NOTE 1. NATURE OF OPERATIONS

Xilinx designs, develops and markets complete programmable logic solutions, including advanced integrated circuits, software design tools, predefined system functions delivered as cores of logic and field engineering support. The wafers used to manufacture the Company's products are obtained from independent wafer manufacturers, located primarily in Japan and Taiwan. The Company is dependent upon these manufacturers 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 services. Xilinx is a global company with manufacturing facilities in the United States and Ireland and sales offices throughout the world. The Company derives more than one-third of its revenues from international sales, primarily in Europe and Japan.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CONCENTRATIONS OF RISK

BASIS OF PRESENTATION. The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries after elimination of all intercompany accounts and transactions. The Company's fiscal year ends on the Saturday nearest March 31. For ease of presentation, March 31 has been utilized as the fiscal year-end for all financial statement captions. Certain amounts from the prior year have been reclassified to conform to the current year presentation. Reclassifications had no effect on previously reported statements of financial position or results of operations.

CASH EQUIVALENTS AND INVESTMENTS. Cash and cash equivalents consist of cash on deposit with banks, tax-advantaged municipal bonds, and investments in money market instruments with insignificant interest rate risk and original maturities at date of acquisition of 90 days or less. Short-term investments consist of tax-advantaged municipal bonds, tax-advantaged auction rate preferred municipal bonds and corporate bonds with maturities greater than 90 days but less than one year from the balance sheet date. Restricted investments consist of US Treasury Securities held as collateral relating to leases for the Company's facilities. See Note 6 of Notes to Consolidated Financial Statements. The Company invests its cash, cash equivalents and short-term investments through various banks and investment banking institutions. This diversification of risk is consistent with Company policy to maintain liquidity and ensure the safety of principal.

Management classifies investments as available-for-sale or held-to-maturity at the time of purchase and re-evaluates such designation as of each balance sheet date, although classification is generally not 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. Securities not classified as held-to-maturity are classified as available-for-sale. Available-for-sale securities are carried at fair value with the unrealized gains or losses, net of tax, included as a separate component of stockholders' equity. Realized gains and losses and declines in value judged to be other-than-temporary on available-for-sale securities are included in other income. The fair values for marketable debt and equity securities are based on quoted market prices. The cost of securities matured or sold is based on the specific identification method.

INVENTORIES. Inventories are stated at the lower of cost (first-in, first-out) or market (estimated net realizable value) and are comprised of the following at March 31, 1998 and 1997:

(In thousands)	1998	1997
Raw materials	$ 5,976	$ 4,952
Work-in-progress	24,845	30,898
Finished goods	24,468	26,517
	$55,289	$62,367

ADVANCES FOR WAFER PURCHASES. In fiscal 1997, the Company signed an agreement with Seiko Epson, a primary wafer supplier. This agreement was amended in fiscal 1998 and now provides for an advance to Seiko Epson of $150.0 million. In conjunction with the agreement, $60.0 million was paid in fiscal 1997 and an additional $90.0 million was paid in fiscal 1998. Repayment of this advance is in the form of wafer deliveries, which began during the fourth quarter of fiscal 1998. Specific wafer pricing is in US dollars and is based upon the prices of similar wafers manufactured by other, specifically identified, leading-edge foundry suppliers. The advance payment provision also provides for interest to be paid to the Company in the form of free wafers.

PROPERTY, PLANT AND EQUIPMENT. Property, plant and equipment are stated at cost. Depreciation for financial reporting purposes is computed using the straight-line method over the estimated useful lives of the assets of three to five years for machinery, equipment, furniture and fixtures and up to thirty years for buildings.

REVENUE RECOGNITION. Net revenues are stated net of discounts and allowances. Revenue from product sales direct to customers and foreign distributors is generally recognized upon shipment. However, the Company defers the recognition of revenue and the related cost of revenue on shipments to domestic distributors that have certain rights of return and price protection privileges on unsold product until the distributor sells the product.

