

XILINX INC  
Form 10-Q/A  
February 06, 2007

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q/A**

(Amendment No. 1)

(Mark One)

- Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the quarterly period ended December 30, 2006 or
- Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number 0-18548

**Xilinx, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**77-0188631**  
(IRS 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  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Shares outstanding of the Registrant's common stock:

Class	Shares Outstanding at January 23, 2007
Common Stock, \$.01 par value	331,864,381

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### EXPLANATORY NOTE

This Form 10-Q/A is being filed solely to correct a typographical error in Part I, Item 1 of Xilinx's Quarterly Report on Form 10-Q for the period ended December 30, 2006 filed with the Securities and Exchange Commission on February 2, 2007. Specifically, in the Condensed Consolidated Statements of Cash Flows, under the sub-heading "Nine Months Ended," the right hand date should be Dec. 31, 2005 and not Dec. 31, 2007.

The amendment conforms the Form 10-Q as filed to the version that was certified by Xilinx's Chief Executive Officer and by the Chief Financial Officer, pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended. No other changes are being made by means of this filing.

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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		Nine Months Ended	
	Dec. 30, 2006	Dec. 31, 2005	Dec. 30, 2006	Dec. 31, 2005
Net revenues	\$ 450,725	\$ 449,605	\$ 1,399,267	\$ 1,253,913
Cost of revenues	177,963	166,476	550,602	478,926
Gross margin	272,762	283,129	848,665	774,987
Operating expenses:				
Research and development	96,092	81,073	289,625	239,730
Selling, general and administrative	89,973	80,683	279,853	234,414
Amortization of acquisition-related intangibles	2,007	1,536	6,069	5,047
Litigation settlements and contingencies	2,500		2,500	3,165
Stock-based compensation related to prior years			2,209	
Total operating expenses	190,572	163,292	580,256	482,356
Operating income	82,190	119,837	268,409	292,631
Impairment loss on investments	(1,513)	)	(1,950)	)
Interest income and other, net	22,440	10,943	63,413	36,196
Income before income taxes	103,117	130,780	329,872	328,827
Provision for income taxes	15,608	49,811	66,826	85,419
Net income	\$ 87,509	\$ 80,969	\$ 263,046	\$ 243,408
Net income per common share:				
Basic	\$ 0.26	\$ 0.23	\$ 0.77	\$ 0.70
Diluted	\$ 0.26	\$ 0.23	\$ 0.76	\$ 0.68
Cash dividends declared per common share	\$ 0.09	\$ 0.07	\$ 0.27	\$ 0.21
Shares used in per share calculations:				
Basic	334,062	348,203	339,571	349,674
Diluted	339,669	353,237	345,347	355,881

See notes to condensed consolidated financial statements.

## XILINX, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value amounts)	Dec. 30, 2006 (Unaudited)	April 1, 2006 (1)
<b>ASSETS</b>		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 540,048	\$ 783,366
Short-term investments	617,605	201,551
Investment in United Microelectronics Corporation, current portion		37,285
Accounts receivable, net	147,711	194,205
Inventories	185,232	201,029
Deferred tax assets	116,450	110,928
Prepaid expenses and other current assets	117,687	119,884
<b>Total current assets</b>	<b>1,724,733</b>	<b>1,648,248</b>
Property, plant and equipment, at cost	708,253	666,360
Accumulated depreciation and amortization	(340,505)	(308,103)
Net property, plant and equipment	367,748	358,257
Long-term investments	641,223	616,296
Investment in United Microelectronics Corporation, net of current portion	72,284	239,209
Goodwill	124,898	125,084
Acquisition-related intangibles, net	16,566	22,651
Other assets	151,615	163,802
<b>Total Assets</b>	<b>\$ 3,099,067</b>	<b>\$ 3,173,547</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<i>Current liabilities:</i>		
Accounts payable	\$ 60,071	\$ 71,004
Accrued payroll and related liabilities	92,832	79,260
Income taxes payable	46,682	30,048
Deferred income on shipments to distributors	96,144	126,558
Other accrued liabilities	28,778	38,154
<b>Total current liabilities</b>	<b>324,507</b>	<b>345,024</b>
Deferred tax liabilities	105,425	92,153
Other long-term liabilities	1,321	7,485
Commitments and contingencies		
<i>Stockholders equity:</i>		
Preferred stock, \$.01 par value (none issued)		
Common stock, \$.01 par value	3,317	3,426
Additional paid-in capital	1,330,223	1,375,120
Retained earnings	1,327,592	1,334,530
Accumulated other comprehensive income	6,682	15,809
<b>Total stockholders equity</b>	<b>2,667,814</b>	<b>2,728,885</b>
<b>Total Liabilities and Stockholders Equity</b>	<b>\$ 3,099,067</b>	<b>\$ 3,173,547</b>

(1) Derived from audited financial statements

See notes to condensed consolidated financial statements.



