ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis of financial condition and results of operations should be read in conjunction with our consolidated financial statements and accompanying notes included in Item 8. “Financial Statements and Supplementary Data.”

Cautionary Statement

The statements in this Management’s Discussion and Analysis that are forward-looking, within the meaning of the Private Securities Litigation Reform Act of 1995, involve numerous risks and uncertainties and are based on current expectations. The reader should not place undue reliance on these forward-looking statements. Our actual results could differ materially from those anticipated in these forward-looking statements for many reasons, including those risks discussed under “Risk Factors” and elsewhere in this document. Often, forward-looking statements can be identified by the use of forward-looking words, such as “may,” “will,” “could,” “should,” “expect,” “believe,” “anticipate,” “estimate,” “continue,” “plan,” “intend,” “project” and other similar terminology, or the negative of such terms. We disclaim any responsibility to update or revise any forward-looking statement provided in this Management’s Discussion and Analysis for any reason.

Nature of Operations

We design, develop and market programmable platforms, including advanced ICs in the form of PLDs, software design tools and predefined system functions delivered as IP. In addition to our programmable platforms, we provide design services, customer training, field engineering and technical support. Our PLDs include FPGAs, CPLDs and EPPs. These devices are standard products that our customers program to perform desired logic functions. Our products are designed to provide high integration and quick time-to-market for electronic equipment manufacturers in end markets such as wired and wireless communications, industrial, scientific and medical, aerospace and defense, audio, video and broadcast, consumer, automotive and data processing. We sell our products globally through independent domestic and foreign distributors and through direct sales to OEMs by a network of independent sales representative firms and by a direct sales management organization.

Critical Accounting Policies and Estimates

The methods, estimates and judgments we use in applying our most critical accounting policies have a significant impact on the results we report in our consolidated financial statements. The SEC has defined critical accounting policies as those that are most important to the portrayal of our financial condition and results of operations and require us to make our most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, our critical accounting policies include: valuation of marketable securities, which impacts losses on debt and equity securities when we record impairments; revenue recognition, which impacts the recording of revenues; and valuation of inventories, which impacts cost of revenues and gross margin. Our critical accounting policies also include: the assessment of impairment of long-lived assets including acquisition-related intangibles, which impacts their valuation; the assessment of the recoverability of goodwill, which impacts goodwill impairment; accounting for income taxes, which impacts the provision or benefit recognized for income taxes, as well as the valuation of deferred tax assets recorded on our consolidated balance sheet; and valuation and recognition of stock-based compensation, which impacts gross margin, R&D expenses, and selling, general and administrative (SG&A) expenses. Below, we discuss these policies further, as well as the estimates and judgments involved. We also have other key accounting policies that are not as subjective, and therefore, their application would not require us to make estimates or judgments that are as difficult, but which nevertheless could significantly affect our financial reporting.

Valuation of Marketable Securities

Our short-term and long-term investments include marketable debt securities. As of March 31, 2012, we had marketable debt securities with a fair value of $2.83 billion.

We determine the fair values for marketable debt securities using industry standard pricing services, data providers and other third-party sources and by internally performing valuation testing and analyses. See “Note 3. Fair Value Measurements” to our consolidated financial statements, included in Item 8. “Financial Statements and Supplementary Data,” for details of the valuation methodologies. In determining if and when a decline in value below adjusted cost of marketable debt and equity securities is other than temporary, we evaluate on an ongoing basis the market conditions, trends of earnings, financial condition, credit ratings, any underlying collateral and other key measures for our investments. We did not record any other-than-temporary impairment for marketable debt or equity securities in fiscal 2012, 2011 or 2010.

Revenue Recognition

Sales to distributors are made under agreements providing distributor price adjustments and rights of return under certain circumstances. Revenue and costs relating to distributor sales are deferred until products are sold by the distributors to the distributors' end customers. For fiscal 2012, approximately 61% of our net revenues were from products sold to distributors for subsequent resale to OEMs or their subcontract manufacturers. Revenue recognition depends on notification from the distributor that product has been sold to the distributor's end customer. Also reported by the distributor are product resale price, quantity and end customer shipment information, as well as inventory on hand. Reported distributor inventory on hand is reconciled to deferred revenue balances monthly. We maintain system controls to validate distributor data and to verify that the reported information is accurate. Deferred income on shipments to distributors reflects the estimated effects of distributor price adjustments and the estimated amount of gross margin expected to be realized when distributors sell through product purchased from us. Accounts receivable from distributors are recognized and inventory is relieved when title to inventories transfers, typically upon shipment from Xilinx at which point we have a legally enforceable right to collection under normal payment terms.

As of March 31, 2012, we had $90.0 million of deferred revenue and $23.0 million of deferred cost of revenues recognized as a net $67.0 million of deferred income on shipments to distributors. As of April 2, 2011, we had $134.0 million of deferred revenue and $34.2 million of deferred cost of revenues recognized as a net $99.8 million of deferred income on shipments to distributors. The deferred income on shipments to distributors that will ultimately be recognized in our consolidated statement of income will be different than the amount shown on the consolidated balance sheet due to actual price adjustments issued to the distributors when the product is sold to their end customers.

Revenue from sales to our direct customers is recognized upon shipment provided that persuasive evidence of a sales arrangement exists, the price is fixed, title has transferred, collection of resulting receivables is reasonably assured, and there are no customer acceptance requirements and no remaining significant obligations. For each of the periods presented, there were no significant formal acceptance provisions with our direct customers.

Revenue from software licenses is deferred and recognized as revenue over the term of the licenses of one year. Revenue from support services is recognized when the service is performed. Revenue from Support Products, which includes software and services sales, was less than 6% of net revenues for all of the periods presented.