FOREIGN CURRENCY TRANSLATION. The US 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 US dollars, and the resulting gains or losses are included in net income. The functional currency is the local currency for each of the Company's other foreign subsidiaries and the USIC joint venture. Assets and liabilities are translated at month-end exchange rates, and statements of operations are translated at the average exchange rates during the year. Exchange gains or losses arising from translation of foreign currency denominated assets and liabilities are included as a component of stockholders' equity.

DERIVATIVE FINANCIAL INSTRUMENTS. As part of its ongoing asset and liability management activities, the Company periodically enters into certain derivative financial arrangements to reduce financial market risks. These instruments are used to hedge foreign currency, equity and interest rate market exposures of underlying assets and liabilities. The Company does not enter into derivative financial instruments for trading purposes.

The Company periodically enters into currency forward or option contracts to minimize foreign exchange risk relating to the Company's wafer purchases that are denominated in yen. These contracts are accounted for as identifiable hedges against wafer purchases. Realized gains or losses are recognized upon maturity of the contracts and are included in cost of sales. The Company also periodically enters into foreign exchange forward contracts to minimize the impact of future exchange fluctuations in foreign currency firm commitments. A forward foreign exchange contract obligates the Company to exchange predetermined amounts of specified foreign currencies at specified exchange rates on specified dates or to make an equivalent US dollar payment equal to the value of such exchange. These contracts are accounted for as hedges of an identifiable foreign currency commitment. Realized gains or losses are recognized upon maturity of the contracts and offset the underlying asset or liability.

The Company has entered into an interest rate swap agreement in order to mitigate the interest rate risks whereby the long-term debt fixed interest rate liability is matched against the Company's short-term variable interest rate assets. The liability interest rate swap agreement involves the exchange of fixed interest rate payments for variable interest rate payments over the life of the agreement without an exchange of the notional amount. The differential to be paid or received as the variable interest rate changes is accrued and recognized as interest expense. The related amounts payable or receivable from the third party is included in other liabilities or assets. The fair value of the swap agreement and changes in the fair value as a result of changes in market interest rates are not material. See Note 5 of Notes to Consolidated Financial Statements.

EMPLOYEE STOCK PLANS. The Company accounts for its stock option and employee stock purchase plans in accordance with provisions of the Accounting Principles Board's Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees." In addition the Company discloses pro forma information related to its stock plans according to Financial Accounting Standards Board's Statement No. 123, "Accounting for Stock-Based Compensation" (FASB 123). See Note 8 of Notes to Consolidated Financial Statements.

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

NEW ACCOUNTING PRONOUNCEMENTS. In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130 (FASB 130), "Reporting Comprehensive Income." FASB 130 establishes standards for the reporting and disclosure of comprehensive income and its components in a full set of general-purpose financial statements. Comprehensive income is defined as the change in equity (net assets) during the period from non-owner sources. The Company is required to adopt FASB 130 in fiscal 1999. Reclassification of financial statements for earlier periods provided for comparative purposes is required. The adoption of FASB 130 will have no impact on the Company's consolidated results of operations, financial position or cash flows.

Also in June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131 (FASB 131), "Disclosures about Segments of an Enterprise and Related Information." FASB 131 revises previous standards related to the way public companies report information about operating segments in annual financial statements and requires that those companies report selected information about operating segments in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. The Company is required to adopt FASB 131 in fiscal 1999. The adoption of FASB 131 will have no impact on the Company's consolidated results of operations, financial position or cash flows.

CONCENTRATIONS OF CREDIT RISK. The Company attempts to mitigate the concentration of credit risk in its trade receivables with respect to the high-technology industry with the Company's credit evaluation process, relatively short collection terms, distributor agreements, sales among various end-user applications throughout the high-technology market and the geographical dispersion of sales. The Company generally does not require collateral. Bad debt write-offs have been insignificant for all years presented.

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

NOTE 3. ACQUISITION

In April 1995, the Company acquired NeoCAD, Inc. (NeoCAD), a private company engaged in the design, development and sale of FPGA software design tools for programmable electronic technologies, for $35.0 million in cash. The transaction was treated as a purchase for accounting purposes; accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values. NeoCAD's financial results from the date of acquisition are included in the Company's consolidated financial results. The excess of the purchase price over the fair values of liabilities assumed, net of tangible assets acquired, was allocated to in-process technology ($19.4 million), the assembled workforce ($0.7 million), and developed technology ($15.7 million). The amount of in-process technology was written-off as a non-recurring item during fiscal 1996. The assembled workforce asset was amortized over two years and was completed in fiscal year 1997. The developed technology asset is being amortized over six years, $2.6 million of which was recorded as amortization in fiscal 1998, for cumulative amortization to date of $7.8 million.

