XILINX INC
Form 10-Q
January 29, 2016

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

FORM 10-Q
(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended January 2, 2016

or
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to _______ .
Commission File Number 000-18548

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

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

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

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

Non-accelerated filer ¨ Smaller reporting company ¨

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

Shares outstanding of the registrant's common stock:

Class	Shares Outstanding as of January 15, 2016
Common Stock, $.01 par value	255,539,932

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements
XILINX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended		Nine Months Ended	
(In thousands, except per share amounts)	January 2, 2016	December 27, 2014	January 2, 2016	December 27, 2014
Net revenues	$566,235	$593,549	$1,642,815	$1,810,445
Cost of revenues	178,514	179,638	496,108	538,445
Gross margin	387,721	413,911	1,146,707	1,272,000
Operating expenses:				
Research and development	141,378	133,455	398,246	393,803
Selling, general and administrative	84,470	88,076	251,374	274,472
Amortization of acquisition-related intangibles	1,769	2,371	5,306	7,167
Total operating expenses	227,617	223,902	654,926	675,442
Operating income	160,104	190,009	491,781	596,558
Interest and other expense, net	5,053	4,007	24,793	15,960
Income before income taxes	155,051	186,002	466,988	580,598
Provision for income taxes	24,232	17,536	61,155	67,005
Net income	$130,819	$168,466	$405,833	$513,593
Net income per common share:				
Basic	$0.51	$0.64	$1.58	$1.93
Diluted	$0.49	$0.62	$1.51	$1.85
Cash dividends per common share	$0.31	$0.29	$0.93	$0.87
Shares used in per share calculations:				
Basic	256,450	262,881	257,491	266,299
Diluted	269,611	273,795	268,716	277,709

See notes to condensed consolidated financial statements.

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

	Three Months Ended		Nine Months Ended	
(In thousands)	January 2, 2016	December 27, 2014	January 2, 2016	December 27, 2014
Net income	$130,819	$168,466	$405,833	$513,593
Other comprehensive income (loss), net of tax:				
Change in net unrealized gains (losses) on available-for-sale securities	(7,911)	(409)	(13,091)	3,822
Reclassification adjustment for (gains) losses on available-for-sale securities	8	(1,868)	(188)	(3,187)
Change in net unrealized losses on hedging transactions	(696)	(3,896)	(1,074)	(6,957)
Reclassification adjustment for losses on hedging transactions	2,166	1,786	6,110	768
Cumulative translation adjustment, net	(451)	(1,475)	(1,997)	(1,882)
Other comprehensive loss	(6,884)	(5,862)	(10,240)	(7,436)
Total comprehensive income	$123,935	$162,604	$395,593	$506,157

See notes to condensed consolidated financial statements.

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XILINX, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value amounts)	January 2, 2016	March 28, 2015 [1]
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$898,264	$892,572
Short-term investments	2,498,272	2,410,489
Accounts receivable, net	203,176	246,615
Inventories	195,969	231,328
Deferred tax assets	96,827	79,519
Prepaid expenses and other current assets	115,786	74,528
Total current assets	4,008,294	3,935,051
Property, plant and equipment, at cost	797,866	804,623
Accumulated depreciation and amortization	(517,625)	(503,585)
Net property, plant and equipment	280,241	301,038
Long-term investments	224,614	266,902
Goodwill	159,296	159,296
Acquisition-related intangibles, net	7,446	12,752
Other assets	218,266	223,026
Total Assets	$4,898,157	$4,898,065
LIABILITIES, TEMPORARY EQUITY AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$74,602	$80,113
Accrued payroll and related liabilities	156,316	156,600
Income taxes payable	7,782	19,693
Deferred income on shipments to distributors	47,016	66,071
Other accrued liabilities	62,850	64,676
Current portion of long-term debt	584,343	576,053
Total current liabilities	932,909	963,206
Long-term debt	995,584	994,839
Deferred tax liabilities	347,995	289,868
Long-term income taxes payable	15,198	13,245
Other long-term liabilities	1,110	1,366
Commitments and contingencies	—	—
Temporary equity (Note 10)	15,657	23,947
Stockholders' equity:		
Preferred stock, $.01 par value (none issued)	—	—
Common stock, $.01 par value	2,552	2,583
Additional paid-in capital	710,303	653,882
Retained earnings	1,898,238	1,966,278
Accumulated other comprehensive loss	(21,389)	(11,149)
Total stockholders' equity	2,589,704	2,611,594
Total Liabilities, Temporary Equity and Stockholders' Equity	$4,898,157	$4,898,065

