

Notes to Consolidated Financial Statement

Note 1. Nature of Operations

Xilinx designs, develops and markets programmable logic semiconductor devices and related development system software. The Company's product lines include field programmable gate arrays and complex programmable logic devices. The wafers used to manufacture the Company's products are obtained from independent wafer manufacturers, located primarily in Japan. 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 Asia Pacific, 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's products are sold to customers in the data processing, telecommunications, networking, industrial control, instrumentation and military markets. 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 Risks

Basis of presentation The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries after elimination of all significant 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. Fiscal years 1996, 1995 and 1994 each consisted of 52 weeks.

Cash equivalents and investments Cash and cash equivalents consists 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 and corporate bonds with maturities greater than 90 days but less than one year. Restricted investments consist of U.S. Treasury Securities held as collateral relating to leases for the Company's facilities. See Note 6 of Notes to Consolidated Financial Statements. The Company maintains its cash, cash equivalents and short-term investments in several financial instruments with 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. 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, 1996 and 1995:

(in thousands)	1996	1995
Raw materials	\$05,886	\$02,098
Work-in-process	21,927	16,990
Finished goods	11,425	6,498
	\$39,238	\$25,586

Advances for wafer purchases During fiscal 1995, the Company advanced \$42 million to a primary wafer supplier. Payment of this amount is in the form of wafer deliveries and is expected to be completed during fiscal 1997. Through

Repayment of this amount is in the form of wafer deliveries and is expected to be completed during fiscal 1997. Through March 31, 1996, the Company has received \$33 million in wafers against this advance.

Property, Plant and Equipment Property, plant and equipment are stated at cost. Depreciation is computed for financial reporting purposes 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. Assets under capital leases are amortized using the straight-line method over the shorter of the lease term or estimated economic life. Depreciation and amortization for income tax purposes is computed using accelerated methods.

Deferred income on shipments to distributors Certain of the Company's sales are made to domestic distributors under agreements allowing for price protection and limited right of return on merchandise unsold by these distributors. Because of the uncertainty associated with future pricing concessions and returns, the Company defers recognition of revenues and related cost of revenues until the merchandise is sold by domestic distributors.

Foreign currency translation The U.S. dollar is the functional currency for the Company's Irish subsidiary. Assets and liabilities that are not denominated in the functional currency are translated into U.S. 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. Translation adjustments, resulting from the process of translating foreign currency financial statements into U.S. dollars, have not been material and therefore are not disclosed as a separate component of stockholders' equity.

Derivative financial instruments As part of its ongoing asset and liability management activities, the Company enters into certain derivative financial arrangements to reduce financial market risks. The Company does not enter into derivative financial instruments for trading purposes. See Note 5 of Notes to Consolidated Financial Statements.

Long Lived Assets In 1995, the Financial Accounting Standards Board released the Statement of Financial Accounting Standard No. 121 (SFAS 121), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." SFAS 121 requires recognition of impairment of long-lived assets in the event the net book value of such assets exceeds the future undiscounted cash flows attributable to such assets. SFAS 121 is effective for fiscal years beginning after December 15, 1995. Adoption of SFAS 121 is not expected to have a material impact on the Company's financial position or results of operations.

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 1995, the Financial Accounting Standards Board released the Statement of Financial Accounting Standard No. 123 (SFAS 123), "Accounting for Stock Based Compensation." SFAS 123 provides an alternative to APB 25 and is effective for fiscal years beginning after December 15, 1995. The Company expects to continue to account for its employee stock plans in accordance with the provisions of APB 25. Accordingly, SFAS 123 is not expected to have a material impact on the Company's financial position or results of operations.

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 revenues and expenses during the reporting period. Such estimates relate to the useful lives of fixed assets and intangible assets, allowances for doubtful accounts and customer returns, inventory reserves, potential reserves relating to litigation matters and other reserves. Actual results may differ from those estimates, and such differences may be material to the financial statements.

Net income per share Net income per common and common equivalent share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the period. Dilutive common equivalent shares consist of stock options (using the treasury stock method). Fully 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 effect of the convertible subordinated notes was antidilutive in the calculation of fully diluted earnings per share for the periods presented.