Allowances for end customer sales returns are recorded based on historical experience and for known pending customer returns or allowances.

Valuation of Inventories

Inventories are stated at the lower of actual cost (determined using the first-in, first-out method) or market (estimated net realizable value). The valuation of inventory requires us to estimate excess or obsolete inventory as well as inventory that is not of salable quality. We review and set standard costs quarterly to approximate current actual manufacturing costs. Our manufacturing overhead standards for product costs are calculated assuming full absorption of actual spending over actual volumes, adjusted for excess capacity. Given the cyclicality of the market, the obsolescence of technology and product lifecycles, we write down inventory based on forecasted demand and technological obsolescence. These forecasts are developed based on inputs from our customers, including bookings and extended but uncommitted demand forecasts, and internal analyses such as customer historical purchasing trends and actual and anticipated design wins, as well as market and economic conditions, technology changes, new product introductions and changes in strategic direction. These factors require estimates that may include uncertain elements. The estimates of future demand that we use in the valuation of inventory are the basis for our published revenue forecasts, which are also consistent with our short-term manufacturing plans. The differences between our demand forecast and the actual demand in the recent past have not resulted in any material write down in our inventory. If our demand forecast for specific products is greater than actual demand and we fail to reduce manufacturing output accordingly, we could be required to write down additional inventory, which would have a negative impact on our gross margin.

Impairment of Long-Lived Assets Including Acquisition-Related Intangibles

Long-lived assets and certain identifiable intangible assets to be held and used are reviewed for impairment if indicators of potential impairment exist. Impairment indicators are reviewed on a quarterly basis. When indicators of impairment exist and assets are held for use, we estimate future undiscounted cash flows attributable to the assets. In the event such cash flows are not expected to be sufficient to recover the recorded value of the assets, the assets are written down to their estimated fair values based on the expected discounted future cash flows attributable to the assets or based on appraisals. Factors affecting impairment of assets held for use include the ability of the specific assets to generate separately identifiable positive cash flows.

When assets are removed from operations and held for sale, we estimate impairment losses as the excess of the carrying value of the assets over their fair value. Market conditions are amongst the factors affecting impairment of assets held for sale. Changes in any of these factors could necessitate impairment recognition in future periods for assets held for use or assets held for sale.

Long-lived assets such as other intangible assets and property, plant and equipment are considered non-financial assets, and are only measured at fair value when indicators of impairment exist.

Goodwill

Goodwill is not amortized but is subject to impairment tests on an annual basis, or more frequently if indicators of potential impairment exist, and goodwill is written down when it is determined to be impaired. We perform an annual impairment review in the fourth quarter of each fiscal year and compare the fair value of the reporting unit in which the goodwill resides to its carrying value. If the carrying value exceeds the fair value, the goodwill of the reporting unit is potentially impaired. For purposes of impairment testing, Xilinx operates as a single reporting unit. We use the quoted market price method to determine the fair value of the reporting unit. Based on the impairment review performed during the fourth quarter of fiscal 2012, there was no impairment of goodwill in fiscal 2012. Unless there are indicators of impairment, our next impairment review for goodwill will be performed and completed in the fourth quarter of fiscal 2013. To date, no impairment indicators have been identified.

Accounting for Income Taxes

Xilinx is a multinational corporation operating in multiple tax jurisdictions. We must determine the allocation of income to each of these jurisdictions based on estimates and assumptions and apply the appropriate tax rates for these jurisdictions. We undergo routine audits by taxing authorities regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. Tax audits often require an extended period of time to resolve and may result in income tax adjustments if changes to the allocation are required between jurisdictions with different tax rates.

In determining income for financial statement purposes, we must make certain estimates and judgments. These estimates and judgments occur in the calculation of certain tax liabilities and in the determination of the recoverability of certain deferred tax assets, which arise from temporary differences between the tax and financial statement recognition of revenue and expense. Additionally, we must estimate the amount and likelihood of potential losses arising from audits or deficiency notices issued by taxing authorities. The taxing authorities' positions and our assessment can change over time resulting in a material effect on the provision for income taxes in periods when these changes occur.

We must also assess the likelihood that we will be able to recover our deferred tax assets. If recovery is not likely, we must increase our provision for taxes by recording a reserve in the form of a valuation allowance for the deferred tax assets that we estimate will not ultimately be recoverable.

We perform a two-step approach to recognize and measure uncertain tax positions relating to accounting for income taxes. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being ultimately realized. See "Note 16. Income Taxes" to our consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data."

Stock-Based Compensation

Determining the appropriate fair-value model and calculating the fair value of stock-based awards at the date of grant requires judgment. We use the Black-Scholes option-pricing model to estimate the fair value of employee stock options and rights to purchase shares under our Employee Stock Purchase Plan. Option pricing models, including the Black-Scholes model, also require the use of input assumptions, including expected stock price volatility, expected life, expected dividend rate, expected forfeiture rate and expected risk-free rate of return. We use implied volatility based on traded options in the open market as we believe implied volatility is more reflective of market conditions and a better indicator of expected volatility than historical volatility. In determining the appropriateness of implied volatility, we considered: the volume of market activity of traded options, and determined there was sufficient market activity; the ability to reasonably match the input variables of traded options to those of options granted by us, such as date of grant and the exercise price, and determined the input assumptions were comparable; and the length of term of traded options used to derive implied volatility, which is generally one to two years and which was extrapolated to match the expected term of the employee options granted by us, and determined the length of the option term was reasonable. The expected life of options granted is based on the historical exercise activity as well as the expected disposition of all options outstanding. We will continue to review our input assumptions and make changes as deemed appropriate depending on new information that becomes available. Higher volatility and expected lives result in a proportional increase to stock-based compensation determined at the date of grant. The expected dividend rate and expected risk-free rate of return do not have as significant an effect on the calculation of fair value.