## XILINX, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

<b>(In thousands)</b>	<b>Nine Months Ended</b>	
	<b>Dec. 30, 2006</b>	<b>Dec. 31, 2005</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 263,046	\$ 243,408
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	38,103	39,177
Amortization	13,390	11,815
Stock-based compensation	70,157	
Stock-based compensation related to prior years, net of tax	1,559	
Net (gain) loss on sale of available-for-sale securities	(1,302 )	1,375
Litigation settlements and contingencies	2,500	3,165
Impairment loss on investments	1,950	
Noncash compensation expense		735
Tax benefit from exercise of stock options	19,973	25,027
Excess tax benefit from stock-based compensation	(19,056 )	
Changes in assets and liabilities:		
Accounts receivable, net	46,494	71,188
Inventories	18,204	(26,160 )
Deferred income taxes	(19,284 )	(5,179 )
Prepaid expenses and other current assets	22,104	(38,130 )
Other assets	(17,651 )	(47,764 )
Accounts payable	(10,933 )	15,638
Accrued liabilities	(6,662 )	20,734
Income taxes payable	53,757	81,404
Deferred income on shipments to distributors	(30,414 )	9,207
Net cash provided by operating activities	445,935	405,640
<b>Cash flows from investing activities:</b>		
Purchases of available-for-sale securities	(1,295,107 )	(1,308,277 )
Proceeds from sale and maturity of available-for-sale securities	1,042,059	1,435,765
Purchases of property, plant and equipment	(47,594 )	(44,556 )
Other investing activities	(1,564 )	(24,109 )
Net cash provided by (used in) investing activities	(302,206 )	58,823
<b>Cash flows from financing activities:</b>		
Repurchases of common stock	(400,000 )	(276,584 )
Proceeds from issuance of common stock through various stock plans	85,117	59,716
Payment of dividends to stockholders	(91,220 )	(73,076 )
Excess tax benefit from stock-based compensation	19,056	
Net cash used in financing activities	(387,047 )	(289,944 )
Net increase (decrease) in cash and cash equivalents	(243,318 )	174,519
Cash and cash equivalents at beginning of period	783,366	449,388
Cash and cash equivalents at end of period	\$ 540,048	\$ 623,907
<b>Supplemental schedule of non-cash activities:</b>		
Accrual of affordable housing credit investments	\$	\$ 19,821
<b>Supplemental disclosure of cash flow information:</b>		

Income taxes paid, net of refunds	\$ 20,211	\$ 7,503
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See notes to condensed consolidated financial statements.

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XILINX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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 on Form 10-K for the fiscal year ended April 1, 2006. 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 31, 2007 or any future period.

The Company uses a 52- to 53-week fiscal year ending on the Saturday nearest March 31. Fiscal 2007 is a 52-week year ending on March 31, 2007. Fiscal 2006, which ended on April 1, 2006, was a 52-week fiscal year. The first, second and third quarters of fiscal 2007 and 2006 were all 13-week quarters.

2. Recent Accounting Pronouncements

In February 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 155, Accounting for Certain Hybrid Financial Instruments, an amendment of FASB Statements No. 133 and 140 (SFAS 155). SFAS 155 permits interests in hybrid financial instruments that contain an embedded derivative, which would otherwise require bifurcation, to be accounted for as a single financial instrument at fair value, with changes in fair value recognized in earnings. This election is permitted on an instrument-by-instrument basis for all hybrid financial instruments held, obtained, or issued as of the adoption date. SFAS 155 is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006 (fiscal 2008 for Xilinx). The Company is currently assessing the impact of SFAS 155 on its financial condition and results of operations.

In July 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48). This interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. It prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. This interpretation is effective for fiscal years beginning after December 15, 2006. The Company will be required to adopt this interpretation in the first quarter of fiscal 2008. Management is currently evaluating the requirements of FIN 48 and has not yet determined the impact on the Company's financial condition or results of operations.

3. Stock-Based Compensation

Effective April 2, 2006, the Company adopted SFAS No. 123(R), Share-Based Payment (SFAS 123(R)). SFAS 123(R) requires the Company to measure the cost of all employee stock-based compensation awards that are expected to be exercised based on the grant-date fair value of those awards and to record that cost as compensation expense over the period during which the employee is required to perform service in exchange for the award (generally over the vesting period of the award). SFAS 123(R) addresses all forms of stock-based payment awards, including shares issued under employee stock purchase plans, stock options, restricted stock and stock appreciation rights. In addition, the Company is required to record compensation expense (as previous awards continue to vest) for the unvested portion of previously granted awards that remain outstanding at the date of adoption. The Company implemented the standard using the modified-prospective method and consequently has not retroactively adjusted results for prior periods. The Company previously accounted for stock-based compensation under Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, (APB 25) and related interpretations, using the intrinsic value method and, as such, generally recognized no compensation cost for employee stock options. Prior to adopting SFAS 123(R), the Company presented all tax benefits resulting from the exercise of stock options as operating cash flows in its statements of cash flows. SFAS 123(R) requires cash flows resulting from excess tax benefits to be classified as a part of cash flows from financing activities. Excess tax benefits are realized tax benefits from tax deductions for exercised options in excess of the deferred tax asset attributable to stock compensation costs for such options. In addition,



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the Company provided the required pro forma disclosures related to its stock plans prescribed by SFAS 123 Accounting for Stock-Based Compensation (SFAS 123), as amended by SFAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure (SFAS 148).

Under the modified-prospective method of adoption for SFAS 123(R), the compensation cost recognized by the Company beginning in fiscal 2007 includes (a) compensation cost for all stock-based awards granted prior to, but not yet vested as of April 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of SFAS 123, and (b) compensation cost for all stock-based awards granted subsequent to April 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123(R). The Company uses the straight-line attribution method to recognize stock-based compensation costs over the requisite service period of the award for stock-based awards granted after April 1, 2006. For stock-based awards granted prior to April 2, 2006, the Company continues to use the accelerated amortization method consistent with the amounts disclosed in the pro forma disclosure as prescribed by SFAS 123. Upon exercise, cancellation or expiration of stock options, deferred tax assets for options with multiple vesting dates are eliminated for each vesting period on a first-in, first-out basis as if each award had a separate vesting period. To calculate the excess tax benefits available for use in offsetting future tax shortfalls as of the date of implementation, the Company followed the alternative transition method discussed in FASB Staff Position (FSP) No. 123(R)-3, Transition Election Related to Accounting for Tax Effects of Share-Based Payment Awards (FSP 123(R)-3).