NOTE 4. JOINT VENTURE

The Company, United Microelectronics Corporation (UMC) and other parties have entered into a joint venture to construct a wafer fabrication facility in Taiwan, known as United Silicon Inc. (USIC). The Company invested an additional $67.4 million in USIC during fiscal 1998 to bring the total cumulative investment to $101.7 million. The Company currently holds a 25% equity ownership and the right to receive 31.25% of the wafer capacity from this facility. UMC has committed to and is supplying the Company with wafers manufactured in an existing facility until capacity is available in the USIC facility. The Company is accounting for this investment using the equity method. To date, USIC's net income has resulted primarily from favorable foreign currency exchange gains as well as interest earned on its investment portfolio. Through the second quarter of fiscal 1998, equity income was immaterial and remained classified in "Interest income and other." See further discussion in Note 6 of Notes to Consolidated Financial Statements.

NOTE 5. FINANCIAL INSTRUMENTS

CASH AND INVESTMENTS. The following is a summary of available-for-sale securities:

	MARCH 31, 1998				MARCH 31,1997			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Money market funds	$ 13,614	$ ---	$ ---	$ 13,614	$ 23,864	$ ---	$ ---	$ 23,864
Auction rate preferred	30,292	12	(2)	30,302	17,297	5	(1)	17,301
Municipal bonds	296,509	189	(29)	296,669	378,848	165	(31)	378,982
	$340,415	$201	$(31)	$340,585	$420,009	$170	$(32)	$420,147
Included in short-term investments				$195,326				$209,944
Included in cash and cash equivalents				145,259				210,203
				$340,585				$420,147

All investments classified as "available-for-sale securities" have maturities due in one year or less. Realized gains or losses from sales of available-for-sale securities were immaterial for all periods presented.

Held-to-maturity securities of $36.3 million at March 31, 1998 and March 31, 1997, represent investments in US Treasury Securities for which amortized cost approximates estimated fair value. Held-to-maturity securities relate to certain collateral requirements for lease agreements associated with the Company's corporate facilities and have maturities due in one year or less. See Note 6 of Notes to Consolidated Financial Statements.

DERIVATIVES. In fiscal 1997, the Company entered into foreign exchange forward contracts to minimize the impact of future exchange fluctuations on the US dollar cost of investing in the USIC joint venture. The contracts required the Company to exchange US dollars for New Taiwan dollars and matured within one year. The contracts were accounted for as a hedge of an identifiable foreign currency commitment. Realized losses, which were immaterial, were recognized upon maturity of the contracts in fiscal 1998 and included in the USIC joint venture investment.

The Company has entered into an interest rate swap agreement with a third party in order to reduce risk related to movements in interest rates. Under the agreement, which was effective starting in May 1996 and terminates in November 1998, the Company effectively converted the fixed rate interest payments related to $125 million of the Company's convertible long-term debt to variable rate interest payments without the exchange of the underlying principal amounts. The Company receives fixed interest rate payments (equal to 5.935%) from the third party and is obligated to make variable rate payments (equal to the three month Libor rate) to the third party during the term of the agreement. The fair value of the interest rate swap is immaterial based on market exchange rates.

At March 31, 1998, no commitments under foreign currency forward or option contracts were outstanding.

