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:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	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.