Options currently granted by the Company generally expire ten years from the grant date. Options granted to existing and newly hired employees generally vest over a four-year period from the date of grant.

Stock-based compensation recognized in the first nine months of fiscal 2007 as a result of the adoption of SFAS 123(R) as well as pro forma disclosures according to the original provisions of SFAS 123 for periods prior to the adoption of SFAS 123(R) use the Black-Scholes option pricing model for estimating fair value of options granted under the Company's stock option plans and rights to acquire stock granted under the Company's 1990 Employee Qualified Stock Purchase Plan (Stock Purchase Plan).

The following table summarizes the effects of stock-based compensation resulting from the application of SFAS 123(R) to options granted under the Company's stock option plans and rights to acquire stock granted under the Stock Purchase Plan:

(In thousands, except per share amounts)	Three Months Ended		Nine Months Ended	
	Dec. 30, 2006	Dec. 31, 2005	Dec. 30, 2006	Dec. 31, 2005
Stock-based compensation included in:				
Cost of revenues	\$ 2,292	\$	\$ 8,360	\$
Research and development	10,029		32,203	
Selling, general and administrative	9,123		29,595	
Stock-based compensation related to prior years			2,209	
Stock-based compensation effect on income before taxes	21,444		72,367	
Provision for income taxes	(6,566 )		(17,568 )	
Net stock-based compensation effect on net income	\$ 14,878	\$	\$ 54,799	\$
Stock-based compensation effect on basic net income per common share	\$ 0.04	\$	\$ 0.16	\$
Stock-based compensation effect on diluted net income per common share	\$ 0.04	\$	\$ 0.16	\$
Stock-based compensation effect on cash flows from operations	\$ (5,999 )	\$	\$ (19,056 )	\$
Stock-based compensation effect on cash flows from financing activities	\$ 5,999	\$	\$ 19,056	\$

In June 2006, under the direction of a Special Committee of the Board of Directors, outside counsel commenced an investigation of the Company's historical stock option-granting practices and found no evidence of fraud in the Company's practices in granting of stock options, nor any evidence of manipulation of the timing or exercise price of stock option grants. The investigation further found no issues of management integrity in the issuance of stock options. The investigation determined that in nearly all cases, stock options were issued as of pre-set dates.

Based on the results of the investigation and the Company's analysis of the facts, the Company took a \$2.2 million charge to its earnings for the first quarter of fiscal 2007 related to minor differences between recorded grant dates and measurement dates for certain stock option grants between 1997 and 2006. This one-time charge did not have a material effect on the Company's historical financial statements, and, thus, the Company did not restate its financial statements for prior years. See Note 14 for additional information about the conclusion of the investigation, which arose in response to the stockholder derivative complaints and a notification by the U.S. Securities and Exchange Commission (SEC) of an informal inquiry into the Company's historical stock option-granting practices. The SEC subsequently terminated its informal inquiry of the Company's stock option-granting practices and the stockholder derivative complaints were consolidated and subsequently dismissed.

In accordance with SFAS 123(R), the Company adjusts stock-based compensation on a quarterly basis for changes to the estimate of expected equity award forfeitures based on actual forfeiture experience. The effect of adjusting the forfeiture rate for all expense amortization after April 1, 2006 is recognized in the period the forfeiture estimate is changed. The effect of forfeiture adjustments in the first nine months of fiscal 2007 was insignificant.

The amount that the Company would have capitalized to inventory as of April 1, 2006, if it had applied the provisions of SFAS 123(R) retrospectively, was \$4.5 million. Under the provisions of SFAS 123(R), this \$4.5 million has been recorded as a credit to additional paid-in-capital. The total stock-based compensation released from the inventory capitalization during the third quarter of fiscal 2007 was \$400 thousand (\$2.1 million for the first nine months of fiscal 2007), which resulted in an ending inventory balance of \$2.4 million related to stock-based compensation at December 30, 2006. During the third quarter of fiscal 2007, the tax benefit realized for the tax deduction from option exercises and other awards totaled \$6.7 million (\$20.0 million for the first nine months of fiscal 2007). As of December 30, 2006, total unrecognized stock-based compensation costs related to stock options and Stock Purchase Plan was \$102.3 million and \$22.2 million, respectively. The total unrecognized stock-based compensation cost for stock options and Stock Purchase Plan is expected to be recognized over a weighted-average period of 2.6 years and 0.9 years, respectively.

Prior to the adoption of SFAS 123(R), the Company adopted the disclosure-only alternative allowed under SFAS 123, as amended by SFAS 148. Stock-based compensation expense recognized under SFAS 123(R) was not reflected in the Company's results of operations for the three and nine months ended December 31, 2005 for stock option awards as all options were granted with an exercise price equal to the market value of the underlying common stock on the date of grant. In addition, the Stock Purchase Plan was deemed non-compensatory under the provisions of APB 25. Forfeitures of awards were recognized as they occurred for the period prior to the adoption.