LONG-TERM DEBT AND LINES OF CREDIT. In November 1995, the Company completed a private placement of $250 million aggregate principal convertible subordinated notes under Rule 144A of the Securities Act of 1933. The notes, which mature in 2002, are convertible at the option of the note holders into the Company's common stock at a conversion price of $51 per share, subject to adjustment upon the occurrence of certain events. The conversion price represented a 24.77% premium over the closing price of the Company's stock on November 7, 1995. Interest is payable semi-annually at 5.25% per annum. As of November 4, 1997, the notes are redeemable at the option of the Company at an initial redemption price of 103.75% of the principal amount. However, prior to November 3, 1998, the notes are not redeemable unless the closing price of the Company's common stock has exceeded $71.40 (40% premium over the conversion price) per share for twenty trading days within a period of thirty consecutive trading days. Redemption prices as a percentage of the principal amount are 103%, 102.25%, 101.50% and 100.75% in the years beginning November 1, 1998, November 1, 1999, November 1, 2000 and November 1, 2001, respectively. Debt issuance costs of $6.1 million incurred in conjunction with issuance of the convertible subordinated notes are being amortized over the seven-year life of the notes. In 1998, the Company recorded debt issuance cost amortization of $0.9 million. At March 31, 1998, the fair value of the convertible subordinated notes was approximately $255 million based on quoted market prices. The Company has reserved 4,901,961 shares of common stock for the conversion of these notes.

The Company has $40 million available under a syndicated bank revolving credit line agreement, which expires in March 2001. Under this agreement, borrowings bear interest at the prime rate or 0.625% over the Libor rate. Additionally, the Company's Ireland manufacturing facility has an additional $6.2 million available under a multicurrency credit line, which expires in November 1999. Under this agreement, borrowings bear interest at the bank's prime rate. At March 31, 1998, no borrowings were outstanding under any credit lines. The Company is in full compliance with the agreement's required covenants and financial ratios. The agreements prohibit the payment of cash dividends without prior bank approval.

NOTE 6. COMMITMENTS

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

Years ended March 31,	(In thousands)
1999	$4,150
2000	3,268
2001	332
2002	188
2003	118
Thereafter	655
	$8,711

Rent expense was approximately $4.5 million for the years ended March 31, 1998 and 1997 and approximately $4.3 million for the year ended March 31, 1996.

The Company has entered into lease agreements relating to certain corporate facilities which would allow the Company to purchase the facilities on or before the end of the lease term in December 1999. If at the end of the lease term the Company does not purchase the property under lease or arrange a third party purchase, then the Company would be obligated to the lessor for a guarantee payment equal to a specified percentage of the Company's purchase price for the property. The Company would also be obligated to the lessor for all or some portion of this amount if the price paid by the third party is below a specified percentage of the Company's purchase price. The Company is also required to comply with certain covenants and maintain certain financial ratios. As of March 31, 1998, the total amount related to the leased facilities for which the Company is contingently liable is $39.8 million. Under the terms of the agreements, the Company is required to maintain collateral (restricted investments) of approximately $36 million during the lease term.

During fiscal 1998, the Company entered into an agreement for a facility to be built on property adjacent to the Company's corporate facilities. Building construction is expected to be completed in fiscal 1999. Upon signing the lease agreement, the Company paid the lessor $31.3 million for prepaid rent and an option to purchase the facility. The rent prepayment covers one year and was discounted to its present value. Additionally, the Company can exercise the lease agreement's purchase option between the sixth and twelfth month following the commencement date of the lease term. If the Company elects to exercise the option, the prepaid purchase option will be considered payment in full. However, if the Company decides not to exercise the purchase option, the prepaid option will be returned without interest at the end of the first year of the lease.

Under the terms of the agreement entered into between the Company and USIC, the Company may be required to make a third equity installment of up to an additional $30 million in the USIC joint venture, if warranted based on the capital and operational requirements of the joint venture.

NOTE 7. NET INCOME PER SHARE

During the quarter ended December 27, 1997, the Company adopted the Financial Accounting Standards Board's Statement No. 128 (FASB 128), "Earnings per Share." The new standard required the Company to change the method used to compute net income per share and to restate all prior periods. The new requirement includes a calculation of "basic" net income per share, which excludes the dilutive effect of stock options. Basic net income per share is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. In computing diluted net income per share, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options. Diluted earnings per share is computed using the weighted average common and dilutive common equivalent shares outstanding, plus other dilutive shares which are not common equivalent shares.

The computation of basic net income per share for all years presented is derived from the information on the face of the income statement, and there are no reconciling items in either the numerator or denominator. Additionally, there are no reconciling items in the numerator used to compute diluted net income per share. The total shares used in the denominator of the diluted net income per share calculation includes 6,269,000, 6,859,000 and 7,863,000 incremental common shares attributable to outstanding options for fiscal years 1998, 1997 and 1996, respectively.