Concentrations of credit risk The Company believes that the concentration of credit risk in its trade receivables with respect to the high-technology industry is substantially mitigated by the Company's credit evaluation process, relatively short collection terms, distributor agreements, 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 and conditions specific to the semiconductor industry, decreases in average selling prices over the life of a particular product, the timely receipt of wafers with competitive performance and cost attributes, the ability to locate and qualify additional wafer suppliers and subcontractors, the timing of new product introductions, the timely implementation of new manufacturing technologies, the ability to safeguard patents and intellectual property in a rapidly evolving market, and rapid escalation of demand for some products in the face of equally steep decline in demand for others. As a result, the Company may experience substantial period-to-period fluctuations in future operating results due to the factors mentioned above or other factors.

Note 3. Acquisition

On April 10, 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 million in cash. The transaction was treated as a purchase for accounting purposes; accordingly, the purchase price has been allocated to the assets acquired and liabilities assumed based on their estimated fair values. 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), developed technology (\$15.7 million) and the assembled workforce (\$0.7 million). The amount of in-process technology was written-off as a non-recurring item during the first quarter of fiscal 1996. The developed technology and assembled workforce assets are being amortized over six and two years, respectively. In fiscal 1996, the Company recorded amortization of \$2.6 million and \$0.3 million relating to the developed technology and assembled workforce assets, respectively.

The following pro forma information reflects the statements of income for the years ended March 31, 1996 and March 31, 1995 as if the acquisition had occurred at the beginning of fiscal 1995, and includes certain adjustments for amortization of the developed technology and assembled workforce assets, reduced interest income and the related income tax impact. The pro forma information excludes the \$19.4 million write-off of in-process technology as it represents a non-recurring item. This pro forma information may not be indicative of the results that actually would have occurred if the combination had been in effect on the dates indicated or which may be realized in the future.

<i>(in thousands, except per share amounts)</i>	<i>Years ended March 31:</i>	
	1996	1995
Net revenues	\$560,802	\$359,399
Net income	\$120,820	\$ 55,609
Net income per share	\$ 1.53	\$ 0.75

Note 4. Joint Venture

The Company, United Microelectronics Corporation (UMC) and other parties have entered into a joint venture to construct in Taiwan a wafer fabrication facility, which is known as United Silicon Inc. (USI). The Company has agreed to invest a total of \$3.75 billion New Taiwan dollars (approximately \$136 million), which will result in a 25% equity ownership in the joint venture and the right to receive 31.25% of the wafer capacity from this facility. In January of 1996, the Company invested \$937.5 million New Taiwan dollars (approximately \$34 million) in the joint venture and expects to invest \$1.875 billion New Taiwan dollars (approximately \$68 million) and \$937.5 million New Taiwan dollars (approximately \$34 million) in December 1996 and July 1997, respectively. The joint venture is accounted for by the equity method, and the operating results to date have not been material.

Note 5. Financial Investments

Cash and Investments The following is a summary of available-for-sale and held-to-maturity securities:

Available-for-sale securities

	March 31, 1996				March 31, 1995			
<i>(in thousands)</i>	<i>Amortized Cost</i>	<i>Gross Gains</i>	<i>Unrealized Losses</i>	<i>Estimated Fair Value</i>	<i>Amortized Cost</i>	<i>Gross Gains</i>	<i>Unrealized Losses</i>	<i>Estimated Fair Value</i>
Cash and cash equivalents:								
Municipal bonds	\$101,850	\$ ---	\$ ---	\$101,850	\$42,468	\$ ---	\$ (19)	\$42,449
Short-term investments:								
Corporate bonds	31,782	60	---	31842	---	---	---	---
Municipal bonds	233,854	650	(30)	234474	66,689	\$ 49	(557)	66,181
	\$367,486	\$710	\$(30)	\$368,166	\$109,157	\$49	\$576	\$108,630

All investments classified as "available-for-sale securities" have maturities due in one year or less. Proceeds from sales of available-for-sale securities and the related realized gains or losses were immaterial in 1996, 1995 and 1994.