Pro forma information required under SFAS 123 for periods prior to fiscal 2007 as if the Company had applied the fair value recognition provisions of SFAS 123 to stock-based compensation, was as follows:

<b>(In thousands, except per share amounts)</b>	<b>Three Months Ended Dec. 31, 2005</b>	<b>Nine Months Ended Dec. 31, 2005</b>
Net income as reported	\$ 80,969	\$ 243,408
Deduct: Stock-based employee compensation expense determined under fair value method for all awards, net of tax	(21,380)	(62,327)
Pro forma net income	\$ 59,589	\$ 181,081
Net income per share:		
Basic-as reported	\$ 0.23	\$ 0.70
Basic-pro forma	\$ 0.17	\$ 0.52
Diluted-as reported	\$ 0.23	\$ 0.68
Diluted-pro forma	\$ 0.17	\$ 0.50

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The fair values of stock options and stock purchase plan rights under the Company's stock option plans and Stock Purchase Plan were estimated as of the grant date using the Black-Scholes option pricing model. In the first quarter of fiscal 2006, the Company modified its volatility assumption to use implied volatility for options granted. Previously, the Company used only historical volatility in deriving its volatility assumption. Management determined that implied volatility is more reflective of market conditions and a better indicator of expected volatility than historical volatility. The expected life of options granted is based on the historical exercise activity as well as the expected disposition of all options outstanding. Calculated under SFAS 123(R) (SFAS 123 for fiscal 2006), the per share weighted-average fair values of stock options granted during the third quarter of fiscal 2007 was \$9.19 (\$7.80 for the third quarter of fiscal 2006) and for the first nine months of fiscal 2007 was \$9.03 (\$7.91 for the first nine months of fiscal 2006). The fair value of stock options granted in fiscal 2007 and 2006 were estimated at the date of grant using the following weighted-average assumptions:

	Three Months Ended		Nine Months Ended	
	Dec. 30, 2006	Dec. 31, 2005	Dec. 30, 2006	Dec. 31, 2005
Expected life of options (years)	6.4	5.0	6.3 to 6.4	4.9 to 5.0
Expected stock price volatility	0.33 to 0.35	0.31 to 0.33	0.33 to 0.39	0.29 to 0.36
Risk-free interest rate	4.4% to 4.7 %	4.3% to 4.5 %	4.4% to 5.2 %	3.7% to 4.5 %
Dividend yield	1.5 %	1.1 %	1.5% to 1.6 %	1.0% to 1.1 %

Under the Company's Stock Purchase Plan, shares are only issued during the second and fourth quarters of each fiscal year. The per share weighted-average fair values of stock purchase rights granted under the Stock Purchase Plan during the third quarter of fiscal 2007 and 2006 were \$5.95 and \$7.47, respectively. The fair value of stock purchase plan rights granted in the third quarter of fiscal 2007 and 2006 were estimated at the date of grant using the following weighted-average assumptions:

	2007	2006
Expected life of options (years)	0.5 to 2.0	0.5 to 2.0
Expected stock price volatility	0.37 to 0.38	0.27 to 0.30
Risk-free interest rate	5.0% to 5.1 %	3.6% to 4.0 %
Dividend yield	1.6% to 1.8 %	1.4 %

Options outstanding that have vested and are expected to vest in future periods as of December 30, 2006 are as follows:

(Shares and intrinsic value in thousands)	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (1)
Vested (i.e. exercisable)	42,552	\$ 32.26	4.54	\$ 97,456
Expected to vest	14,454	\$ 26.99	8.65	6,261
Total vested and expected to vest	57,006	\$ 30.76	5.59	\$ 103,717
Total outstanding	57,992	\$ 30.83	5.64	\$ 104,270

(1) These amounts represent the difference between the exercise price and \$23.81, the closing price per share of Xilinx's stock on December 29, 2006, for all in-the-money options outstanding.

Options outstanding that are expected to vest are net of estimated future option forfeitures in accordance with the provisions of SFAS 123(R), which are estimated when compensation costs are recognized. Options with a fair value of \$27.1 million completed vesting during the third quarter of fiscal 2007 and options with a fair value of \$77.9 million completed vesting during the first nine months of fiscal 2007.

A summary of the Company's option plans activity and related information are as follows:

(Shares in thousands)	Options Outstanding		Weighted-Average Exercise Price Per Share
	Shares Available for Options	Number of Shares	
April 2, 2005	33,754	60,643	\$ 30.18
Granted	(8,489 )	8,489	\$ 25.91
Exercised		(6,090 )	\$ 11.71
Forfeited/cancelled/expired	3,212	(3,212 )	\$ 38.64
April 1, 2006	28,477	59,830	\$ 30.99
Granted	(7,691 )	7,691	\$ 23.30
Exercised		(4,784 )	\$ 14.02
Forfeited/cancelled/expired	4,745	(4,745 )	\$ 37.60
December 30, 2006	25,531	57,992	\$ 30.83

The total pre-tax intrinsic value of options exercised during the three and nine months ended December 30, 2006 was \$18.1 million and \$53.7 million, respectively. This intrinsic value represents the difference between the fair market value of the Company's common stock on the date of exercise and the exercise price of each option.

Since the Company adopted the policy of retiring all repurchased shares of its common stock, new shares are issued upon employees' exercise of their stock options.

On July 26, 2006, the stockholders approved the adoption of the 2007 Equity Incentive Plan and authorized 10.0 million shares to be reserved for issuance thereunder. Since the new plan is not effective until January 1, 2007, the 10.0 million shares to be reserved for issuance are not included as shares available for options in the table above. The 2007 Equity Incentive Plan will replace the Company's 1997 Stock Option Plan (which expires on May 6, 2007) and the Supplemental Stock Option Plan. See Appendix A to the Company's 2006 Proxy Statement for the full text of the 2007 Equity Incentive Plan.

Under the Stock Purchase Plan, employees purchased 885 thousand shares for \$15.3 million in the second quarter of fiscal 2007 and 631 thousand shares for \$15.2 million in the second quarter of fiscal 2006. No shares were issued during the first or third quarters of fiscal 2007 or 2006. The next scheduled purchase under the Stock Purchase Plan is in the fourth quarter of fiscal 2007. On July 26, 2006, the stockholders approved an amendment to increase the authorized number of shares available for issuance under the Stock Purchase Plan by 2.0 million shares. At December 30, 2006, 9.1 million shares were available for future issuance out of 36.5 million shares authorized.

