective policies and practices, including assessment of his achievements, and a review of compensation paid to chief executive officers of comparable companies. On April 5, 2004, Mr. Roelandts was granted an additional 300,000 options to purchase common stock of the Company based on his anticipated contributions to the Company. These options were granted under the Company's 1997 Stock Option Plan, have a 10-year term, vest over a four-year period of employment and have an exercise price equal to market value on the date of grant.

Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Tax Code"), places a limit of $1,000,000 on the amount of compensation that the Company may deduct in any one year with respect to each of its CEO and four most highly paid executive officers. Xilinx's stockholder-approved equity plans are qualified so that awards under such plans constitute performance-based compensation not subject to 162(m) of the Tax Code. To maintain flexibility in compensating executive officers in a manner designed to promote varying corporate goals, the Compensation Committee has not adopted a policy that all compensation must be deductible.

Compensation Committee of The Board of Directors
—Philip T. Gianos, Chairman
—William G. Howard, Jr.
—Jerald G. Fishman

## COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

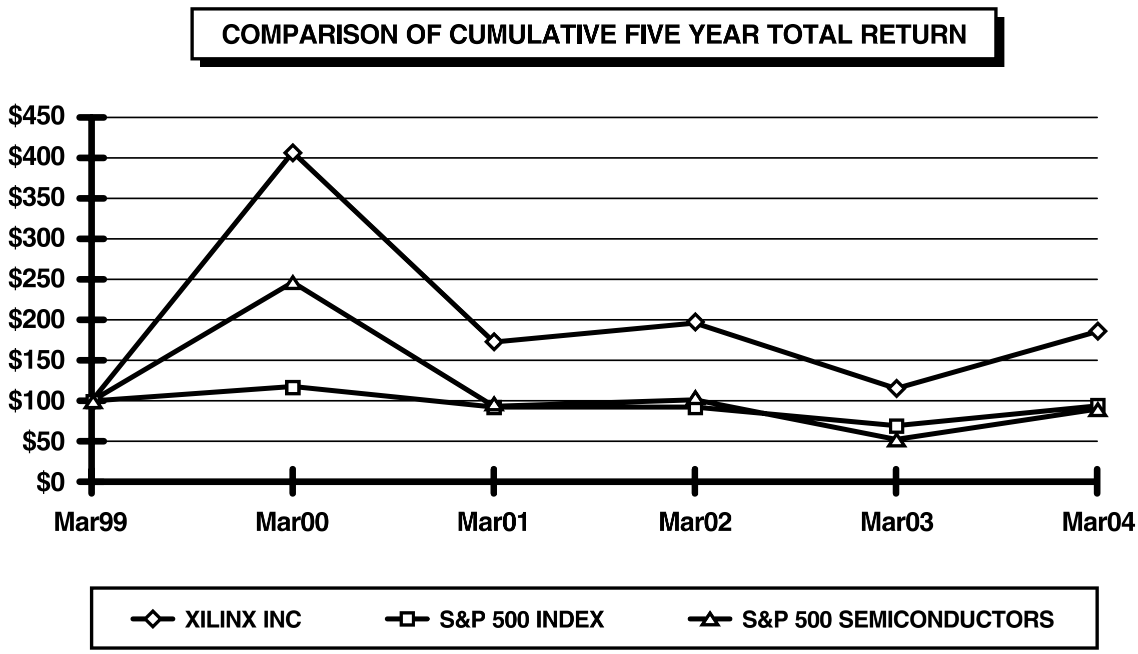
No member of the Compensation Committee is an officer or employee of the Company or any of its subsidiaries. No member of the Compensation Committee is, or was during fiscal 2004, an executive officer of another company whose board of directors has a comparable committee on which one of Xilinx's executive officers serves.

## SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership of such securities with the SEC. Officers, directors and greater than ten-percent beneficial owners are required by applicable regulations to furnish the Company with copies of all Section 16(a) forms they file. The Company is not aware of any beneficial owner of more than ten percent of its Common Stock. To the Company's knowledge, based solely upon a review of the copies of such reports furnished to the Company, and written representations from certain reporting persons that no other reports were required, the Company believes that its officers, directors and greater-than-10% stockholders (if any) complied with all Section 16(a) filing requirements during the 2004 fiscal year.