Held-to-maturity securities

	March 31, 1996				March 31, 1995			
<i>(in thousands)</i>	<i>Amortized cost</i>	<i>Gross Gains</i>	<i>Unrealized Losses</i>	<i>Estimated Fair Value</i>	<i>Amortized Cost</i>	<i>Gross Gains</i>	<i>Unrealized Losses</i>	<i>Estimated Fair Value</i>
Restricted Investments:								
U.S. Treasury Securities	\$36,212	\$ ---	\$ ---	\$36,212	\$12,625	\$ ---	\$ ---	\$12,625

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 The Company enters into currency forward and option contracts to minimize foreign exchange risk relating to the Company's purchase of wafers, which are primarily denominated in yen. At March 31, 1996, commitments under option contracts to purchase yen in fiscal 1997 were outstanding in the aggregate amount of \$18.1 million. 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. At March 31, 1996, the fair value of these option contracts was immaterial based on market exchange rates. The maturities on these contracts is less than twelve months.

The Company has entered into foreign exchange forward contracts to eliminate the impact of future exchange fluctuations on the U.S. dollar cost of investing in the USI joint venture. The contracts require the Company to exchange U.S. dollars for New Taiwan dollars and have maturities from nine to twenty-one months. The contracts are accounted for as a hedge of an identifiable foreign currency commitment. Realized gains or losses will be recognized upon maturity of the contracts and will be included in the USI joint venture investment. At March 31, 1996, the outstanding foreign exchange contracts related to the USI joint venture were \$101.7 million and these contracts had an unrealized gain of \$1.5 million, which represents their fair value based on market exchange rates.

The Company has entered into a two and one half year interest rate swap agreement with a third party in order to reduce risk related to movements in interest rates. Under the agreement, which is effective starting in May 1996, the Company has effectively converted the fixed rate interest rate payments related to \$125 million of the Company's convertible subordinated notes to variable rate interest payments without the exchange of the underlying principal amounts. The Company will receive 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 net amount of interest payments received from the third party and interest payments made by the Company to the third party will be included in interest expense.

During 1995, the Company completed a reverse repurchase transaction relating to \$350 million of U.S. Treasury Securities. The transaction was entered into with the intent of generating net interest income in an increasing interest rate environment and capital gains that could be used to offset previously incurred capital losses relating to the non-recurring \$2.5 million write-off of the investment in Star Semiconductor. As a result of this transaction, the Company recorded approximately \$9.7 million of interest expense, \$4.7 million of interest income and \$4.8 million of bond premium amortization in 1995. Although the Company has generally invested in more conventional investments, such as municipal bonds, the Company believes that the short sale of U.S. Treasury Securities met the Company's investment objectives in 1995. Future investment strategies will be made in accordance with investment policies designed to preserve and enhance corporate assets as such strategies may be adopted from time to time by the Company's Board of Directors.

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. At any time on or after 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, except that 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 103.00%, 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 1996, the Company recorded debt issuance cost amortization of \$0.4 million. At March 31, 1996, the fair value of the convertible subordinated notes was approximately \$233.8 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 multicurrency revolving credit line agreement which expires on March 1, 1998. Under this agreement, borrowings bear interest at the bank's reference rate or 0.75% over the bank's interbank market rate depending on the currency borrowed. Additionally, the Company's Irish subsidiary has \$7 million available under a multicurrency credit line. Under this agreement, borrowings bear interest at 0.75% over the bank's prime rate. At March 31, 1996, no borrowings were outstanding under either credit line. The agreements require the Company to comply with certain covenants and maintain certain 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 the Company's corporate facilities contain payment provisions which allow for changes in rental amounts based upon interest rate changes. The approximate future minimum lease payments under these leases are as follows:

Year Ended March 31: (in thousands)

1997	\$ 4,462
1998	3,944
1999	2,979
2000	2,275
2001	206
Thereafter	2,209
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	\$ 16,075
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Rent expense for the years ended March 31, 1996, 1995 and 1994 was approximately \$4.3 million, \$4 million and \$3.5 million, respectively.

The Company has entered into lease agreements relating to its 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, 1996, 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.

Note 7. Stockholders' Equity

The Company's Certificate of Incorporation provides for 200 million shares of common stock and 2 million shares of undesignated preferred stock.

Treasury stock The Company authorized a stock buyback program in June 1992 to repurchase up to 4,500,000 shares of common stock. The Company has used the shares actually repurchased to meet the stock requirements of the Company's Stock Option and Employee Qualified Stock Purchase Plans. Under this program, the Company repurchased 3,030,000 shares of its common stock on the open market during 1993 for a total cost of \$17.4 million. During 1996 and 1995, the Company issued 1,430,502 and 1,599,498, respectively, of these shares in response to stock option exercises and stock purchase plan requirements. At March 31, 1996, there were no shares of treasury stock outstanding.