#### 4. Net Income Per Common Share

The computation of basic net income per common share for all periods presented is derived from the information on the condensed consolidated statements of income, and there are no reconciling items in the numerator used to compute diluted net income per common share. The total shares used in the denominator of the diluted net income per common share calculation includes 5.6 million and 5.8 million common equivalent shares attributable to outstanding stock options for the third quarter and the first nine months of fiscal 2007, respectively, that are not included in basic net income per common share. For the third quarter and the first nine months of fiscal 2006, the total shares used in the denominator of the diluted net income per common share calculation includes 5.0 million and 6.2 million common equivalent shares attributable to outstanding stock options, respectively.

Outstanding out-of-the-money stock options to purchase approximately 41.0 million and 40.8 million shares, for the third quarter and the first nine months of fiscal 2007, respectively, under the Company's stock option plans were excluded from diluted net income per common share, applying the treasury stock method, as their inclusion would have been antidilutive. These options could be dilutive in the future if the Company's average share price increases and is greater than the combined exercise prices and the unamortized fair values of these options. For the third quarter and the first nine months of fiscal 2006, respectively, 37.6 million and 31.3 million of the Company's stock options outstanding were excluded from the calculation.



## 5. Inventories

Inventories are stated at the lower of cost (determined using the first-in, first-out method), or market (estimated net realizable value) and are comprised of the following:

(In thousands)	Dec. 30, 2006	April 1, 2006
Raw materials	\$ 30,180	\$ 10,390
Work-in-process	110,324	137,939
Finished goods	44,728	52,700
	\$ 185,232	\$ 201,029

## 6. Investment in United Microelectronics Corporation

At December 30, 2006, the fair value of the Company's equity investment in United Microelectronics Corporation (UMC) stock totaled \$72.3 million on the Company's condensed consolidated balance sheet. The Company accounts for its investment in UMC as available-for-sale marketable securities in accordance with SFAS 115, Accounting for Certain Debt and Equity Securities.

The following table summarizes the cost basis and fair values of the investment in UMC:

(In thousands)	Dec. 30, 2006 Adjusted Cost	Fair Value	April 1, 2006 Adjusted Cost	Fair Value
Current portion	\$	\$	\$ 32,235	\$ 37,285
Long-term portion	62,537	72,284	206,807	239,209
Total investment	\$ 62,537	\$ 72,284	\$ 239,042	\$ 276,494

During the third quarter of fiscal 2007, the Company sold 20.4 million shares of its UMC investment for approximately \$12.1 million in cash, resulting in a gain of approximately \$1.0 million. During the first nine months of fiscal 2007, the Company sold 325.9 million shares of its UMC investment for approximately \$183.5 million in cash, resulting in a gain of approximately \$7.0 million. The gains are included in interest income and other, net in the consolidated statements of income.

During the first nine months of fiscal 2007, the fair value of the UMC investment decreased by \$204.2 million, including the sale of shares noted above. The fair value of the Company's total UMC investment decreased by \$4.4 million during the three months ended December 30, 2006, including the sale of shares noted above. At December 30, 2006, the Company recorded a total of \$3.7 million of deferred tax liabilities and a \$6.0 million balance (net of tax) in accumulated other comprehensive income associated with the UMC investment.

## 7. Common Stock Repurchase Programs

The Board of Directors has approved stock repurchase programs enabling the Company to repurchase its common stock in the open market or through negotiated transactions with financial institutions. During the first quarter of fiscal 2007, the Company completed its \$350.0 million repurchase program announced in April 2005 by repurchasing 2.8 million shares for \$73.9 million. On February 9, 2006, the Board authorized the repurchase of up to an additional \$600.0 million of common stock. This share repurchase program has no stated expiration date. Through December 30, 2006, the Company had repurchased \$326.1 million of the \$600.0 million of common stock approved for repurchase under the February 2006 authorization. Between both repurchase programs the Company repurchased a total of \$400.0 million of common stock during the nine months ended December 30, 2006. Beginning with the third quarter of fiscal 2006, the Company adopted the policy of retiring all repurchased shares, and consequently, no treasury shares were held at December 30 or April 1, 2006.

During the first nine months of fiscal 2007 and 2006, the Company entered into stock repurchase agreements with independent financial institutions. Under these agreements, Xilinx provided these financial institutions with up-front payments totaling \$150.0 million for the third quarter of fiscal 2007 (\$350.0 million for the first nine months of fiscal 2007) and \$125.0 million for the third quarter of fiscal 2006 (\$225.0 million for the first nine months of fiscal 2006). These financial institutions agreed to deliver to Xilinx a certain number of shares based upon the volume weighted-average price, during the contract period, less a specified discount. As of December 30, 2006 and December 31, 2005, no up-front payment balances remained under these agreements. In addition, under the





guidelines of Rule 10b5-1 under the U.S. Securities Exchange Act of 1934, as amended, Xilinx entered into other agreements with the same independent financial institutions within the first and second quarters of fiscal 2007 and 2006 to repurchase additional shares on its behalf. No additional shares were repurchased in the third quarter of fiscal 2007 or 2006 after the conclusion of the aforementioned agreements.

During the third quarter and the first nine months of fiscal 2007, the Company repurchased a total of 5.9 million and 16.5 million shares of common stock for \$150.0 million and \$400.0 million, respectively, including the amounts purchased by the financial institutions and remitted to the Company. During the third quarter and the first nine months of fiscal 2006, the Company repurchased a total of 5.0 million and 10.5 million shares of common stock for \$125.0 million and \$274.9 million, respectively, including the amounts purchased by the financial institutions and remitted to the Company.

