XILINX INC
Form 10-Q
November 02, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q
(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 29, 2012

or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________ to _______ .
Commission File Number 000-18548

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

Delaware (State or other jurisdiction of incorporation or organization)	77-0188631 (I.R.S. Employer Identification No.)
2100 Logic Drive, San Jose, California (Address of principal executive offices)	95124 (Zip Code)

(408) 559-7778
(Registrant’s telephone number, including area code)
N/A
(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Shares outstanding of the registrant's common stock:

Class	Shares Outstanding as of October 19, 2012
Common Stock, $.01 par value	260,922,630

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
XILINX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In thousands, except per share amounts)	Three Months Ended		Six Months Ended	
	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Net revenues	$543,933	$555,209	$1,126,717	$1,170,672
Cost of revenues	187,713	200,564	386,124	423,696
Gross margin	356,220	354,645	740,593	746,976
Operating expenses:				
Research and development	113,887	105,774	235,334	211,791
Selling, general and administrative	91,928	88,681	188,129	185,077
Amortization of acquisition-related intangibles	2,319	1,982	4,467	3,605
Restructuring charges	—	3,369	—	3,369
Total operating expenses	208,134	199,806	427,930	403,842
Operating income	148,086	154,839	312,663	343,134
Interest and other expense, net	10,003	8,598	19,675	16,409
Income before income taxes	138,083	146,241	292,988	326,725
Provision for income taxes	14,646	19,955	39,720	46,065
Net income	$123,437	$126,286	$253,268	$280,660
Net income per common share:				
Basic	$0.47	$0.48	$0.97	$1.06
Diluted	$0.46	$0.47	$0.93	$1.03
Cash dividends per common share	$0.22	$0.19	$0.44	$0.38
Shares used in per share calculations:				
Basic	260,605	264,006	262,143	264,853
Diluted	270,265	267,927	272,182	273,009

See notes to condensed consolidated financial statements.

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XILINX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(In thousands)	Three Months Ended September 29, 2012	Three Months Ended October 1, 2011	Six Months Ended September 29, 2012	Six Months Ended October 1, 2011
Net income	$123,437	$126,286	$253,268	$280,660
Other comprehensive income (loss), net of tax:				
Change in net unrealized gain on available-for-sale securities	5,650	1,328	7,152	4,258
Reclassification adjustment for gains on available-for sale securities, included in net income	(585)	(375)	(915)	(562)
Change in net unrealized gain (loss) on hedging transactions	7,968	(8,120)	5,504	(8,719)
Cumulative translation adjustment	622	218	(433)	876
Other comprehensive income (loss)	13,655	(6,949)	11,308	(4,147)
Total comprehensive income	$137,092	$119,337	$264,576	$276,513

See notes to condensed consolidated financial statements.

XILINX, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value amounts)	September 29, 2012 (unaudited)	March 31, 2012 [1]
ASSETS		
Current assets:		
Cash and cash equivalents	$595,119	$788,822
Short-term investments	1,111,338	1,128,805
Accounts receivable, net	222,269	214,965
Inventories	204,067	204,866
Deferred tax assets	62,838	64,822
Prepaid expenses and other current assets	54,427	48,029
Total current assets	2,250,058	2,450,309
Property, plant and equipment, at cost:	798,801	788,422
Accumulated depreciation and amortization	(416,595)	(393,440)
Net property, plant and equipment	382,206	394,982
Long-term investments	1,497,394	1,209,228
Goodwill	158,990	149,538
Acquisition-related intangibles, net	41,096	36,332
Other assets	218,890	223,733
Total Assets	$4,548,634	$4,464,122
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$96,478	$78,613
Accrued payroll and related liabilities	124,040	121,309
Deferred income on shipments to distributors	47,967	67,002
Other accrued liabilities	74,171	75,852
Total current liabilities	342,656	342,776
Convertible debentures	915,109	906,569
Deferred tax liabilities	499,709	463,045
Long-term income taxes payable	15,704	14,479
Other long-term liabilities	23,765	29,568
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value (none issued)	—	—
Common stock, $.01 par value	2,608	2,636
Additional paid-in capital	1,166,835	1,195,458
Retained earnings	1,563,676	1,502,327
Accumulated other comprehensive income	18,572	7,264
Total stockholders' equity	2,751,691	2,707,685
Total Liabilities and Stockholders' Equity	$4,548,634	$4,464,122

[1] Derived from audited financial statements
See notes to condensed consolidated financial statements.