Employee qualified stock purchase plan Under the Company's 1990 Employee Qualified Stock Purchase Plan (the Stock Purchase Plan), qualified employees are entitled to purchase shares of common stock at 85% of the fair market value at certain specified dates. Of the 2,925,000 shares authorized to be issued under this plan, 537,451 and 635,466 shares were issued during 1996 and 1995, respectively, and 252,050 shares were available for issuance at March 31, 1996. In March 1996, the Company's Board of Directors amended the Stock Purchase Plan to increase the number of shares for issuance thereunder by 460,000 shares, subject to shareholder approval in fiscal 1997.

Employee stock option plan The Company has adopted the 1988 Stock Option Plan (the Option Plan) under which a total of 32,781,000 common shares has been reserved for issuance to employees, directors, and consultants of the Company. Options to purchase shares of the Company's common stock under the Option Plan may be granted at not less than 85% of the fair value of the stock on the date of grant. To date, no shares have been issued at less than 100% of the fair value. Options granted to date expire ten years from date of grant and vest at varying rates over five years. In March 1996, the Company's Board of Directors amended the Option Plan to increase the number of shares reserved for issuance thereunder by 3,300,000 shares, subject to shareholder approval in fiscal 1997.

Additional information relative to the Option Plan is as follows:

<i>(in thousands)</i>	<i>Shares Available For Grant</i>	<i>Outstanding Number of Shares</i>	<i>Options Aggregate Price</i>
Balance March 31, 1993	3,936	6,396	\$28,052
Options granted	(3,993)	3,993	52889
Options exercised	---	(849)	(2,493)
Options canceled	99	(99)	(706)
Balance March 31, 1994	42	9,441	77,742
Options authorized	4,800	---	---
Options granted	(3,540)	3,540	56,083
Options exercised	---	(962)	4,048
Options canceled	567	(567)	6,035
Balance March 31, 1995	1,869	11,452	123,742
Options authorized	3,000	---	---
Options granted	(3,971)	3,971	122,885
Options exercised	---	(1,169)	(7,277)
Options canceled	366	(366)	(6,288)
Balance March 31, 1996	1,264	13,888	\$233,062
Options exercisable at:			
March 31, 1995		3,543	\$20,796
March 31, 1996		4,577	\$39,960

The range of exercise prices for options outstanding at March 31, 1996 was \$0.12 to \$48.13. Prices for options exercised during the three year period ended March 31, 1996 ranged from \$0.12 to \$23.42.

Stock split On July 26, 1995, the Company's stockholders approved a 3-for-1 stock split, in the form of a 200% dividend, payable to stockholders of record as of July 28, 1995. Shares, per share amounts, common stock at par value, and additional paid in capital have been restated to reflect the stock split for all periods presented.

Stockholder Rights Plan In October 1991, 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.

Note 8. Income Taxes

The provision for taxes on income consists of:

	<i>(in thousands)</i>		
Years ended March 31,	1996	1995	1994
Federal:			
Current	\$64,917	\$ 34,698	\$ 23,914
Deferred	(7,004)	(5,009)	(2,481)
	57,913	29,689	21,433
State:			
Current	10,343	6,748	4,589
Deferred	(363)	(1,167)	(83)
	9,980	5,581	4,506
Foreign:			
Current	1,555	297	218
Deferred	---	---	---
	1,555	297	218
Total	\$69,448	\$ 35,567	\$ 26,157

The tax benefits associated with the disqualifying dispositions of stock options or employee stock purchase plan shares reduce taxes currently payable by \$7.9 million, \$3.5 million and \$2.4 million for 1996, 1995, and 1994, respectively. Such benefits are credited to additional paid-in capital when realized.