## 8. Impairment Loss

The Company recognized impairment losses on investments of \$1.5 million and \$2.0 million during the third quarter and the first nine months of fiscal 2007, respectively, related to non-marketable equity securities in private companies. These impairment losses resulted from certain investees diluting Xilinx's investment through the receipt of additional rounds of investment at a lower per share price.

## 9. Comprehensive Income

The components of comprehensive income are as follows:

(In thousands)	Three Months Ended		Nine Months Ended	
	Dec. 30, 2006	Dec. 31, 2005	Dec. 30, 2006	Dec. 31, 2005
Net income	\$ 87,509	\$ 80,969	\$ 263,046	\$ 243,408
Net change in unrealized gain (loss) on available- for-sale securities, net of tax	3,872	(27,074 )	(13,952 )	(3,598 )
Reclassification adjustment for losses on available-for-sale securities, net of tax, included in earnings	598	68	3,053	680
Net change in unrealized gain (loss) on hedging transactions, net of tax	63	(331 )	(113 )	(751 )
Net change in cumulative translation adjustment	636	(1,248 )	1,885	(1,979 )
Comprehensive income	\$ 92,678	\$ 52,384	\$ 253,919	\$ 237,760

The components of accumulated other comprehensive income at December 30, 2006 and April 1, 2006 are as follows:

(In thousands)	Dec. 30, 2006	April 1, 2006
Accumulated unrealized gain on available-for-sale securities, net of tax	\$ 3,898	\$ 14,797
Accumulated unrealized gain on hedging transactions, net of tax	5	118
Accumulated cumulative translation adjustment	2,779	894
Accumulated other comprehensive income	\$ 6,682	\$ 15,809

The change in the accumulated unrealized gain on available-for-sale securities, net of tax, at December 30, 2006, primarily reflects the decrease in value of the UMC investment since April 1, 2006 (see Note 6). In addition, the unrealized loss on the Company's short-term and long-term investments decreased by \$10.2 million during the nine months ended December 30, 2006.

## 10. Significant Customers and Concentrations of Credit Risk

In July 2005, two of the Company's distributors, Avnet, Inc. (Avnet) and the Memec Group (Memec), consolidated and merged into one entity, with Avnet as the surviving company. As of December 30, 2006, the combined Avnet/Memec entity accounted for 86% of the Company's total accounts receivable. Resale of product



through this combined entity accounted for 64% and 67% of the Company's worldwide net revenues in the third quarter and the first nine months of fiscal 2007, respectively. Had this acquisition been completed for all periods presented, resale of product through this combined entity would have accounted for 69% and 71% of the Company's worldwide net revenues in the third quarter and the first nine months of fiscal 2006, respectively.

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 condensed 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. During the third quarter of fiscal 2007, the Company obtained credit insurance for a portion of its accounts receivable balance to further mitigate the concentration of its credit risk. Xilinx generally does not require collateral for receivables from its end customers or from distributors.

No end customer accounted for more than 10% of net revenues for any of the periods presented.

The Company mitigates concentrations of credit risk in its investments in debt securities by investing more than 80% of its portfolio in AA or higher grade securities as rated by Standard & Poor's. Additionally, Xilinx limits its investments in the debt securities of a single issuer and attempts to further mitigate credit risk by diversifying risk across geographies and type of issuer.

#### 11. Income Taxes

The Company recorded tax provisions of \$15.6 million and \$66.8 million for the third quarter and the first nine months of fiscal 2007, respectively, representing effective tax rates of 15% and 20%, respectively. The Company recorded tax provisions of \$49.8 million and \$85.4 million for the third quarter and the first nine months of fiscal 2006, respectively, representing effective tax rates of 38% and 26%, respectively.

When compared to the third quarter of fiscal 2006, the lower effective tax rate for the third quarter of fiscal 2007 was primarily due to a decrease in the net charge to income tax expense for items unique to the quarter. The effective tax rate also benefited from an increase in the portion of income earned in lower tax rate jurisdictions. However, this benefit was partially offset by certain non-deductible stock-based compensation expenses. In the third quarter of fiscal 2007, the Company recorded a \$1.3 million tax benefit for federal research and development (R&D) tax credits for the fourth quarter of fiscal 2006 and reduced its estimated effective tax rate for fiscal 2007 by approximately one percentage point due to the retroactive re-enactment of the federal R&D tax credit on December 20, 2006. In addition, the Company recorded a \$1.2 million tax benefit for adjustments to the estimated fiscal 2006 tax accruals upon filing its 2006 U.S. federal income tax return.

During the third quarter of fiscal 2006, the Company's Chief Executive Officer and its Board of Directors approved a \$500.0 million repatriation dividend from its foreign subsidiaries that qualified for the 85% dividends received deduction under the provisions of the American Jobs Creation Act of 2004. The dividend was paid prior to the end of the fourth quarter of fiscal 2006. The tax effect of the repatriation dividend recorded in the third quarter of fiscal 2006 resulted in a net increase in federal and state tax (net of federal benefit) of \$25.3 million. The negative effects were partially offset by approximately \$5.9 million in tax benefit related to the recognition of deferred tax assets for state R&D tax credits where the Company determined that it was more likely than not that the asset would be realized. The Company also recorded a \$1.4 million tax benefit for the adjustment to estimated fiscal 2005 tax accruals upon filing the 2005 U.S. federal income tax return and a \$2.3 million tax benefit related to the release of reserves due to the expiration of the federal statute of limitations for fiscal 2002. Also included in the first nine months of fiscal 2006 was a net tax benefit of \$8.0 million (\$9.4 million offset by taxes of \$1.4 million on interest income) related to a favorable U.S. Tax Court (Tax Court) decision.