In addition, we developed an estimate of the number of stock-based awards which will be forfeited due to employee turnover. Quarterly changes in the estimated forfeiture rate have an effect on reported stock-based compensation, as the effect of adjusting the rate for all expense amortization is recognized in the period the forfeiture estimate is changed. If the actual forfeiture rate is higher than the estimated forfeiture rate, then an adjustment is made to increase the estimated forfeiture rate, which will result in a decrease to the expense recognized in the financial statements. If the actual forfeiture rate is lower than the estimated forfeiture rate, then an adjustment is made to decrease the estimated forfeiture rate, which will result in an increase to the expense recognized in the financial statements. The impact of forfeiture true up in fiscal 2012, 2011 and 2010 reduced stock-based compensation expense by $3.7 million, $5.1 million and $7.7 million, respectively. The expense we recognize in future periods could also differ significantly from the current period and/or our forecasts due to adjustments in the assumed forfeiture rates.

Results of Operations

The following table sets forth statement of income data as a percentage of net revenues for the fiscal years indicated:

	2012	2011	2010
Net revenues	**100.0 %**	**100.0 %**	**100.0 %**
Cost of revenues	35.1	34.6	36.6
Gross margin	**64.9**	**65.4**	**63.4**
Operating expenses:			
Research and development	19.4	16.6	20.2
Selling, general and administrative	16.3	14.8	17.9
Amortization of acquisition-related intangibles	0.3	—	0.1
Restructuring charges	0.2	0.4	1.6
Litigation	0.7	—	—
Total operating expenses	36.9	31.8	39.8
Operating income	**28.0**	**33.6**	**23.6**
Impairment loss on investments	—	0.2	0.2
Interest and other expense, net	1.4	0.8	0.4
Income before income taxes	**26.6**	**32.6**	**23.0**
Provision for income taxes	2.9	5.5	3.5
Net income	**23.7%**	**27.1%**	**19.5%**

Net Revenues

(In millions)	2012	Change	2011	Change	2010
Net revenues	$2,240.7	(5)%	$2,369.4	29%	$1,833.6

Net revenues in fiscal 2012 decreased 5% to $2.24 billion from $2.37 billion in fiscal 2011. New Product revenues increased in fiscal 2012 but were offset by declines from our Mainstream, Base and Support Products, which declines were due to lower sales primarily in the Communications end market. Net revenues in fiscal 2011 increased significantly compared to fiscal 2010. The increase was primarily driven by strong New Product growth and broad-based strength across all of our end markets and geographies. See “Net Revenues by Product” and “Net Revenues by End Markets” below for more information on our product and end-market categories.

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

Net Revenues by Product

We sell our products to global manufacturers of electronic products in end markets such as wired and wireless communications, aerospace and defense, industrial, scientific and medical and audio, video and broadcast. The vast majority of our net revenues are generated by sales of our semiconductor products, but we also generate sales from support products. We classify our product offerings into four categories: New, Mainstream, Base and Support Products. The composition of each product category is as follows:

- New Products include our most recent product offerings and include the Virtex-7, Kintex-7, Zynq-7000, Virtex-6, Virtex-5, Spartan-6, Spartan-3A and Spartan-3E product families.
- Mainstream Products include the Virtex-4, Spartan-3, Spartan-II and CoolRunner-II product families.
- Base Products consist of our older product families including the Virtex, Virtex-E, Virtex-II, Spartan, XC4000, CoolRunner and XC9500 products.
- Support Products include configuration products (PROMs), software, IP, customer training, design services and support.

These product categories, except for Support Products, are modified on a periodic basis to better reflect the age of the products and advances in technology. The most recent modification was made on March 29, 2009, which was the beginning of our fiscal 2010. Amounts for the prior periods presented have been reclassified to conform to the new categorization. New Products include our most recent product offerings and are typically designed into our customers' latest generation of electronic systems. Mainstream Products are generally several years old and designed into customer programs that are currently shipping in full production. Base Products are older than Mainstream Products with demand generated generally by the customers' oldest systems still in production. Support Products are generally products or services sold in conjunction with our semiconductor devices to aid customers in the design process.

Net revenues by product categories for the fiscal years indicated were as follows:

(In millions)	2012	% of Total	% Change	2011	% of Total	% Change	2010	% of Total
New Products	$1,159.1	52	14	$1,020.6	43	76	$ 580.0	32
Mainstream Products	503.6	22	(23)	652.3	28	8	604.6	33
Base Products	485.5	22	(18)	589.4	25	5	559.1	30
Support Products	92.5	4	(14)	107.1	4	19	89.9	5
Total net revenues	$2,240.7	100	(5)	$2,369.4	100	29	$1,833.6	100

Net revenues from New Products increased in fiscal 2012 as a result of continued strong market acceptance of these products, particularly for our Virtex-6 and Spartan-6 product families. We expect sales of New Products to continue to increase over time as more customer programs enter volume production with these products and as our new 28-nm products begin their sales ramp. In fiscal 2011, strong market acceptance of our 65-nm Virtex-5, 40-nm Virtex-6 and 45-nm Spartan-6 product families contributed to the majority of the revenue growth versus the comparable prior year period.

Net revenues from Mainstream Products declined in fiscal 2012 from the comparable prior year period. The decrease was primarily due to a decline in sales of our Virtex-4 product family. Net revenues from Mainstream Products increased in fiscal 2011 from the comparable prior year period. The increase was primarily due to strength from our Virtex-4 product family.

Net revenues from Base Products declined in fiscal 2012 from the comparable prior year period. The decrease was as expected due to a decline in sales from Virtex-2 product family. The increase in net revenues from Base Products in fiscal 2011, as compared to the prior year period, was primarily due to last time buying activities for some of our oldest products.