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:

	<i>(in thousands)</i>		
Years ended March 31,	1996	1995	1994
Income before provision for taxes	\$170,902	\$94,845	\$67,436
Federal statutory tax rate	35%	35%	35%
Computed expected tax	\$59,816	\$33,196	\$23,602
State taxes net of federal benefit	6,487	3,627	2,929
Tax exempt interest	(2,552)	(1,155)	(930)
Write-off of NeoCAD in-process technology	7,069	---	---
Other	(1,372)	(101)	556
Provision for taxes on income	\$69,448	\$35,567	\$26,157

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

<i>(in thousands)</i>			
<i>Years ended March 31,</i>	<i>1996</i>	<i>1995</i>	<i>1994</i>
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Deferred tax assets:			
Inventory valuation differences	\$ 3,887	\$ 3,393	\$ 2,689
Deferred income on shipments to distributors	15,917	9,232	5,459
Nondeductible accrued expenses	7,778	6,245	4,765
Depreciation and amortization	(3,082)	1,524	1,620
Other	897	1,000	362
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Total	25,397	21,394	14,895
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Deferred tax liabilities:			
Other	(264)	(483)	(357)
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Total net deferred tax assets	\$25,133	\$ 20,911	\$ 14,538
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Note 9. Industry and Geographic Information

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

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

<i>(in thousands)</i>			
<i>Years ended March 31:</i>	<i>1996</i>	<i>1995</i>	<i>1994</i>
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U.S. exports to Europe	\$ 70,124	\$ 68,616	\$ 46,645
U.S. exports to Japan	50,957	27,199	15,064
U.S. exports to Rest of World	18,288	13,714	11,502
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	\$139,369	\$ 109,529	\$ 73,211
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During fiscal 1996, the Company began operations in its European manufacturing facility. Geographic information for fiscal 1996 is presented in the tables below. Foreign operations prior to fiscal 1996 were not material.

<i>(in thousands)</i>		<i>Income</i>	
<i>Fiscal Year</i>	<i>Net</i>	<i>Before</i>	<i>Identifiable</i>
<i>1996</i>	<i>Revenues</i>	<i>Taxes</i>	<i>Assets</i>
<hr/>			
United States	\$482,615	\$157,872	\$650,979
Europe	78,187	12,854	68,861
Other	---	176	1,040
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	\$560,802	\$170,902	\$720,880
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No single end customer accounted for more than 6% of revenues in 1996 or 1995 and 4% of revenues in 1994. Approximately 13%, 14% and 14% of net product revenues were made through the Company's largest domestic distributor in 1996, 1995 and 1994 respectively, and another domestic distributor accounted for 10% of net product revenues in 1996 and 1995 and 12% of net product revenues in 1994.

Note 10. 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 discovery has been completed in both cases. No trial date has been set. The Court has stayed further proceedings in both cases until August 30, 1996 when the next status conference with the Court is scheduled.

On April 20, 1995, Altera filed an additional suit against the Company in Federal District Court in Delaware alleging that the Company's XC5000 family infringes a certain Altera patent. The Company answered the Delaware suit denying that the XC5000 family infringes the patent in suit, which is the subject of the litigation, asserting certain affirmative defenses and counterclaiming that the Altera Max 9000 family infringes certain of the Company's patents. The Delaware suit has now been transferred to the United States District Court for the Northern District of California.

Due to the uncertain nature of the litigation with Altera and because the lawsuits are still in the pre-trial stage, 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 based on information presently known to management, and the future outcome could differ.

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 11. Subsequent Event (unaudited)

On May 17, 1996, the Company signed an agreement with Seiko Epson Corporation (Seiko), a primary wafer supplier. The agreement provides for an advance to Seiko of \$200 million to be used in the construction of a wafer fabrication facility in Japan which will provide access to eight-inch sub-micron wafers. In conjunction with the agreement, \$30 million was paid in May 1996 and additional installments of \$30 million are scheduled for November 1, 1996, May 1, 1997, November 1, 1997 and February 1, 1998 or upon the start of mass production, whichever is later. The final installment for the advance payment of \$50 million is due on or after the later of April 1, 1998 or the date the outstanding balance of the advance payment is less than \$125 million. As a result, the maximum outstanding amount of the advance payment at any time is \$175 million. Repayment of this advance will be in the form of wafer deliveries expected to begin in the first half of 1998. In addition to the advance payments, the Company will provide further funding to Seiko in the amount of \$100 million. This additional funding will be paid after the final installment of the \$200 million advance, and the form of the additional funding will be negotiated at that time.

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