The difference between the U.S. federal statutory tax rate of 35% and the Company's effective tax rate is primarily due to income earned in lower tax rate jurisdictions, for which no U.S. income tax has been provided, as the Company intends to permanently reinvest these earnings outside of the U.S.

The Company was examined by the Internal Revenue Service (IRS) for its fiscal 1996 through 2001 tax years. All issues were settled with the exception of issues related to the cost sharing of stock options. On August 30, 2005, the Tax Court issued its opinion concerning whether the value of stock options must be included in the cost sharing agreement with Xilinx Ireland. The Tax Court agreed with the Company that no amount for stock options was to be included in the cost sharing agreement, and thus, the Company had no tax, interest or penalties due for this issue. The decision was entered by the Tax Court on May 31, 2006. On August 25, 2006, the IRS appealed the decision to the Ninth Circuit Court of Appeals. The Company intends to oppose this appeal as it believes that



the Tax Court decided the case correctly. Management has assessed the risk of loss, and determined that no accrual is required. If the Company were to lose on appeal, the amount due to the IRS would be approximately \$39.3 million. Of that amount, only \$6.2 million would be an expense to the consolidated statement of income and the remaining \$33.1 million would be an adjustment to additional paid-in capital. The Company would also be required to reverse \$3.2 million of interest income accrued to date on prepayments to the IRS.

## 12. Commitments

Xilinx leases some of its facilities and office buildings under non-cancelable operating leases that expire at various dates through July 2016. During the third quarter of fiscal 2006, Xilinx entered into a land lease in conjunction with the Company's new building investment in Singapore. The lease cost was settled in an up-front payment in June 2006. Some of the operating leases for facilities and office buildings require payment of operating costs, including property taxes, repairs, maintenance and insurance.

Approximate future minimum lease payments under non-cancelable operating leases are as follows:

Years ending March 31,	(In thousands)
2007 (remaining three months)	\$ 2,265
2008	7,044
2009	5,759
2010	4,237
2011	2,978
Thereafter	3,306
	\$ 25,589

Most of the Company's leases contain renewal options for varying terms. Rent expense, net of rental income, under all operating leases was \$2.0 million and \$5.9 million for the third quarter and the first nine months of fiscal 2007, respectively. Rent expense, net of rental income, under all operating leases was \$1.5 million and \$4.9 million for the third quarter and the first nine months of fiscal 2006, respectively.

In November 2005, Xilinx made an investment commitment of \$37.0 million for a new building in Singapore, the Company's Asia Pacific regional headquarters. As of December 30, 2006, approximately \$24.0 million of the Company's investment commitment remains outstanding. The project is expected to be completed in June 2007.

Other commitments at December 30, 2006 totaled \$74.4 million and consisted of purchases of inventory and other non-cancelable purchase obligations related to subcontractors that manufacture silicon wafers and provide assembly and some test services. The Company expects to receive and pay for these materials and services in the next three to six months, as the products meet delivery and quality specifications. As of December 30, 2006, the Company also has \$24.0 million of non-cancelable license obligations to providers of electronic design automation software expiring at various dates through December 2010.

In the fourth quarter of fiscal 2005, the Company committed up to \$20.0 million to acquire, in the future, rights to intellectual property until July 2023. License payments will be amortized over the useful life of the intellectual property acquired.

## 13. Product Warranty and Indemnification

The Company generally sells products with a limited warranty for product quality. The Company provides for known product issues if a loss is probable and can be reasonably estimated. The warranty accrual and related provision for known product issues increased in the first quarter of fiscal 2007 predominantly due to a specific quality issue with one of our vendors. The following table presents a reconciliation of the Company's product warranty liability, which is included in other accrued liabilities on the Company's condensed consolidated balance sheets:

(In thousands)	Nine Months Ended	
	Dec. 30, 2006	Dec. 31, 2005
Balance at beginning of period	\$ 893	\$
Provision	2,614	1,649
Utilized	(3,041)	(551)
Balance at end of period	\$ 466	\$ 1,098



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

#### 14. Contingencies

##### *Internal Revenue Service*

On August 25, 2006, the IRS filed a Notice of Appeal that it appeals to the U.S. Court of Appeal for the Ninth Circuit, the August 30, 2005 decision of the Tax Court. In its 2005 decision, the Tax Court decided in favor of the Company and rejected the IRS's position that the value of compensatory stock options must be included in the Company's cost sharing agreement with its Irish affiliate. The Company intends to oppose this appeal as it believes that the Tax Court decided the case correctly. Management has assessed the risk of loss, and determined that no accrual is required (see Note 11).

The IRS recently notified the Company that they will audit the Company's fiscal 2005 income tax return. The Company believes that adequate amounts have been reserved for any adjustments which may ultimately result.

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

##### *Patent Litigation*

On October 17, 2005, a patent infringement lawsuit was filed by Lizy K. John (John) against Xilinx in the U.S. District Court for the Eastern District of Texas, Marshall Division. John sought an injunction, unspecified damages and attorneys' fees.

On November 27, 2006, the Company settled the patent infringement lawsuit with John, under which the Company agreed to pay \$6.5 million. John agreed to dismiss the patent infringement lawsuit with prejudice, granted a patent license to the Company and executed an agreement not to sue the Company under any patent owned or controlled by John for ten years. As a result of the settlement agreement, the Company recorded a current period charge of \$2.5 million during the third quarter of fiscal 2007. The remaining balance of \$4.0 million represented the value of the prepaid patent license granted as part of the settlement. This balance will be amortized over the asset's remaining useful life.