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XILINX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended	
(in thousands)	September 29, 2012	October 1, 2011
Cash flows from operating activities:		
Net income	$253,268	$280,660
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	28,754	27,094
Amortization	8,455	8,036
Stock-based compensation	36,854	30,666
Net gain on sale of available-for-sale securities	(1,741)	(1,071)
Amortization of debt discount on convertible debentures	7,897	7,732
Derivatives — revaluation and amortization	643	1,091
Tax benefit from exercise of stock options	3,282	6,531
Excess tax benefit from stock-based compensation	(4,766)	(7,928)
Changes in assets and liabilities:		
Accounts receivable, net	(7,305)	70,048
Inventories	675	17,271
Deferred income taxes	35,900	30,034
Prepaid expenses and other current assets	5,931	(7,659)
Other assets	(1,750)	9,362
Accounts payable	17,865	(15,067)
Accrued liabilities	1,444	280
Income taxes payable	(6,055)	7,457
Deferred income on shipments to distributors	(19,035)	(27,259)
Net cash provided by operating activities	360,316	437,278
Cash flows from investing activities:		
Purchases of available-for-sale securities	(2,020,793)	(2,287,016)
Proceeds from sale and maturity of available-for-sale securities	1,766,216	1,514,431
Purchases of property, plant and equipment	(15,978)	(31,417)
Other investing activities	(27,649)	(34,507)
Net cash used in investing activities	(298,204)	(838,509)
Cash flows from financing activities:		
Repurchases of common stock	(178,148)	(177,191)
Proceeds from issuance of common stock through various stock plans	32,888	51,891
Payment of dividends to stockholders	(115,321)	(100,804)
Excess tax benefit from stock-based compensation	4,766	7,928
Net cash used in financing activities	(255,815)	(218,176)
Net decrease in cash and cash equivalents	(193,703)	(619,407)
Cash and cash equivalents at beginning of period	788,822	1,222,359
Cash and cash equivalents at end of period	$595,119	$602,952
Supplemental disclosure of cash flow information:		
Interest paid	$18,651	$18,651
Income taxes paid, net of refunds	$5,822	$3,807

See notes to condensed consolidated financial statements.

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XILINX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Presentation

The accompanying interim condensed consolidated financial statements have been prepared in conformity with United States (U.S.) generally accepted accounting principles (GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X, and should be read in conjunction with the Xilinx, Inc. (Xilinx or the Company) consolidated financial statements filed with the U.S. Securities and Exchange Commission (SEC) on Form 10-K for the fiscal year ended March 31, 2012. The interim financial statements are unaudited, but reflect all adjustments which are, in the opinion of management, of a normal, recurring nature necessary to provide a fair statement of results for the interim periods presented. The results of operations for the interim periods shown in this report are not necessarily indicative of the results that may be expected for the fiscal year ending March 30, 2013 or any future period.

The Company uses a 52- to 53-week fiscal year ending on the Saturday nearest March 31. Fiscal 2013 is a 52-week year ending on March 30, 2013. Fiscal 2012, which ended on March 31, 2012, was also a 52-week fiscal year. The quarters ended September 29, 2012 and October 1, 2011 each consisted of 13 weeks.

Note 2. Recent Accounting Changes and Accounting Pronouncements

In the first quarter of fiscal 2013, the Company adopted the authoritative guidance to increase the prominence of items reported in other comprehensive income. Under this guidance, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The Company elected to present its comprehensive income in a separate but consecutive statement. This guidance does not affect the underlying accounting for components of other comprehensive income.