## COMPANY STOCK PRICE PERFORMANCE

The following chart shows a comparison of cumulative total return for the Company's Common Stock, the Standard & Poor's 500 Stock Index ("S&P 500 Index"), and the Standard & Poor's 500 Semiconductors Index ("S&P 500 Semiconductors"). The total stockholder return assumes $100 invested on March 31, 1999 in Xilinx, Inc. Common Stock, the S&P 500 and the S&P 500 Semiconductors.




| Company/Index | Base Period Mar99 | Mar00 | Mar01 | Mar02 | Mar03 | Mar04 |
|---|---|---|---|---|---|---|
| | | INDEXED RETURNS Years Ended | | | | |
| **XILINX, INC** | **100** | 408.32 | 173.19 | 196.54 | 115.43 | 186.18 |
| **S&P 500 INDEX** | **100** | 117.94 | 92.38 | 92.60 | 69.67 | 94.19 |
| **S&P 500 SEMICONDUCTORS** | **100** | 247.16 | 93.64 | 101.84 | 52.51 | 90.08 |

***NOTE:*** **STOCK PRICE PERFORMANCE AND INDEXED RETURNS FOR OUR COMMON STOCK ARE HISTORICAL AND ARE NOT AN INDICATOR OF FUTURE PRICE PERFORMANCE OR FUTURE INVESTMENT RETURNS**

## OTHER MATTERS

The Company knows of no other matters to be submitted to the meeting. If any other matters properly come before the meeting, it is the intention of the persons named in the enclosed proxy card to vote the shares they represent as the Board of Directors may recommend.

**THE BOARD OF DIRECTORS**

Dated: June 4, 2004

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**APPENDIX A**

**XILINX, INC.**
CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS
(Effective as of June 3, 2004)

This charter governs the operations of the Xilinx, Inc. (the "Company") Audit Committee of the Board of Directors (the "Committee"). The Committee will review and reassess the adequacy of the charter at least annually and obtain the approval of the charter by the Board of Directors.

**1. Purpose.** The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities to the shareholders relating to the Company's financial statements and the financial reporting process, the systems of internal accounting and financial controls and the audit process. Consistent with this function, the Audit Committee provides an open avenue of communication among the independent auditors, financial and senior management, the internal audit department and the Board of Directors. The Committee sets the overall corporate tone for quality financial reporting. The primary responsibility for the Company's financial reporting lies with senior management. In carrying out its responsibilities, the Audit Committee is empowered to investigate any matter with full access to all books, records, facilities and personnel of the Company and has the power to retain outside counsel or other experts for this purpose.

**2. Composition.** The members of the Audit Committee shall be appointed by the Board of Directors. The Chairman of the Committee shall be designated by the Board of Directors. The Committee shall have at least three members, and shall be comprised solely of independent directors, each of whom is able to read and understand fundamental financial statements, including the Company's balance sheet, income statement and cash flow statement. In addition, at least one member of the Committee shall qualify as an "Audit Committee Financial Expert." For purposes of this charter, an "Audit Committee Financial Expert" or an "independent director" is a director who meets the financial expert or independence and experience requirements of the NASDAQ Stock Market, Inc. (NASDAQ) rules.

**3. Meetings.** The Committee shall meet as often as it is necessary to perform its duties, and is scheduled to meet six times a year. The Committee shall report to the Board of Directors on a regular basis on the major events covered by the Committee and shall make such recommendations to the Board as it deems appropriate.

**4. Duties and Responsibilities.** The following shall be the principal recurring processes of the Committee in carrying out its oversight responsibilities. The processes are set forth as a guide with the understanding that the Committee or the Board of Directors may amend them as appropriate.

a. The Committee shall have a clear understanding with management and the independent auditors that the independent auditors are ultimately accountable to the Board of Directors and the Audit Committee, as representatives of the Company's shareholders. The Audit Committee and the Board of Directors shall be directly responsible for the appointment, compensation, and oversight of the work of the independent auditors. The Committee shall review with the auditors their independence from management and the Company and the matters included in the written disclosures required by the Independence Standards Board. The Committee shall discuss with the independent auditors relationships and services that in the view of the Committee may affect auditor objectivity or independence and shall take, or recommend that the full Board take, appropriate action to oversee the independence of the outside auditors. All audit and permissible non-audit services provided by the independent auditors will require the pre-approval of the Committee.

b. The Committee shall review with the internal auditor and independent auditors the overall scope and plans for their respective audits. The Committee will discuss with management, the internal auditor and the independent auditors the adequacy and effectiveness of the accounting and financial controls, including the Company's system to monitor and manage business risk. The Committee will meet separately with the internal auditor and the independent auditors, with and without management present, to discuss the results of their audits.