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

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

	Nine Months Ended	
(In thousands)	January 2, 2016	December 27, 2014
Cash flows from operating activities:		
Net income	$405,833	$513,593
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	38,768	40,857
Amortization	13,149	15,556
Stock-based compensation	84,464	79,900
Net gain on sale of available-for-sale securities	(599)	(5,508)
Amortization of debt discounts	9,033	9,014
Provision for deferred income taxes	49,435	19,712
Excess tax benefit from stock-based compensation	(12,326)	(16,669)
Changes in assets and liabilities:		
Accounts receivable, net	43,439	80,337
Inventories	35,050	(12,299)
Prepaid expenses and other current assets	(148)	(11,703)
Other assets	(3,291)	(322)
Accounts payable	(5,511)	(91,464)
Accrued liabilities	4,909	1,640
Income taxes payable	(35,982)	5,710
Deferred income on shipments to distributors	(19,055)	(3,613)
Net cash provided by operating activities	607,168	624,741
Cash flows from investing activities:		
Purchases of available-for-sale securities	(2,253,840)	(2,112,128)
Proceeds from sale and maturity of available-for-sale securities	2,183,296	2,646,410
Purchases of property, plant and equipment	(19,169)	(23,682)
Other investing activities	(5,700)	(7,440)
Net cash provided by (used in) investing activities	(95,413)	503,160
Cash flows from financing activities:		
Repurchases of common stock	(299,998)	(476,012)
Proceeds from issuance of common stock through various stock plans, net	21,720	19,338
Payment of dividends to stockholders	(240,111)	(230,550)
Excess tax benefit from stock-based compensation	12,326	16,669
Net cash used in financing activities	(506,063)	(670,555)
Net increase in cash and cash equivalents	5,692	457,346
Cash and cash equivalents at beginning of period	892,572	973,677
Cash and cash equivalents at end of period	$898,264	$1,431,023
Supplemental disclosure of cash flow information:		
Interest paid	$28,563	$28,776
Income taxes paid, net	$47,562	$41,252

See notes to condensed consolidated financial statements.

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XILINX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
Note 1. Basis of Presentation
The accompanying interim condensed consolidated financial statements have been prepared in conformity with United States (U.S.) generally accepted accounting principles (GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X, and should be read in conjunction with the Xilinx, Inc. (Xilinx or the Company) consolidated financial statements filed with the U.S. Securities and Exchange Commission (SEC) on Form 10-K for the fiscal year ended March 28, 2015. 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 April 2, 2016 or any future period.
The Company uses a 52- to 53-week fiscal year ending on the Saturday nearest March 31. Fiscal 2016 will be a 53-week year ending on April 2, 2016, while fiscal 2015 was a 52-week year ending on March 28, 2015. The third quarter of fiscal 2016 was a 14-week quarter ended on January 2, 2016. The third quarter of fiscal 2015 was a 13-week quarter ended on December 27, 2014.

Note 2. Recent Accounting Changes and Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board (FASB) issued the authoritative guidance that outlines a new global revenue recognition standard that replaces virtually all existing US GAAP guidance on contracts with customers and the related other assets and deferred costs. The guidance provides a five-step process for recognizing revenue that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also requires expanded qualitative and quantitative disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In July 2015, FASB approved the deferral of the effective date of this guidance by one year. As a result, this guidance will be effective for the Company beginning in fiscal year 2019, with an option to early adopt in fiscal year 2018. The new standard is required to be applied retrospectively to each prior reporting period presented, or retrospectively with the cumulative effect of initially applying it recognized at the date of initial application. The Company is currently evaluating the impact of this new guidance on its consolidated financial statements, including selection of the transition method and the adoption date.

In May 2015, the FASB issued the authoritative guidance that eliminates current requirement to categorize within the fair value hierarchy investments whose fair values are measured at net asset value using the practical expedient approach. Instead, entities will be required to disclose the fair values of such investments so that financial statement users can reconcile amounts reported in the fair value hierarchy table and the amounts reported on the balance sheet. This guidance is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, which for Xilinx would be the first quarter of fiscal year 2017 and should be applied using a retrospective approach. Earlier adoption is permitted. This guidance does not affect the underlying accounting for such investments.
In July 2015, the FASB issued the authoritative guidance that requires an entity to measure inventory at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less reasonably predictable cost of completion, disposal, and transportation. This guidance is effective for reporting periods beginning after December 15, 2016, including interim periods within those fiscal years, which for Xilinx would be the first quarter of fiscal year 2018. The amendments should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The Company is currently evaluating the impact of this new guidance on its consolidated financial statements.