Note 3. Significant Customers and Concentrations of Credit Risk

Avnet, Inc. (Avnet), one of the Company’s distributors, distributes the Company’s products worldwide. As of September 29, 2012 and March 31, 2012, Avnet accounted for 64% and 67% of the Company’s total net accounts receivable, respectively. Resale of product through Avnet accounted for 44% and 45% of the Company’s worldwide net revenues in the second quarter and the first six months of fiscal 2013, respectively. For the second quarter and the first six months of fiscal 2012, resale of product through Avnet accounted for 47% and 48% of the Company’s worldwide net revenues, respectively. The percentage of accounts receivable due from Avnet and the percentage of worldwide net revenues from Avnet are consistent with historical patterns.

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.

One end customer accounted for 11% and 14% of the Company's worldwide net revenues for the second quarter of fiscal 2013 and 2012, respectively. One end customer accounted for 11% of the Company's worldwide net revenues for the first six months of fiscal 2012. No end customer accounted for more than 10% of the Company's worldwide net revenues for the first six months of fiscal 2013.

The Company mitigates concentrations of credit risk in its investments in debt securities by currently investing more than 89% of its portfolio in AA or higher grade securities as rated by Standard & Poor’s or Moody’s Investors Service. The Company’s methods to arrive at investment decisions are not solely based on the rating agencies’ credit ratings. Xilinx also performs additional credit due diligence and conducts regular portfolio credit reviews, including a review of counterparty credit risk related to the Company’s forward currency exchange contracts. Additionally, Xilinx limits

its investments in the debt securities of a single issuer based upon the issuer’s credit rating and attempts to further mitigate credit risk by diversifying risk across geographies and type of issuer.

As of September 29, 2012, approximately 35% of the portfolio consisted of mortgage-backed securities. All of the mortgage-backed securities in the investment portfolio were issued by U.S. government-sponsored enterprises and agencies and are rated AA+ by Standard & Poor’s and AAA by Moody’s Investors Service.

The global credit and capital markets have continued to experience adverse conditions that have negatively impacted the values

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of various types of investment and non-investment grade securities, and have experienced volatility and disruption due to instability in the global financial system, uncertainty related to global economic conditions and concerns regarding sovereign financial stability. Therefore, there is a risk that the Company may incur other-than-temporary impairment charges for certain types of investments should credit market conditions deteriorate or the underlying assets fail to perform as anticipated. See "Note 5. Financial Instruments" for a table of the Company's available-for-sale securities.

Note 4. Fair Value Measurements

The guidance for fair value measurements established by the Financial Accounting Standards Board (FASB) defines fair value as the exchange price that would be received from selling an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which Xilinx would transact and also considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions and risk of nonperformance.

The Company determines the fair value for marketable debt securities using industry standard pricing services, data providers and other third-party sources and by internally performing valuation testing and analyses. The Company primarily uses a consensus price or weighted-average price for its fair value assessment. The Company determines the consensus price using market prices from a variety of industry standard pricing services, data providers, security master files from large financial institutions and other third party sources and uses those multiple prices as inputs into a distribution-curve-based algorithm to determine the daily market value. The pricing services use multiple inputs to determine market prices, including reportable trades, benchmark yield curves, credit spreads and broker/dealer quotes as well as other industry and economic events. For certain securities with short maturities, such as discount commercial paper and certificates of deposit, the security is accreted from purchase price to face value at maturity. If a subsequent transaction on the same security is observed in the marketplace, the price on the subsequent transaction is used as the current daily market price and the security will be accreted to face value based on the revised price. For certain other securities, such as student loan auction rate securities, the Company performs its own valuation analysis using a discounted cash flow pricing model.

The Company validates the consensus prices by taking random samples from each asset type and corroborating those prices using reported trade activity, benchmark yield curves, binding broker/dealer quotes or other relevant price information. There have not been any changes to the Company's fair value methodology during the first six months of fiscal 2013 and the Company did not adjust or override any fair value measurements as of September 29, 2012.

Fair Value Hierarchy

The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets or liabilities. The guidance for fair value measurements requires that assets and liabilities carried at fair value be classified and disclosed in one of the following categories:

Level 1 — Quoted (unadjusted) prices in active markets for identical assets or liabilities.