c. The Committee shall review the Company's interim financial statements with the independent auditors prior to the Company filing its Form 10-Q. The Committee shall review with management and the independent auditors the audited financial statements to be included in the Company's Form 10-K, including their judgment about the quality, not just acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements. The Committee will review with the independent auditors, on completion of the annual audit, their experience, any restrictions on their work, cooperation received, their findings and their recommendations, and any other matters required to be discussed with the independent auditors by SAS 61, as may be modified or supplemented. Based on such review and discussions, the Committee will consider whether it will recommend to the Board of Directors that the financial statements be included in the Annual Report on Form 10-K.

d. The Committee shall review and approve, if appropriate, material changes to the Company's auditing and accounting principles and practices as suggested by the independent auditors, management, or the internal audit department.

e. The Committee shall establish procedures for the receipt, retention and treatment of all complaints received by the Company regarding accounting, internal accounting controls or auditing matters.

f. The Committee shall establish procedures for the receipt, retention and treatment of all confidential, anonymous submissions by employees of the Company relating to concerns regarding questionable accounting or auditing matters.

g. The Committee shall review and approve all related party transactions, as defined by applicable NASDAQ rules, to which the Company is a party.

h. The Committee shall prepare the Committee report required by the rules of the SEC to be included in the Company's annual proxy statement.

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## BOARD OF DIRECTORS

**Willem P. Roelandts**
President, Chief Executive Officer and
Chairman of the Board of Directors
Xilinx, Inc.

**John L. Doyle**
Consultant

**Jerald G. Fishman**
President and Chief Executive Officer
Analog Devices, Inc.

**Philip T. Gianos**
General Partner
InterWest Partners

**William G. Howard, Jr.**
Consultant

**Harold E. Hughes, Jr.**
Consultant

**Richard W. Sevcik**
Executive Vice President and
General Manager
Xilinx, Inc.

**Elizabeth Vanderslice**
Consultant

## CORPORATE OFFICERS

**Willem P. Roelandts**
President, Chief Executive Officer and
Chairman of the Board of Directors

**Sheri Anderson**
Vice President and
Chief Information Officer

**Ivo Bolsens**
Vice President and
Chief Technical Officer

**Kris Chellam**
Senior Vice President, Finance and
Chief Financial Officer

**Steven D. Haynes**
Senior Vice President,
Worldwide Sales and Services

**Erich Goetting**
Vice President and
General Manager

**Thomas R. Lavelle**
Vice President,
General Counsel and Secretary

**Paul McCambridge**
Vice President and
Managing Director
Xilinx, Ireland

**Boon C. Ooi**
Vice President,
Worldwide Operations

**Richard W. Sevcik**
Executive Vice President and
General Manager

**Sandeep S. Vij**
Vice President,
Worldwide Marketing

**Evert A. Wolsheimer**
Vice President,
Quality & Reliability

**Margaret B. Wynn**
Vice President,
Worldwide Human Resources

## CORPORATE INFORMATION

### Independent Auditors

Ernst & Young LLP
San Jose, CA

### Common Stock

Xilinx's Common Stock is listed on the NASDAQ National Market System under the symbol XLNX. As of April 3, 2004, there were approximately 1,231 stockholders of record. Since many holders' shares are listed under their brokerage firms' names, the actual number of stockholders is estimated by the Company to be over 180,000.

### Inquiries Concerning The Company

If you have questions regarding Xilinx's operations, recent results or historical performance, or if you wish to receive an investor package, please contact:

### Investor Relations

www.investor.xilinx.com
Email: ir@xilinx.com
Phone: (800) 836-4002

The toll-free stockholder service number listed above allows stockholders to obtain quarterly and annual financial reports in addition to the Company's latest news releases by voice recording, fax or mail. Copies of the Xilinx Annual Report including the Report on Form 10-K are available to all stockholders without charge.

### Transfer Agent and Registrar

Please send change of address and other correspondence to:
EquiServe Trust Company N.A.
Shareholder Services
PO Box 43023
Providence, RI 02940-3023
Phone: 816-843-4299

### Annual Meeting

The Xilinx annual meeting of stockholders will be held at 11:00 am on August 5, 2004 at Xilinx, Inc., 2050 Logic Drive, San Jose, CA.

### Dividend Information

No cash dividends were paid on our common stock in fiscal 2004. However, in April 2004, our Board of Directors declared the first quarterly common stock dividend of $0.05 per share.

### Twelve Month Closing Stock Price Range

April 2003 to March 2004:
$23.49 - $42.90

Shares Outstanding at Fiscal Year End:
347.0M shares

Average Daily Trading Volume Fiscal 2004: 8.1M shares

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XILINX AROUND THE WORLD

## Corporate Headquarters

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