Net revenues from Support Products declined in fiscal 2012 from the comparable prior year period. The decrease was due to a decline in sales from our PROM products. Net revenues from Support Products increased in fiscal 2011 from the comparable prior year period. The decrease was primarily due to higher revenues from our PROM products.

Net Revenues by End Markets

Our end market revenue data is derived from our understanding of our end customers' primary markets. We classify our net revenues by end markets into four categories: Communications, Industrial and Other, Consumer and Automotive, and Data Processing. The percentage change calculation in the table below represents the year-to-year dollar change in each end market.

Net revenues by end markets for the fiscal years indicated were as follows:

(% of total net revenues)	2012	% Change in Dollars	2011	% Change in Dollars	2010
Communications	43%	(12)	47%	29	47%
Industrial and Other	35	1	32	34	31
Consumer and Automotive	15	(3)	15	29	15
Data Processing	7	5	6	13	7
Total net revenues	100%	(5)	100%	29	100%

Net revenues from Communications, our largest end market, declined in fiscal 2012 from the comparable prior year period. The decline was due to lower sales from both wired and wireless communication applications with wireless communication applications driving most of the decline. In fiscal 2011, higher sales from both wired and wireless communication applications drove the increase in net revenues versus the comparable prior year period.

Net revenues from the Industrial and Other end market increased slightly in fiscal 2012 from the comparable prior year period. The increase was due to increased sales from defense and industrial, scientific and medical applications, which more than offset lower sales from test and measurement applications. In fiscal 2011, the increase in net revenues from the comparable prior year period was primarily driven by higher sales in industrial, scientific and medical as well as test and measurement applications.

Net revenues from the Consumer and Automotive end market declined in fiscal 2012 from the comparable prior year period. The decrease was mainly due to a decline in sales from consumer and audio, video and broadcast applications. Net revenues from the Consumer and Automotive end market increased in fiscal 2011 from the comparable prior year period. The increase was primarily due to higher sales in audio, video and broadcast applications.

In fiscal 2012, net revenues from the Data Processing end market increased from the comparable prior year period. The increase was driven by increased sales from storage applications. In fiscal 2011, net revenues from the Data Processing end market increased from the comparable prior year period. The increase was due to higher sales from computing, data processing and storage applications.

Net Revenues by Geography

Geographic revenue information reflects the geographic location of the distributors or OEMs who purchased our products. This may differ from the geographic location of the end customers. Net revenues by geography for the fiscal years indicated were as follows:

(In millions)	2012	% of Total	% Change	2011	% of Total	% Change	2010	% of Total
North America	$ 684.4	31	(4)	$ 710.4	30	13	$ 628.5	34
Asia Pacific	744.5	33	(12)	843.9	36	30	649.1	35
Europe	589.8	26	(4)	615.3	26	56	395.1	22
Japan	222.0	10	11	199.8	8	24	160.9	9
Total net revenues	$2,240.7	100	(5)	$2,369.4	100	29	$1,833.6	100

Net revenues in North America decreased in fiscal 2012 from the comparable prior year period. The decrease was primarily due to a decline in sales across most of our end markets with particular weakness coming from the Communications end market due to a decline in sales from wired communications applications. Net revenues in North America increased in fiscal 2011 compared with the prior year period. The increase was mainly due to broad-based strength across all end markets, with particular strength coming from the Industrial and Other end market.

Net revenues in Asia Pacific decreased in fiscal 2012 from the comparable prior year period. The decrease was primarily due to a decline in sales from the Communications end market with particular weakness coming from wireless communications applications. The increase in fiscal 2011, as compared to the prior year period, was primarily due to higher sales in the Communications end market with increases in sales from both wired and wireless communications applications.

Net revenues in Europe decreased in fiscal 2012 from the comparable prior year period. The decrease was due to lower sales from the Communications end market with particular weakness coming from wireless communications applications. Net revenues in Europe increased in fiscal 2011 from the comparable prior year period. The increase was mainly driven by broad-based strength across all end market segments and all sub segments with particular strength coming from the Communications end market primarily due to higher sales from wireless communications applications.

The fiscal 2012 increase in net revenues in Japan, as compared to prior year period, was primarily driven by strength in the Industrial and Other end market with particular strength coming from test and measurement applications. Net revenues in Japan increased in fiscal 2011 from the comparable prior year period. The increase was primarily driven by higher sales in the Industrial and Other and Consumer end market segments.

Gross Margin

(In millions)	2012	Change	2011	Change	2010
Gross margin	$1,454.7	(6)%	$1,549.9	33%	$1,161.8
Percentage of net revenues	64.9%		65.4%		63.4%

The decrease in the gross margin percentage in fiscal 2012 from the comparable prior year period was driven by lower revenues and costs related to the ramp of New Products, which was partially offset by continuing improvement in product costs.

Gross margin percentage in fiscal 2011 increased from the comparable prior year period. The increase was driven primarily by a broad improvement in product costs and higher revenues. This improvement was partly offset by the growth of New Products. New Products generally have lower gross margins than Mainstream and Base Products as they are in the early stage of their product life cycle and have higher unit costs associated with relatively lower volumes and early manufacturing maturity.

Gross margin may be affected in the future by product mix shifts, competitive-pricing pressure, manufacturing-yield issues and wafer pricing. We expect to mitigate any adverse impacts from these factors by continuing to improve yields on our New Products and by improving manufacturing efficiencies.

Sales of inventory previously written off were not material during fiscal 2012, 2011 or 2010.