The Company's Level 1 assets consist of U.S. government and agency securities and money market funds.

Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

The Company's Level 2 assets consist of bank certificates of deposit, commercial paper, corporate bonds, municipal bonds, U.S. agency securities, foreign government and agency securities, mortgage-backed securities and a debt mutual fund. The Company's Level 2 assets and liabilities also include foreign currency forward contracts and commodity swap contracts.

Level 3 — Unobservable inputs to the valuation methodology that are supported by little or no market activity and that are significant to the measurement of the fair value of the assets or liabilities. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques, as well as significant management judgment or estimation.

The Company's Level 3 assets and liabilities include student loan auction rate securities and the embedded derivative related to the Company's debentures.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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In instances where the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.
The following tables present information about the Company's assets and liabilities measured at fair value on a recurring basis as of September 29, 2012 and March 31, 2012:

	September 29, 2012			
(In thousands)	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets				
Cash and cash equivalents:				
Money market funds	$165,775	$—	$—	$165,775
Bank certificates of deposit	—	29,997	—	29,997
Commercial paper	—	158,233	—	158,233
U.S. government and agency securities	110,009	9,998	—	120,007
Foreign government and agency securities	—	49,993	—	49,993
Short-term investments:				
Bank certificates of deposit	—	134,930	—	134,930
Commercial paper	—	328,905	—	328,905
Corporate bonds	—	25,768	—	25,768
Municipal bonds	—	3,473	—	3,473
U.S. government and agency securities	356,044	52,257	—	408,301
Foreign government and agency securities	—	209,942	—	209,942
Mortgage-backed securities	—	19	—	19
Long-term investments:				
Corporate bonds	—	223,462	—	223,462
Auction rate securities	—	—	29,069	29,069
Municipal bonds	—	14,232	—	14,232
U.S. government and agency securities	37,472	63,936	—	101,408
Mortgage-backed securities	—	1,087,735	—	1,087,735
Debt mutual fund	—	41,488	—	41,488
Derivative financial instruments, net	—	2,402	—	2,402
Total assets measured at fair value	$669,300	$2,436,770	$29,069	$3,135,139
Liabilities				
Convertible debentures — embedded derivative	$—	$—	$1,545	$1,545
Total liabilities measured at fair value	$—	$—	$1,545	$1,545
Net assets measured at fair value	$669,300	$2,436,770	$27,524	$3,133,594

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(In thousands)	March 31, 2012 Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets				
Cash and cash equivalents:				
Money market funds	$232,017	$—	$—	$232,017
Bank certificates of deposit	—	29,994	—	29,994
Commercial paper	—	233,980	—	233,980
U.S. government and agency securities	75,036	84,985	—	160,021
Foreign government and agency securities	—	68,993	—	68,993
Short-term investments:				
Bank certificates of deposit	—	129,978	—	129,978
Commercial paper	—	360,887	—	360,887
Corporate bonds	—	14,257	—	14,257
U.S. government and agency securities	322,763	119,931	—	442,694
Foreign government and agency securities	—	180,958	—	180,958
Mortgage-backed securities	—	31	—	31
Long-term investments:				
Corporate bonds	—	175,415	—	175,415
Auction rate securities	—	—	28,929	28,929
Municipal bonds	—	26,160	—	26,160
U.S. government and agency securities	17,539	48,659	—	66,198
Mortgage-backed securities	—	892,745	—	892,745
Debt mutual fund	—	19,781	—	19,781
Total assets measured at fair value	$647,355	$2,386,754	$28,929	$3,063,038
Liabilities				
Derivative financial instruments, net	$—	$3,070	$—	$3,070
Convertible debentures — embedded derivative	—	—	931	931
Total liabilities measured at fair value	$—	$3,070	$931	$4,001
Net assets measured at fair value	$647,355	$2,383,684	$27,998	$3,059,037