In August 2015, the FASB issued the authoritative guidance that clarifies the guidance regarding presentation and subsequent measurement of debt issuance costs related to line-of-credit arrangements. This guidance clarifies that an entity may defer and present debt issuance costs as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The Company does not expect the adoption of this guidance to have significant impact on its consolidated financial statements.

In September 2015, the FASB issued the authoritative guidance regarding simplifying the accounting for measurement-period adjustments in business combinations. This guidance eliminates the requirement for an acquirer in a business combination to account for adjustments it makes to the provisional amounts recorded for assets and liabilities retrospectively. Instead the acquirer must recognize these measurement-period adjustments during the period in which it determines the amounts, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the acquisition

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date. This guidance is effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company will adopt this guidance in the first quarter of fiscal year 2017.

In November 2015, the FASB issued the authoritative guidance regarding balance sheet classification of deferred taxes. The guidance requires companies to classify all deferred tax assets and liabilities as non-current on the balance sheet instead of separating deferred taxes into current and non-current amounts. This guidance is effective for public business entities for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The amendments can be applied retrospectively or prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. This guidance will be effective for Xilinx beginning in the first quarter of fiscal year 2018. The Company is currently evaluating the impact of this new guidance on its consolidated financial statements.

In January 2016, the FASB issued the final guidance regarding how companies measure equity investments that do not result in consolidation and are not accounted for under the equity method and how they present changes in the fair value of financial liabilities measured under the fair value option that are attributable to their own credit. The new guidance also changes certain disclosure requirements and other aspects of current US GAAP. It does not change the guidance for classifying and measuring investments in debt securities and loans. Early adoption is permitted. The guidance is effective for public business entities for annual periods beginning after December 15, 2017, and interim periods therein, which for Xilinx would be the first quarter of fiscal year 2019. The Company is currently evaluating the impact of this new guidance on its consolidated financial statements.

Note 3. Significant Customers and Concentrations of Credit Risk

Avnet, Inc. (Avnet), one of the Company's distributors, distributes the Company's products worldwide. As of January 2, 2016 and March 28, 2015, Avnet accounted for 51% and 67% of the Company's total net accounts receivable, respectively. For the third quarter and first nine months of fiscal 2016, resale of product through Avnet accounted for 49% and 50% of the Company's worldwide net revenues, respectively. For the third quarter and the first nine months of fiscal 2015, resale of product through Avnet accounted for 40% and 42% of the Company's worldwide net revenues, 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 consolidated balance sheet. The Company attempts to mitigate the concentration of credit risk in its trade receivables through its credit evaluation process, collection terms, distributor sales to diverse end customers and through geographical dispersion of sales. Xilinx generally does not require collateral for receivables from its end customers or from distributors.

No end customer accounted for more than 10% of the Company's worldwide net revenues for the third quarter as well as the first nine months of fiscal 2016 and 2015.

The Company mitigates concentrations of credit risk in its investments in debt securities by currently investing approximately 88% of its portfolio in AA or higher grade securities as rated by Standard & Poor's or Moody's Investors Service. The Company's methods to arrive at investment decisions are not solely based on the rating agencies' credit ratings. Xilinx also performs additional credit due diligence and conducts regular portfolio credit reviews, including a review of counterparty credit risk related to the Company's forward currency exchange contracts. Additionally, Xilinx limits its investments in the debt securities of a single issuer based upon the issuer's credit rating and attempts to further mitigate credit risk by diversifying risk across geographies and type of issuer.

As of January 2, 2016, approximately 33% of the portfolio consisted of mortgage-backed securities. All of the mortgage-backed securities in the investment portfolio were issued by U.S. government-sponsored enterprises and agencies and are rated AA+ by Standard & Poor's and AAA by Moody's Investors Service.

Note 4. Fair Value Measurements

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

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

The Company validates the consensus prices by taking random samples from each asset type and corroborating those prices using reported trade activity, benchmark yield curves, binding broker/dealer quotes or other relevant price information. There have not been any changes to the Company's fair value methodology during the first nine months of fiscal 2016 and the Company did not adjust or override any fair value measurements as of January 2, 2016.