In order to compete effectively, we pass manufacturing cost reductions on to our customers in the form of reduced prices to the extent that we can maintain acceptable margins. Price erosion is common in the semiconductor industry, as advances in both product architecture and manufacturing process technology permit continual reductions in unit cost. We have historically been able to offset much of this revenue decline in our mature products with increased revenues from newer products.

Research and Development

(In millions)	2012	Change	2011	Change	2010
Research and development	$435.3	11%	$392.5	6%	$369.5
Percentage of net revenues	19%		17%		20%

R&D spending increased $42.8 million or 11% during fiscal 2012 compared to the same period last year. The increase was mainly due to higher current period expenses related to our 28-nm development activities.

R&D spending increased $23.0 million or 6% during fiscal 2011 compared to fiscal 2010. The increase was mainly due to higher employee compensation related to variable spending, such as incentive compensation expenses associated with higher revenues, operating margin, and higher overall headcount.

We plan to continue to selectively invest in R&D efforts in areas such as new products and more advanced process development, IP and the development of new design and layout software. We will also consider acquisitions to complement our strategy for technology leadership and engineering resources in critical areas.

Selling, General and Administrative

(In millions)	2012	Change	2011	Change	2010
Selling, general and administrative	$365.3	4%	$350.6	7%	$327.6
Percentage of net revenues	16%		15%		18%

SG&A expenses increased $14.7 million or 4% during fiscal 2012 compared to the same period last year. The increase was primarily due to higher legal expenses related to current litigation. See "Note 18. Litigation Settlements and Contingencies" to our consolidated financial statements, included in Item 8. "Financial Statements and Supplementary Data" for information.

SG&A expenses increased $23.0 million or 7% during fiscal 2011 compared to the same period last year. The increase was primarily due to higher variable spending associated with higher revenue and operating margin, particularly sales commissions and incentive compensation expenses, and higher legal expenses related to litigations and acquisitions.

Amortization of Acquisition-Related Intangibles

(In millions)	2012	Change	2011	Change	2010
Amortization of acquisition-related intangibles	$7.6	632%	$1.0	(60)%	$2.5

Amortization expense in fiscal 2012 was related to the intangible assets acquired in the fourth quarter of fiscal 2011 and in the first quarter of fiscal 2012. See "Note 19. Business Combinations" to our consolidated financial statements, included in Item 8. "Financial Statements and Supplementary Data." Amortization expense in fiscal 2010 was related to the intangible assets from our prior acquisitions, which were fully amortized by the first quarter of fiscal 2010.

Restructuring Charges

During the second quarter of fiscal 2012, we implemented restructuring measures designed to consolidate our research and development activities in the U.S. and to reduce our global workforce by 46 net positions, or less than 2%. We have completed this restructuring plan and recorded total restructuring charges of $3.4 million in the second quarter of fiscal 2012, which was predominantly related to severance costs and benefits expenses.

During fiscal 2011, we announced restructuring measures designed to realign resources and drive overall operating efficiencies across the Company. These measures impacted 56 positions, or less than 2% of our global workforce, in various geographies and functions worldwide. The reorganization plan was completed by the end of the fourth quarter of fiscal 2011.

We recorded total restructuring charges of $30.1 million in fiscal 2010, primarily related to severance pay expenses.

The restructuring charges described above have been shown separately as restructuring charges on the consolidated statements of income. The remaining accrual as of March 31, 2012 was immaterial.

Litigation

On May 18, 2012, the jury in the trial of a patent infringement lawsuit filed by PACT against us concluded its deliberations. The jury found two patents held by PACT were valid and were willfully infringed by us. The jury awarded PACT the sum of $15.4 million as damages and royalties on our past sales. We recorded this award as other long-term liabilities on our consolidated balance sheet as of March 31, 2012. See Item 3. "Legal Proceedings," included in Part I and "Note 18. Litigation Settlements and Contingencies" to our consolidated financial statements, included in Item 8. Financial Statements and Supplementary Data.

Stock-Based Compensation

(In millions)	2012	Change	2011	Change	2010
Stock-based compensation included in:					
Cost of revenues	$ 5.6	17%	$ 4.8	(7)%	$ 5.2
Research and development	32.3	12%	28.8	12%	25.8
Selling, general and administrative	29.5	11%	26.7	8%	24.6
Restructuring charges	—	— %	—	(100)%	0.9
	$67.4	12%	$60.3	7%	$56.5

The $7.1 million and $3.8 million increases in stock-based compensation expense for fiscal 2012 and 2011, respectively, as compared to the prior year period was mainly due to higher weighted-average fair values of stock awards granted and lower forfeitures.

Impairment Loss on Investments

(In millions)	2012	Change	2011	Change	2010
Impairment loss on investments	$—	(100)%	$5.9	55%	$3.8

We recorded an impairment loss on investments in non-marketable equity securities of $5.9 million and $3.8 million for fiscal 2011 and 2010, respectively, due to other-than-temporary decline in the estimated fair value of certain investees. We did not record any impairment loss on investments during fiscal 2012.

Interest and Other Expense, Net

(In millions)	2012	Change	2011	Change	2010
Interest and other expense, net	$30.7	67%	$18.4	179%	$ 6.6
Percentage of net revenues	1%		1%		— %

The increase in net interest and other expense in both fiscal 2012 and 2011 over the prior year were due primarily to the interest expense related to the 2.625% Debentures, which was issued in June 2010 and therefore had a partial-year impact in fiscal 2011 and full-year impact in fiscal 2012. Additionally, in fiscal 2011 we entered into interest rate swaps, which lowered our overall interest expenses related to the 2.625% Debentures by $5.0 million. We sold the interest rate swaps in October 2010. See “Note 12. Interest and Other Expense, Net” and “Note 14. Convertible Debentures and Revolving Credit Facility” to our consolidated financial statements, included in Item 8. “Financial Statements and Supplementary Data.”