Changes in Level 3 Instruments Measured at Fair Value on a Recurring Basis

The following table is a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

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(In thousands)	Three Months Ended September 29, 2012	Three Months Ended October 1, 2011	Six Months Ended September 29, 2012	Six Months Ended October 1, 2011
Balance as of beginning of period	$27,270	$30,636	$27,998	$34,005
Total realized and unrealized gains (losses):				
Included in interest and other expense, net	—	(1,435)	(614)	(1,062)
Included in other comprehensive income	254	(1,210)	490	(552)
Sales and settlements, net (1)	—	(950)	(350)	(5,350)
Balance as of end of period	$27,524	$27,041	$27,524	$27,041

(1) There was no redemption of auction rate securities during the three months ended September 29, 2012. During the three months ended October 1, 2011, $950 thousand of student loan auction rate securities were redeemed for cash at par value. During the first six months ended September 29, 2012 and October 1, 2011, $350 thousand and $5.4 million of student loan auction rate securities, respectively, were redeemed for cash at par value.

The amount of total losses included in net income attributable to the change in unrealized gains (losses) relating to assets and liabilities still held as of the end of the period was as follows:

(In thousands)	Three Months Ended September 29, 2012	Three Months Ended October 1, 2011	Six Months Ended September 29, 2012	Six Months Ended October 1, 2011
Interest and other expense, net	$—	$(1,435)	$(614)	$(1,062)

As of September 29, 2012, marketable securities measured at fair value using Level 3 inputs were comprised of $29.1 million of student loan auction rate securities. Auction failures during the fourth quarter of fiscal 2008 and the lack of market activity and liquidity required that the Company's student loan auction rate securities be measured using observable market data and Level 3 inputs. The fair values of the Company's student loan auction rate securities were based on the Company's assessment of the underlying collateral and the creditworthiness of the issuers of the securities. Substantially all of the underlying assets that secure the student loan auction rate securities are pools of student loans originated under Federal Family Education Loan Program, which are substantially guaranteed by the U.S. Department of Education. The fair values of the Company's student loan auction rate securities were determined using a discounted cash flow pricing model that incorporated financial inputs such as projected cash flows, discount rates, expected interest rates to be paid to investors and an estimated liquidity discount. The most significant assumptions of the model are the weighted-average life over which cash flows were projected of 8 years (given the collateral composition of the securities) and the discount rates ranging from 2.41% to 3.12% that were applied to the pricing model (based on market data and information for comparable- or similar-term student loan asset-backed securities). A hypothetical 20% increase or decrease of the weighted-average life over which cash flows were projected and 100 basis points (one percentage point) increase or decrease in the discount rates would not have a material effect on the fair values of the Company's student loan auction rate securities. The Company does not intend to sell, nor does it believe it is more likely than not that it would be required to sell, the student loan auction rate securities before anticipated recovery, which could be at final maturity that ranges from December 2027 to May 2046.

The 3.125% Junior Convertible Debentures due March 15, 2037 (3.125% Debentures) included embedded features that qualify as an embedded derivative, and was separately accounted for as a discount on the 3.125% Debentures. Its fair value was established at the inception of the 3.125% Debentures. Each quarter, the change in the fair value of the embedded derivative, if any, is recorded in the consolidated statements of income. The Company uses a derivative valuation model to derive the value of the embedded derivative. Key inputs into this valuation model are the Company’s current stock price, risk-free interest rates, the stock dividend yield, the stock volatility and the 3.125% Debenture’s credit spread over London Interbank Offered Rate. The first three inputs are based on observable market data and are considered Level 2 inputs while the last two inputs require management judgment and are Level 3 inputs.

Financial Instruments Not Recorded at Fair Value on a Recurring Basis

The Company's Senior Convertible Debentures due June 15, 2017 (2.625% Debentures) and 3.125% Debentures are measured at fair value on a quarterly basis for disclosure purposes. The fair values of the 2.625% and 3.125% Debentures as of September 29, 2012 were approximately $791.3 million and $827.5 million, respectively, based on the last trading price of the respective debentures for the period (classified as level 2 in fair value hierarchy due to relatively low trading volume).