The shares issuable upon conversion of long-term debt to equity, approximately 4.9 million shares, were not included in the calculation of diluted net income per share as their inclusion would have had an anti-dilutive effect for all periods presented. In addition, outstanding options to purchase approximately 1.9 million, 1.0 million and 0.6 million shares, for the fiscal years 1998, 1997 and 1996, respectively, under the Company's Stock Option Plan were not included in the treasury stock calculation to derive diluted income per share as their inclusion would have had an anti-dilutive effect.

NOTE 8. STOCKHOLDERS' EQUITY

The Company's Certificate of Incorporation provides for 300 million shares of common stock and 2 million shares of undesignated preferred stock.

TREASURY STOCK. The Company authorized a stock buyback program in September 1996 whereby up to 2 million shares of the Company's common stock were purchased in the open market from time to time as market and business conditions warranted. This program was completed in November 1997. In December 1997 an additional program was authorized to buyback up to an additional 2 million shares. The Company has reissued treasury shares repurchased in response to Employee Stock Option exercises and Employee Qualified Stock Purchase Plan requirements. During fiscal 1998 and 1997, the Company repurchased a total of 2,330,000 and 877,500 shares of common stock for $93.8 million and $32.0 million, respectively. In fiscal 1998 and 1997, 921,000 and 837,000 shares were reissued, respectively. As a result, the Company was holding 1,449,500 treasury stock shares at March 31, 1998.

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

EMPLOYEE STOCK OPTION PLAN. Under existing stock option plans (Option Plan), options reserved for future issuance to employees and directors of the Company total 18,410,000 shares. Options to purchase shares of the Company's common stock under the Option Plan are granted at 100% of the fair market value of the stock on the date of grant. Options granted to date expire ten years from date of grant and vest at varying rates over four or five years.

A summary of the Company's Option Plan activity, and related information, follows:

Years ended March 31,	1998		1997		1996	
	Shares (000)	Weighted Average Exercise Price	Shares (000)	Weighted Average Exercise Price	Shares (000)	Weighted Average Exercise Price
Outstanding at beginning of year	13,708	$20.54	13,888	$16.78	11,452	$10.81
Granted	2,979	47.82	2,597	33.52	3,971	30.95
Exercised	(1,540)	10.73	(1,752)	10.58	(1,169)	6.22
Forfeited	(622)	31.76	(1,025)	19.49	(366)	17.18
Outstanding at end of year	14,525	$26.70	13,708	$20.54	13,888	$16.78
Shares available for grant	3,885		2,992		1,264	

The following table summarizes information relating to options outstanding and exercisable under the Option Plan at March 31, 1998:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
Range of Exercise Prices	Options Outstanding (000)	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Options Exercisable (000)	Weighted Average Exercise Price
$ 0.12-$12.96	2,025	3.93	$ 6.86	1,949	$ 6.66
$12.96-$15.58	2,361	5.62	13.23	1,785	13.25
$15.58-$22.88	2,707	6.70	18.92	1,371	18.71
$23.33-$33.63	3,107	7.87	31.19	1,069	30.62
$33.75-$56.88	4,325	8.83	44.98	943	43.72
$ 0.12-$56.88	14,525	7.02	$26.70	7,117	$19.14

At March 31, 1997, 5.7 million options were exercisable.

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. Under this plan, 361,359 and 535,360 shares were issued during 1998 and 1997, respectively, and 815,331 shares were available for issuance at March 31, 1998.

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

Pro forma information regarding net income and earnings per share is required by FASB 123 and has been determined as if the Company had accounted for awards to employees under the fair value method of FASB 123. The fair value of stock options and stock purchase plan rights under the Option Plan and Stock Purchase Plan was estimated as of the grant date using the Black-Scholes option pricing model. The Black-Scholes model was originally developed for use in estimating the fair value of traded options and requires the input of highly subjective assumptions including expected stock price volatility. 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. The fair value of stock options and stock purchase plan rights granted in fiscal years 1998, 1997 and 1996 was estimated at the date of grant assuming no expected dividends and the following weighted average assumptions.