Provision for Income Taxes

(In millions)	2012	Change	2011	Change	2010
Provision for income taxes	$67.0	(48)%	$129.2	101%	$64.3
Percentage of net revenues	3%		6%		4%
Effective tax rate	11%		17%		15%

The effective tax rates in all years reflected the favorable impact of foreign income at statutory rates less than the U.S. rate and tax credits earned.

The decrease in the effective tax rate in fiscal 2012, when compared with fiscal 2011, was primarily due to a shift in the geographic mix of earnings subject to U.S. tax. The fiscal 2012 decrease in effective tax rate also included benefits of $15.9 million relating to lapses of statutes of limitation, which resulted in the realization of certain previously unrecognized tax positions.

The increase in the effective tax rate in fiscal 2011 compared with fiscal 2010 was due to a shift in the geographic mix of earnings subject to U.S. tax and to a reduction in the benefit of U.S. tax credits in proportion to U.S. earnings. The increase was partially offset by an increase in the amount of permanently reinvested foreign earnings for which no U.S. taxes were provided. In addition, the fiscal 2011 increase was partially offset by the retroactive extension of the federal research credit.

Financial Condition, Liquidity and Capital Resources

We have historically used a combination of cash flows from operations and equity and debt financing to support ongoing business activities, acquire or invest in critical or complementary technologies, purchase facilities and capital equipment, repurchase our common stock and debentures under our repurchase program, pay dividends and finance working capital. Additionally, our investments in debt securities are available for future sale.

Fiscal 2012 Compared to Fiscal 2011

Cash, Cash Equivalents and Short-term and Long-term Investments

The combination of cash, cash equivalents and short-term and long-term investments as of March 31, 2012 and April 2, 2011 totaled $3.13 billion and $2.69 billion, respectively. As of March 31, 2012, we had cash, cash equivalents and short-term investments of $1.92 billion and working capital of $2.11 billion. Cash provided by operations of $826.7 million for fiscal 2012 was $102.5 million higher than the $724.2 million generated during fiscal 2011. Cash provided by operations during fiscal 2012 resulted primarily from net income as adjusted for non-cash related items and decreases in accounts receivable and inventories and increase in accrued liabilities, and were partially offset by decreases in deferred income on shipment to distributors, accounts payable and income taxes payable.

Net cash used in investing activities was $960.9 million during fiscal 2012, as compared to $625.4 million in fiscal 2011. Net cash used in investing activities during fiscal 2012 consisted of $852.0 million of net purchases of available-for-sale securities, $70.1 million for purchases of property, plant and equipment (see further discussion below) and $38.8 million for acquisition of businesses.

Net cash used in financing activities was $299.4 million in fiscal 2012, as compared to net cash provided by financing activities of $92.2 million in fiscal 2011. Net cash used in financing activities during fiscal 2012 consisted of $219.6 million of repurchase of common stocks and $200.4 million for dividend payments to stockholders, which was partially offset by $108.7 million of proceeds from issuance of common stock under employee stock plans and $12.0 million for the excess of the tax benefit from stock-based compensation.

Accounts Receivable

Accounts receivable, net of allowances for doubtful accounts, customer returns and distributor pricing adjustments decreased by 25% from $286.5 million at the end of fiscal 2011 to $215.0 million at the end of fiscal 2012. The decrease in accounts receivable balance was primarily attributable to a decrease in net revenues in the fourth quarter of fiscal 2012 from the comparable prior year period. Due to higher accounts receivable collections, DSO decreased to 35 days as of March 31, 2012 from 45 days as of April 2, 2011.

Inventories

Inventories decreased from $264.7 million as of April 2, 2011 to $204.9 million as of March 31, 2012. The combined inventory days at Xilinx and the distribution channel decreased to 106 days as of March 31, 2012, compared to 135 days as of April 2, 2011. While we were able to manage our inventory and reduce the combined inventory days in fiscal 2012, the balances for both March 31, 2012 and April 2, 2011 were still relatively higher than historical trends due to build ahead of a number of legacy parts in response to the previously planned closure of a particular foundry line. These parts are expected to be sold over a period of the next three years.

We attempt to maintain sufficient levels of inventory in various product, package and speed configurations in order to keep lead times short and to meet forecasted customer demand and address potential supply constraints. Conversely, we also attempt to minimize the handling costs associated with maintaining higher inventory levels and to fully realize the opportunities for cost reductions associated with architecture and manufacturing process advancements. We continually strive to balance these two objectives to provide excellent customer response at a competitive cost.

Property, Plant and Equipment

During fiscal 2012, we invested $70.1 million in property, plant and equipment compared to $65.0 million in fiscal 2011. Primary investments in fiscal 2012 were for equipment, building improvements, testers, handlers, software in order to support our new products development and infrastructures.

Current Liabilities

Current liabilities decreased from $368.1 million at the end of fiscal 2011 to $342.8 million at the end of fiscal 2012. The decrease was primarily due to the decrease in deferred income on shipments to distributors and accounts payable due to timing and lower revenues, partially offset by the increase in other accrued liabilities.

Stockholders' Equity

Stockholders' equity increased $293.1 million during fiscal 2012, from $2.41 billion in fiscal 2011 to $2.71 billion in fiscal 2012. The increase in stockholders' equity was attributable to total comprehensive income of $526.8 million (which included net income of $530.1 million) for fiscal 2012, issuance of common stock under employee stock plans of $108.7 million and stock-based compensation related amounts totaling $77.6 million (including the related tax benefits associated with stock option exercises). The increases were partially offset by the repurchase of common stock of $219.6 million and payment of dividends to stockholders of $200.4 million.