Note 5. Financial Instruments

The following is a summary of cash equivalents and available-for-sale securities as of the end of the periods presented:

	September 29, 2012				March 31, 2012			
(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	$165,775	$—	$—	$165,775	$232,017	$—	$—	$232,017
Bank certificates of deposit	164,927	—	—	164,927	159,972	—	—	159,972
Commercial paper	487,133	5	—	487,138	594,867	1	(1)	594,867
Corporate bonds	243,395	5,868	(33)	249,230	186,455	3,401	(184)	189,672
Auction rate securities	32,250	—	(3,181)	29,069	32,600	—	(3,671)	28,929
Municipal bonds	17,148	597	(40)	17,705	25,454	734	(28)	26,160
U.S. government and agency securities	629,129	605	(18)	629,716	668,702	360	(149)	668,913
Foreign government and agency securities	259,935	—	—	259,935	249,951	—	—	249,951
Mortgage-backed securities	1,068,361	21,517	(2,124)	1,087,754	878,842	15,094	(1,160)	892,776
Debt mutual fund	40,500	988	—	41,488	20,000	—	(219)	19,781
	$3,108,553	$29,580	$(5,396)	$3,132,737	$3,048,860	$19,590	$(5,412)	$3,063,038

The following tables show the fair values and gross unrealized losses of the Company's investments, aggregated by investment category, for individual securities that have been in a continuous unrealized loss position for the length of time specified, as of September 29, 2012 and March 31, 2012:

	September 29, 2012					
	Less Than 12 Months		12 Months or Greater		Total	
(In thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Corporate bonds	$10,282	$(33)	$—	$—	$10,282	$(33)
Auction rate securities	—	—	29,069	(3,181)	29,069	(3,181)
Municipal bonds	1,625	(36)	712	(4)	2,337	(40)
U.S. government and agency securities	242,997	(18)	—	—	242,997	(18)
Mortgage-backed securities	175,426	(1,848)	23,542	(276)	198,968	(2,124)
	$430,330	$(1,935)	$53,323	$(3,461)	$483,653	$(5,396)

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	March 31, 2012					
	Less Than 12 Months		12 Months or Greater		Total	
(In thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Commercial paper	$79,994	$(1)	$—	$—	$79,994	$(1)
Corporate bonds	21,111	(184)	—	—	21,111	(184)
Auction rate securities	—	—	28,929	(3,671)	28,929	(3,671)
Municipal bonds	2,173	(24)	366	(4)	2,539	(28)
U.S. government and agency securities	460,735	(149)	—	—	460,735	(149)
Mortgage-backed securities	147,726	(1,040)	15,923	(120)	163,649	(1,160)
Debt mutual fund	19,781	(219)	—	—	19,781	(219)
	$731,520	$(1,617)	$45,218	$(3,795)	$776,738	$(5,412)

The gross unrealized losses on these investments were primarily related to failed auction rate securities, which was due to adverse conditions in the global credit markets during the past three years. The Company reviewed the investment portfolio and determined that the gross unrealized losses on these investments as of September 29, 2012 and March 31, 2012 were temporary in nature as evidenced by the fluctuations in the gross unrealized losses within the investment categories. Furthermore, the aggregate of individual unrealized losses that had been outstanding for 12 months or more was not significant as of September 29, 2012 and March 31, 2012. The Company neither intends to sell these investments nor concludes that it is more-likely-than-not that it will have to sell them until recovery of their carrying values. The Company also believes that it will be able to collect both principal and interest amounts due to the Company at maturity, given the high credit quality of these investments and any related underlying collateral.
The amortized cost and estimated fair value of marketable debt securities (bank certificates of deposit, commercial paper, corporate bonds, auction rate securities, municipal bonds, U.S. and foreign government and agency securities and mortgage-backed securities), 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.

	September 29, 2012	
(In thousands)	Amortized Cost	Estimated Fair Value
Due in one year or less	$1,469,412	$1,469,567
Due after one year through five years	330,949	337,646
Due after five years through ten years	243,009	248,253
Due after ten years	858,908	870,008
	$2,902,278	$2,925,474

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

	Three Months Ended		Six Months Ended	
(In thousands)	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Proceeds from sale of available-for-sale securities	$119,058	$77,608	$201,163	$107,985
Gross realized gains on sale of available-for-sale securities	$1,042	$758	$1,829	$1,097
Gross realized losses on sale of available-for-sale securities	(12)	(21)	(88)	(26)
Net realized gains on sale of available-for-sale securities	$1,030	$737	$1,741	$1,071
	$5,942	$3,262	$11,561	$5,575

Amortization of premiums on available-for-sale
securities
The cost of securities matured or sold is based on the specific identification method.