	STOCK OPTIONS			**STOCK PURCHASE PLAN RIGHTS**		
Years ended March 31,	1998	1997	1996	1998	1997	1996
Expected Life (years)	3	4	4	.5	.5	.5
Expected Stock Price Volatility	.62	.56	.56	.65	.56	.68
Risk-Free Interest Rate	6.0%	6.3%	6.0%	5.5%	5.4%	5.6%

For purposes of pro forma disclosures, the estimated fair value of stock-based awards is amortized against pro forma net income over the stock-based awards' vesting period. Because FASB 123 is applicable only to the Company's awards granted subsequent to March 31, 1995, its pro forma effect will not be fully reflected until approximately fiscal 2000. Had the Company accounted for stock-based awards to employees under FASB 123, the Company's net income would have been $95.6 million, $87.4 million and $86.2 million in 1998, 1997 and 1996, respectively. Basic net income per share would have been $1.30, $1.20 and $1.21 in 1998, 1997 and 1996, respectively, while diluted net income per share would have been $1.25, $1.12 and $1.10, respectively.

Calculated under FASB 123, the weighted-average fair value of the stock options granted during 1998, 1997 and 1996 was $21.38, $15.91 and $14.41 per share, respectively. The weighted-average fair value of stock purchase rights granted under the Stock Purchase Plan during 1998, 1997, and 1996 were $14.50, $14.47 and $16.68 per share, respectively.

NOTE 9. INCOME TAXES

The provision for taxes on income consists of:

(In thousands)	YEARS ENDED MARCH 31, 1998	1997	1996
Federal:			
Current	$45,808	$40,901	$64,917
Deferred	(3,880)	(200)	(7,004)
	41,928	40,701	57,913
State:			
Current	9,285	12,073	10,343
Deferred	(311)	(1,483)	(363)
	8,974	10,590	9,980
Foreign:			
Current	5,826	4,091	1,555
Total	$56,728	$55,382	$69,448

The tax benefits associated with the disqualifying dispositions of stock options or employee stock purchase plan shares reduce taxes currently payable by $16.1 million, $16.7 million, and $7.9 million for 1998, 1997, and 1996, respectively. Such benefits are credited to additional paid-in capital when realized. Pretax income from foreign operations was $55.5 million, $36.1 million and $11.5 million for fiscal years 1998, 1997 and 1996, respectively. Unremitted foreign earnings that are considered to be permanently invested outside the United States and on which no deferred taxes have been provided, accumulated to approximately $32.9 million as of March 31, 1998. The residual US tax liability, if such amounts were remitted, would be approximately $8.2 million.

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

(In thousands)	YEARS ENDED MARCH 31, 1998	1997	1996
Income before provision for taxes	$180,596	$165,758	$170,902
Federal statutory tax rate	35%	35%	35%
Computed expected tax	$ 63,209	$ 58,016	$ 59,816
State taxes net of federal benefit	5,833	6,884	6,487
Tax exempt interest	(4,003)	(3,278)	(2,552)
Write-off of NeoCAD in-process technology	--	--	7,069
Foreign earnings at lower tax rates	(4,586)	(2,478)	(1,057)
Research and development tax credit	(3,007)	(2,522)	--
Other	(718)	(1,240)	(315)
Provision for taxes on income	$ 56,728	$ 55,382	$ 69,448

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

(In thousands)	YEARS ENDED MARCH 31, 1998	1997	1996
Deferred tax assets:			
Inventory valuation differences	$ 7,846	$12,471	$ 3,887
Deferred income on shipments to distributors	23,431	15,808	15,917
Nondeductible accrued expenses	6,904	7,568	7,778
Other	326	3,156	2,773
Total	38,507	39,003	30,355
Deferred tax liabilities:			
Depreciation and amortization	763	(4,026)	(3,082)
Unremitted foreign earnings	(16,032)	(7,601)	(1,876)
Other	(137)	(716)	(264)
Total net deferred tax assets	$23,101	$26,660	$25,133

NOTE 10. INDUSTRY AND GEOGRAPHIC INFORMATION

The Company operates in one single industry segment comprising the design, development and marketing of programmable logic semiconductor devices and the related software design tools.