Fiscal 2011 Compared to Fiscal 2010

Cash, Cash Equivalents and Short-term and Long-term Investments

The combination of cash, cash equivalents and short-term and long-term investments as of April 2, 2011 and April 3, 2010 totaled $2.69 billion and $1.97 billion, respectively. As of April 2, 2011, we had cash, cash equivalents and short-term investments of $1.93 billion and working capital of $2.25 billion. Cash provided by operations of $724.2 million for fiscal 2011 was $169.9 million higher than the $554.3 million generated during fiscal 2010. Cash provided by operations during fiscal 2011 resulted primarily from net income as adjusted for non-cash related items and deferred income on shipment to distributors, which were partially offset by increases in inventories, accounts receivable and a decrease in income taxes payable.

Net cash used in investing activities was $625.4 million during fiscal 2011, as compared to $336.7 million in fiscal 2010. Net cash used in investing activities during fiscal 2011 primarily consisted of $526.4 million of net purchases of available-for-sale securities, $65.0 million for purchases of property, plant and equipment (see further discussion below) and $33.7 million for acquisition of businesses.

Net cash provided by financing activities was $92.2 million in fiscal 2011, as compared to net cash used in financing activities of $252.1 million in fiscal 2010. Net cash provided by financing activities during fiscal 2011 consisted of $587.6 million of net proceeds from issuance of the 2.625% Debentures, $170.4 million of proceeds from issuance of common stock under employee stock plans, $46.9 million of proceeds from issuance of warrants, $30.2 million of proceeds from sale of interest rate swaps and $7.4 million for the excess of the tax benefit from stock-based compensation, offset by $468.9 million of repurchase of common stocks, $169.1 million for dividend payments to stockholders and $112.3 million for purchase of call options to hedge against potential dilution upon conversion of the 2.625% Debentures.

Accounts Receivable

Accounts receivable, net of allowances for doubtful accounts, customer returns and distributor pricing adjustments increased by 9% from $262.7 million at the end of fiscal 2010 to $286.5 million at the end of fiscal 2011. The increase in accounts receivable balance was primarily attributable to increase in net revenues in fiscal 2011 from the comparable prior year period. Due to higher accounts receivable collection, DSO decreased to 45 days as of April 2, 2011 from 53 days as of April 3, 2010.

Inventories

Inventories increased from $130.6 million as of April 3, 2010 to $264.7 million as of April 2, 2011. The combined inventory days at Xilinx and the distribution channel increased to 135 days as of April 2, 2011, compared to 89 days as of April 3, 2010. The increases were primarily due to build ahead of a number of legacy parts due to the previously planned closure of a particular foundry line and higher safety stock levels on certain parts in light of tight capacity at our foundry partners in anticipation of future demand.

Property, Plant and Equipment

During fiscal 2011, we invested $65.0 million in property, plant and equipment compared to $28.2 million in fiscal 2010. Primary investments in fiscal 2011 were for testers, handlers, equipment and software in order to support our new products development and infrastructures.

Current Liabilities

Current liabilities increased from $357.2 million at the end of fiscal 2010 to $368.1 million at the end of fiscal 2011. The increase was primarily due to the increase in deferred income on shipments to distributors and other accruals related to the growth in our overall business, partially offset by the decrease in income taxes payable because we were in prepaid position at the end of fiscal 2011.

Stockholders' Equity

Stockholders' equity increased $294.1 million during fiscal 2011, from $2.12 billion in fiscal 2010 to $2.41 billion in fiscal 2011. The increase in stockholders' equity was attributable to total comprehensive income of $653.6 million (which included net income of $641.9 million) for fiscal 2011, issuance of common stock under employee stock plans of $170.4 million, the equity (conversion option) components of the 2.625% Debentures issued in June 2010 of $108.1 million, stock-based compensation related amounts totaling $65.5 million (including the related tax benefits associated with stock option exercises), and proceeds from issuance of warrants of $46.9 million. The increases were partially offset by the repurchase of common stock of $468.9 million, payment of dividends to stockholders of $169.1 million and purchase of call options to hedge against potential dilution upon conversion of the 2.625% Debentures of $112.3 million.

Liquidity and Capital Resources

Cash generated from operations is used as our primary source of liquidity and capital resources. Our investment portfolio is also available for future cash requirements as is our $250.0 million revolving credit facility entered into in December 2011. Borrowings under the credit facility will bear interest at a benchmark rate plus an applicable margin based upon the Company's credit rating. We recently terminated our relationship with one credit rating agency which allowed us to obtain a more favorable rate on this credit facility because we had a higher credit rating with an alternate credit rating agency. We are not aware of any lack of access to the revolving credit facility; however, we can provide no assurance that access to the credit facility will not be impacted by adverse conditions in the financial markets. Our credit facility is not reliant upon a single bank. There have been no borrowings to date under our existing revolving credit facility.

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We used $219.6 million of cash to repurchase 7.0 million shares of our common stock in fiscal 2012 compared with $468.9 million used to repurchase 17.8 million shares in fiscal 2011. During fiscal 2012, we paid $200.4 million in cash dividends to stockholders, representing an aggregate amount of $0.76 per common share. During fiscal 2011, we paid $169.1 million in cash dividends to stockholders, representing an aggregate amount of $0.64 per common share. In addition, on March 13, 2012, our Board of Directors declared a cash dividend of $0.22 per common share for the first quarter of fiscal 2013. The dividend is payable on June 6, 2012 to stockholders of record on May 16, 2012. Our common stock and debentures repurchase program and dividend policy could be impacted by, among other items, our views on potential future capital requirements relating to R&D, investments and acquisitions, legal risks, principal and interest payments on our debentures and other strategic investments.