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Note 6. Derivative Financial Instruments

The Company’s primary objective for holding derivative financial instruments is to manage foreign currency exchange rate risk and interest rate risk. As a result of the use of derivative financial instruments, the Company is exposed to the risk that counterparties to derivative contracts may fail to meet their contractual obligations. The Company manages counterparty credit risk in derivative contracts by reviewing counterparty creditworthiness on a regular basis, establishing collateral requirement and limiting exposure to any single counterparty. The right of set-off that exists with certain transactions enables the Company to net amounts due to and from the counterparty, reducing the maximum loss from credit risk in the event of counterparty default.

As of September 29, 2012 and March 31, 2012, the Company had the following outstanding forward currency exchange contracts (in notional amount), which are derivative financial instruments:

(In thousands and U.S. dollars)	September 29, 2012	March 31, 2012
Singapore dollar	$60,969	$60,925
Euro	35,774	41,467
Indian Rupee	19,725	18,943
British Pound	13,136	14,250
Japanese Yen	12,026	11,076
	$141,630	$146,661

As part of the Company’s strategy to reduce volatility of operating expenses due to foreign exchange rate fluctuations, the Company employs a hedging program with a forward outlook of up to two years for major foreign-currency-denominated operating expenses. The outstanding forward currency exchange contracts expire at various dates between October 2012 and August 2014. The net unrealized gain or loss, which approximates the fair market value of the above contracts, is expected to be realized and reclassified into net income within the next two years.

As of September 29, 2012, 99% of the forward foreign currency exchange contracts was designated and qualified as cash flow hedges and the effective portion of the gain or loss on the forward contracts was reported as a component of other comprehensive income and reclassified into net income in the same period during which the hedged transaction affects earnings. The estimated amount of such gains or losses as of September 29, 2012 that is expected to be reclassified into earnings within the next 12 months was a net gain of $1.4 million. The ineffective portion of the gains or losses on the forward contracts was included in the net income for all periods presented.

As of September 29, 2012, 1% of the forward foreign currency exchange contracts was designated and qualified as fair value hedges, and the related realized and unrealized gain or loss on the forward contracts was immaterial for all periods presented.

The Company may enter into forward foreign currency exchange contracts to hedge firm commitments such as acquisitions and capital expenditures. Gains and losses on foreign currency forward contracts that are designated as hedges of anticipated transactions, for which a firm commitment has been attained and the hedged relationship has been effective, are deferred and included in income or expenses in the same period that the underlying transaction is settled. Gains and losses on any instruments not meeting the above criteria are recognized in income or expenses in the consolidated statements of income as they are incurred.

The 3.125% Debentures include provisions which qualify as an embedded derivative. See "Note 4. Fair Value Measurements" for more discussion about the embedded derivative. The fair value of the embedded derivative was $1.5 million and $931 thousand as of September 29, 2012 and March 31, 2012, respectively. The changes in the fair value of the embedded derivative were recorded to interest and other expense, net, on the Company’s condensed consolidated statements of income.

The Company had the following derivative instruments as of September 29, 2012 and March 31, 2012, located on the condensed consolidated balance sheet, utilized for risk management purposes detailed above:

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(In thousands)	Foreign Exchange Contracts Asset Derivatives Balance Sheet Location	Fair Value	Liability Derivatives Balance Sheet Location	Fair Value
September 29, 2012	Prepaid expenses and other current assets	$3,436	Other accrued liabilities	$1,035
March 31, 2012	Prepaid expenses and other current assets	$203	Other accrued liabilities	$3,273

The following table summarizes the effect of derivative instruments on the condensed consolidated statements of income for second quarter and the first six months of fiscal 2013 and 2012:

(In thousands) Derivatives Types	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective portion of cash flow hedging)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective portion)*	Amount of Gain (Loss) Recorded (Ineffective Portion)
Three Months Ended September 29, 2012			
Foreign exchange contracts	$7,968	$(1,833)	$8
Three Months Ended October 1, 2011			
Foreign exchange contracts	$(8,187)	$2,339	$(3)
Six Months Ended September 29, 2012			
Foreign exchange contracts	$5,505	$(2,992)	$7
Six Months Ended October 1, 2011			
Foreign exchange contracts	$(8,784)	$5,103	$(4)

*Recorded in Interest and Other Expense location within the condensed consolidated statements of income.

Note 7. Stock-Based Compensation Plans

The Company's equity incentive plans are broad-based, long-term retention programs that cover employees, consultants and non-employee directors of the Company. These plans are intended to attract and retain talented employees, consultants and non-employee directors and to provide such persons with a proprietary interest in the Company.

Stock-Based Compensation

The following table summarizes stock-based compensation expense related to stock awards granted under the Company's equity incentive plans and rights to acquire stock granted under the Company's Employee Stock Purchase Plan (ESPP):

	Three Months Ended		Six Months Ended	
(In thousands)	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Stock-based compensation included in:				
Cost of revenues	$1,473	$1,284	$3,201	$2,594
Research and development	9,404	8,103	18,027	14,590
Selling, general and administrative	8,369	7,512	15,626	13,482
	$19,246	$16,899	$36,854	$30,666

During the first six months of fiscal 2013 and 2012, the tax benefit realized for the tax deduction from option exercises and other awards, including amounts credited to additional paid-in capital, totaled $3.3 million and $6.5 million, respectively.

The fair values of stock options and stock purchase plan rights under the Company’s equity incentive plans and ESPP were estimated as of the grant date using the Black-Scholes option pricing model. The Company’s expected stock price volatility assumption for stock options is estimated using implied volatility of the Company’s traded options. The expected life of options granted is based on the historical exercise activity as well as the expected disposition of all options outstanding. The expected life of options granted also considers the actual contractual term. The weighted-average fair value per share of stock options granted during the second

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quarter and the first six months of fiscal 2013 was $6.35 for both periods. The weighted-average fair value per share of stock options granted during the second quarter and the first six months of fiscal 2012 was $8.03 and $7.87, respectively. These fair values per share were estimated at the date of grant using the following weighted-average assumptions:

	Three Months Ended		Six Months Ended	
	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Expected life of options (years)	4.9	5.2	4.9	5.2
Expected stock price volatility	0.29	0.34	0.29	0.31
Risk-free interest rate	0.7 %	1.2 %	0.7 %	1.7 %
Dividend yield	2.6 %	2.3 %	2.6 %	2.3 %

The estimated fair values of restricted stock unit (RSU) awards were calculated based on the market price of Xilinx common stock on the date of grant, reduced by the present value of dividends expected to be paid on Xilinx common stock prior to vesting. The per share weighted-average fair value of RSUs granted during the second quarter of fiscal 2013 was $31.12 ($34.33 for the second quarter of fiscal 2012) and for the first six months of fiscal 2013 was $31.57 ($34.13 for the first six months of fiscal 2012), which were calculated based on estimates at the date of grant using the following weighted-average assumptions:

	Three Months Ended		Six Months Ended	
	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Risk-free interest rate	0.4 %	0.7 %	0.4 %	0.8 %
Dividend yield	2.7 %	2.1 %	2.7 %	2.1 %

Employee Stock Option Plans

A summary of the Company’s option plans activity and related information is as follows:

	Options Outstanding	
(Shares in thousands)	Number of Shares	Weighted-Average Exercise Price Per Share
April 2, 2011	24,969	$ 29.11
Granted	207	$ 34.79
Exercised	(3,622)	$ 24.70
Forfeited/cancelled/expired	(3,766)	$ 37.35
March 31, 2012	17,788	$ 28.32
Granted	48	$ 33.33
Exercised	(1,205)	