##### *SEC Informal Inquiry*

On June 22, 2006, the Company received notice from the SEC advising that the SEC had commenced an informal inquiry into the Company's historical stock option-granting practices. The notice included an informal request for documents. Based on the results of the investigation performed by outside counsel at the direction of a Special Committee of the Board of Directors and the Company's analysis of the facts, the Company took a \$2.2 million charge to its earnings for the first quarter of fiscal 2007. The charge was based on the difference between recorded grant dates and measurement dates in certain stock option grants between 1997 and 2006. The investigation found no evidence of fraud in the Company's practices in granting of stock options, nor any evidence of manipulation of the timing or exercise price of stock option grants. The investigation further found no issues of management integrity in the issuance of stock options. The investigation determined that in nearly all cases, stock options were issued as of pre-set dates. The Special Committee and the Board of Directors declared the investigation to be concluded.

On November 28, 2006, the SEC formally notified the Company that its investigation of the Company's stock option granting practices was terminated and that no enforcement action was recommended.

##### *Stockholder Derivative Lawsuits*

On June 2, 2006, a Xilinx stockholder filed a derivative complaint in the U.S. District Court for the Northern District of California (*Murphy v. Roelandts et al.*, Case No. C 06 3564 RMW), purportedly on behalf of the Company, against members of the Company's Board of Directors and against certain of the Company's officers. The complaint alleged, among other things, that defendants mismanaged corporate assets and breached their fiduciary duties between 1998 and the date of filing by authorizing or failing to halt the backdating of certain





stock options. The complaint also alleged that the officer defendants were unjustly enriched by their receipt and retention of the backdated stock option grants and that the Company issued false and misleading proxy statements in fiscal 2002 and 2003.

On June 28, 2006, a second Xilinx stockholder filed a separate, but substantially similar, derivative complaint in the U.S. District Court for the Northern District of California (*Blum v. Roelandts et al.*, Case No. C 06 4016 JW), purportedly on behalf of the Company, against members of the Company's Board of Directors and against certain of the Company's officers. The complaint alleged, among other things, that defendants mismanaged corporate assets and breached their fiduciary duties between 1998 and the date of filing by authorizing or failing to halt the backdating of certain stock options. The complaint also alleged that defendants were unjustly enriched by the receipt and retention of the backdated stock option grants and that certain of the defendants sold Xilinx stock for a profit while in possession of material, non-public information. The complaint also alleged that the Company issued false and misleading financial disclosures and proxy statements from fiscal 1998 through 2006. In addition, the complaint alleged that defendants engaged in a fraudulent scheme to divert millions of dollars to themselves via improper option grants.

The two stockholder derivative complaints were consolidated into one stockholder derivative case. The consolidated stockholder derivative case was subsequently dismissed by the U.S. District Court for the Northern District of California (see Note 16).

#### *Other Matters*

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

#### 15. Goodwill and Acquisition-Related Intangibles

As of December 30, 2006 and April 1, 2006, the gross and net amounts of goodwill and of acquisition-related intangibles for all acquisitions were as follows:

(In thousands)	Dec. 30, 2006	April 1, 2006	Amortization Life
Goodwill-gross	\$ 176,422	\$ 176,608	
Less accumulated amortization through fiscal 2002	51,524	51,524	
Goodwill-net	\$ 124,898	\$ 125,084	
Noncompete agreements-gross	\$ 24,304	\$ 24,304	2.5 to 3 years
Less accumulated amortization	24,304	24,116	
Noncompete agreements-net		188	
Patents-gross	22,752	22,752	5 to 7 years
Less accumulated amortization	17,861	15,288	
Patents-net	4,891	7,464	
Miscellaneous intangibles-gross	58,958	58,958	2 to 5 years
Less accumulated amortization	47,283	43,959	
Miscellaneous intangibles-net	11,675	14,999	
Total acquisition-related intangibles-gross	106,014	106,014	
Less accumulated amortization	89,448	83,363	
Total acquisition-related intangibles-net	\$ 16,566	\$ 22,651	

The goodwill balance at December 30, 2006, compared to the balance at April 1, 2006, reflects the reduction for a tax adjustment related to RocketChips' goodwill.

Amortization expense for all intangible assets for the third quarter and the first nine months of fiscal 2007 was \$2.0 million and \$6.1 million, respectively. For the third quarter and the first nine months of fiscal 2006, amortization expense for all intangible assets was \$1.5 million and \$5.1 million, respectively. Intangible assets are amortized on a straight-line basis. Based on the carrying value of acquisition-related intangibles recorded at December 30, 2006, and assuming no subsequent impairment of the underlying assets, the annual amortization



expense for acquisition-related intangibles is expected to be as follows: fiscal 2007 (remaining three months) - \$1.9 million; 2008 - \$6.8 million; 2009 - \$5.4 million; 2010 - \$1.5 million; 2011 - \$1.0 million.

16. **Subsequent Event**

On January 8, 2007, the U.S. District Court for the Northern District of California dismissed the consolidated stockholder derivative lawsuit that was filed against members of the Company's Board of Directors and certain of the Company's officers.

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**PART II. OTHER INFORMATION**

**ITEM 6. EXHIBITS**

**(a) Exhibits**

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Amendment No. 1 on Form 10-Q/A to be signed on its behalf by the undersigned thereunto duly authorized.

XILINX, INC.

Date: February 6, 2007

/s/ Jon A. Olson  
Jon A. Olson  
Senior Vice President, Finance  
and Chief Financial Officer  
(as principal accounting and financial  
officer and on behalf of Registrant)

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