The global credit crisis has imposed exceptional levels of volatility and disruption in the capital markets, severely diminished liquidity and credit availability, and increased counterparty risk. Nevertheless, we anticipate that existing sources of liquidity and cash flows from operations will be sufficient to satisfy our cash needs for the foreseeable future. We will continue to evaluate opportunities for investments to obtain additional wafer capacity, procurement of additional capital equipment and facilities, development of new products and potential acquisitions of technologies or businesses that could complement our business. However, the risk factors discussed in Item 1A included in Part I and below could affect our cash positions adversely. In addition, certain types of investments such as auction rate securities may present risks arising from liquidity and/or credit concerns. In the event that our investments in auction rate securities become illiquid, we do not expect this will materially affect our liquidity and capital resources or results of operations.

As of March 31, 2012, marketable securities measured at fair value using Level 3 inputs were comprised of $28.9 million of student loan auction rate securities. The amount of assets and liabilities measured using significant unobservable inputs (Level 3) as a percentage of the total assets and liabilities measured at fair value was less than 1% as of March 31, 2012. See "Note 3. Fair Value Measurements" to our consolidated financial statements, included in Item 8. "Financial Statements and Supplementary Data," for additional information.

During fiscal 2012, we redeemed $5.7 million of student loan auction rate securities for cash at par value.

Contractual Obligations

The following table summarizes our significant contractual obligations as of March 31, 2012 and the effect such obligations are expected to have on our liquidity and cash flows in future periods. This table excludes amounts already recorded on our consolidated balance sheet as current liabilities as of March 31, 2012.

	Payments Due by Period				
(In millions)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating lease obligations (1)	$ 21.7	$ 6.9	$ 7.9	$ 3.1	$ 3.8
Inventory and other purchase obligations (2)	102.4	102.4	—	—	—
Electronic design automation software licenses (3)	26.6	14.7	11.9	—	—
Intellectual property license rights obligations (4)	5.0	—	—	—	5.0
2.625% senior convertible debentures-principal and interest (5)	682.0	15.8	31.5	31.5	603.2
3.125% junior convertible debentures-principal and interest (5)	1,228.4	21.6	43.1	43.1	1,120.6
Total	$2,066.1	$ 161.4	$ 94.4	$ 77.7	$1,732.6

(1) We lease some of our facilities, office buildings and land under non-cancelable operating leases that expire at various dates through November 2035. Rent expense, net of rental income, under all operating leases was approximately $3.1 million for fiscal 2012. See "Note 10. Commitments" to our consolidated financial statements, included in Item 8. "Financial Statements and Supplementary Data," for additional information about operating leases.

(2) Due to the nature of our business, we depend entirely upon subcontractors to manufacture our silicon wafers and provide assembly and some test services. The lengthy subcontractor lead times require us to order the materials and services in advance, and we are obligated to pay for the materials and services when completed. We expect to receive and pay for these materials and services in the next three to six months, as the products meet delivery and quality specifications.

(3) As of March 31, 2012, we had $26.6 million of non-cancelable license obligations to providers of electronic design automation software and hardware/software maintenance expiring at various dates through March 2015.

(4) We committed up to $5.0 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.

(5) For purposes of this table we have assumed the principal of our debentures will be paid on maturity dates, which is June 15, 2017 for the 2.625% senior convertible debentures and March 15, 2037 for the 3.125% junior convertible debentures. See "Note 14. Convertible Debentures and Revolving Credit Facility" to our consolidated financial statements, included in Item 8. "Financial Statements and Supplementary Data," for additional information about our debentures.

As of March 31, 2012, $14.5 million of liabilities for uncertain tax positions and related interest and penalties were classified as long-term income taxes payable in the consolidated balance sheet. Due to the inherent uncertainty with respect to the timing of future cash outflows associated with such liabilities, we are unable to reliably estimate the timing of cash settlement with the respective taxing authorities. Therefore, liabilities for uncertain tax positions have been excluded from the contractual obligations table above.

Off-Balance-Sheet Arrangements

As of March 31, 2012, we did not have any significant off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Recent Accounting Pronouncements

See "Note 2. Summary of Significant Accounting Policies and Concentrations of Risk" to our consolidated financial statements, included in Item 8. "Financial Statements and Supplementary Data," for information about recent accounting pronouncements, including the expected dates of adoption and estimated effects, if any, on our consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our exposure to interest rate risk relates primarily to our investment portfolio, which consists of fixed income securities with a fair value of approximately $2.83 billion as of March 31, 2012. Our primary aim with our investment portfolio is to invest available cash while preserving principal and meeting liquidity needs. Our investment portfolio includes municipal bonds, floating rate notes, mortgage-backed securities, bank certificates of deposit, commercial paper, corporate bonds, a debt mutual fund, student loan auction rate securities, U.S. and foreign government and agency securities. In accordance with our investment policy, we place investments with high credit quality issuers and limit the amount of credit exposure to any one issuer based upon the issuer's credit rating. These securities are subject to interest rate risk and will decrease in value if market interest rates increase. A hypothetical 100 basis-point (one percentage point) increase or decrease in interest rates compared to rates at March 31, 2012 and April 2, 2011 would have affected the fair value of our investment portfolio by less than $26.0 million and $16.0 million, respectively.

Credit Market Risk

Since September 2007, the global credit markets have experienced adverse conditions that have negatively impacted the values of various types of investment and non-investment grade securities. During this time, the global credit and capital markets experienced significant 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 we may incur additional other-than-temporary impairment charges for certain types of investments should credit market conditions deteriorate. See "Note 4. Financial Instruments" to our consolidated financial statements, included in Item 8. "Financial Statements and Supplementary Data," for additional information about our investments.

Foreign Currency Exchange Risk

Sales to all direct OEMs and distributors are denominated in U.S. dollars.

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.