Geographic information for fiscal years 1998, 1997 and 1996 is presented in the tables below. Intercompany activity has been eliminated from amounts shown.

	1998			1997			1996		
(In thousands)	Net Revenues	Income Before Taxes	Identifiable Assets	Net Revenues	Income Before Taxes	Identifiable Assets	Net Revenues	Income Before Taxes	Identifiable Assets
United States	$449,053	$109,182	$833,701	$432,009	$115,800	$779,626	$482,615	$157,872	$650,979
Europe	164,540	71,052	106,543	136,134	49,680	66,893	78,187	12,854	68,861
Other	--	362	994	--	278	1,174	--	176	1,040
	$613,593	$180,596	$941,238	$568,143	$165,758	$847,693	$560,802	$170,902	$720,880

Export revenues consisting of sales from the US to non-affiliated customers in certain geographic areas were as follows:

	YEARS ENDED MARCH 31,		
(In thousands)	1998	1997	1996
US exports to Europe	$41,961	$40,804	$ 70,124
US exports to Japan	26,137	26,496	50,957
US exports to Southeast Asia/Rest of World	15,013	10,676	18,288
	$83,111	$77,976	$139,369

No single end customer accounted for more than 5% of revenues in 1998 or 1997 or 6% of revenues in 1996. Approximately 14%, 15% and 13% of net product revenues were made through the Company's largest domestic distributor in 1998, 1997 and 1996, respectively. A second domestic distributor accounted for approximately 11% of net product revenues in fiscal 1998 and a third distributor accounted for approximately 10% of net product revenues in 1996.

NOTE 11. LITIGATION

On June 7, 1993, the Company filed suit against Altera Corporation (Altera) in the United States District Court for the Northern District of California for infringement of certain of the Company's patents. Subsequently, Altera filed suit against the Company alleging that certain of the Company's products infringe certain Altera patents. Fact and expert discovery have been completed in both cases, which have been consolidated. In October 1997, the Court held a hearing with respect to construction of the claims of the various patents in suit.

On April 20, 1995, Altera filed an additional suit against the Company in Federal District Court in Delaware alleging that the Company's XC5200 family infringes an Altera patent. The Company answered the Delaware suit denying that the XC5200 family infringes the patent in suit, asserting certain affirmative defenses and counterclaiming that the Altera Max 9000 family infringes certain of the Company's patents. The Delaware suit was transferred to the United States District Court for the Northern District of California. Discovery has not begun.

The ultimate outcome of these matters cannot be determined at this time. Management believes that it has meritorious defenses to such claims and is defending them vigorously, and has not recorded a provision for the ultimate outcome of these matters in its financial statements. The foregoing is a forward looking statement subject to risks and uncertainties, and the future outcome could differ materially due to the uncertain nature of the litigation with Altera and because the lawsuits are still in the pre-trial stage.

In addition, in the normal course of business, the Company receives and makes inquiries with regard to possible patent infringement. Where deemed advisable, the Company may seek or extend licenses or negotiate settlements. Outcomes of such negotiations may not be determinable at any point in time; however, management does not believe that such licenses or settlements will, individually or in the aggregate, have a material adverse effect on the Company's financial position or results of operations.

NOTE 12. WRITE-OFF OF DISCONTINUED PRODUCT FAMILY

During fiscal 1997, the Company discontinued the XC8100 family of one-time programmable antifuse devices. As a result, the Company recorded a pretax charge against earnings of $5 million. This charge primarily related to the write-off of inventory and for termination charges related to purchase commitments to foundry partners for work-in-process wafers which had not completed the manufacturing process.

AUDITORS' REPORT

THE BOARD OF DIRECTORS AND STOCKHOLDERS
XILINX, INC.

We have audited the accompanying consolidated balance sheets of Xilinx, Inc. as of March 31, 1998 and 1997, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended March 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Xilinx, Inc. at March 31, 1998 and 1997, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 1998, in conformity with generally accepted accounting principles.

Ernst + Young LLP

San Jose, California
April 22, 1998