Fair Value Hierarchy

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

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

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

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

The Company's Level 2 assets consist of financial institution securities, non-financial institution securities, municipal bonds, U.S. government and agency securities, foreign government and agency securities, mortgage-backed securities, debt mutual funds, bank loans, asset-backed securities and commercial mortgage-backed securities. The Company's Level 2 assets and liabilities also include foreign currency forward contracts and commodity swap contracts.

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

The Company's Level 3 assets and liabilities include student loan auction rate securities.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

In instances where the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

The following tables present information about the Company's assets and liabilities measured at fair value on a recurring basis as of January 2, 2016 and March 28, 2015:

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(In thousands)	January 2, 2016 Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets				
Cash equivalents:				
Money market funds	$222,433	$—	$—	$222,433
Financial institution securities	—	63,995	—	63,995
Non-financial institution securities	—	319,224	—	319,224
U.S. government and agency securities	25,007	55,486	—	80,493
Foreign government and agency securities	—	54,997	—	54,997
Short-term investments:				
Financial institution securities	—	264,950	—	264,950
Non-financial institution securities	—	353,443	—	353,443
Municipal bonds	—	59,019	—	59,019
U.S. government and agency securities	102,967	114,857	—	217,824
Foreign government and agency securities	—	81,378	—	81,378
Asset-backed securities	—	206,793	—	206,793
Mortgage-backed securities	—	987,110	—	987,110
Debt mutual funds	—	34,883	—	34,883
Bank loans	—	102,652	—	102,652
Commercial mortgage-backed securities	—	190,220	—	190,220
Long-term investments:				
Auction rate securities	—	—	10,111	10,111
Asset-backed securities	—	6,874	—	6,874
Municipal bonds	—	7,176	—	7,176
Mortgage-backed securities	—	147,038	—	147,038
Debt mutual fund	—	53,234	—	53,234
Commercial mortgage-backed securities	—	181	—	181
Total assets measured at fair value	$350,407	$3,103,510	$10,111	$3,464,028
Liabilities				
Derivative financial instruments, net	$—	$2,638	$—	$2,638
Total liabilities measured at fair value	$—	$2,638	$—	$2,638
Net assets measured at fair value	$350,407	$3,100,872	$10,111	$3,461,390

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(In thousands)	March 28, 2015 Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets				
Cash equivalents:				
Money market funds	$235,583	$—	$—	$235,583
Financial institution securities	—	229,999	—	229,999
Non-financial institution securities	—	89,995	—	89,995
U.S. government and agency securities	—	200,392	—	200,392
Foreign government and agency securities	—	37,996	—	37,996
Short-term investments:				
Financial institution securities	—	75,000	—	75,000
Non-financial institution securities	—	339,029	—	339,029
Municipal Bonds	—	40,006	—	40,006
U.S. government and agency securities	256,514	301,010	—	557,524
Foreign government and agency securities	—	159,936	—	159,936
Mortgage-backed securities	—	859,330	—	859,330
Debt mutual fund	—	38,608	—	38,608
Bank loans	—	98,100	—	98,100
Asset-backed securities	—	204,510	—	204,510
Commercial mortgage-backed securities	—	38,446	—	38,446
Long-term investments:				
Auction rate securities	—	—	10,312	10,312
Municipal bonds	—	9,650	—	9,650
Mortgage-backed securities	—	180,906	—	180,906
Debt mutual fund	—	56,592	—	56,592
Asset-backed securities	—	7,948	—	7,948
Commercial mortgage-backed securities	—	1,494	—	1,494
Total assets measured at fair value	$492,097	$2,968,947	$10,312	$3,471,356
Liabilities				
Derivative financial instruments, net	$—	$9,251	$—	$9,251
Total liabilities measured at fair value	$—	$9,251	$—	$9,251
Net assets measured at fair value	$492,097	$2,959,696	$10,312	$3,462,105

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

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

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(In thousands)	Three Months Ended January 2, 2016	Three Months Ended December 27, 2014	Nine Months Ended January 2, 2016	Nine Months Ended December 27, 2014
Balance as of beginning of period	$10,413	$20,608	$10,312	$20,160
Total realized and unrealized gains (losses):				
Included in other comprehensive income (loss)	(302)	717	(201)	1,165
Sales and settlements, net (1)	—	(11,000)	—	(11,000)
Balance as of end of period	$10,111	$10,325	$10,111	$10,325

(1) During the first nine months of fiscal 2015, the Company redeemed $11.0 million of student loan auction rate securities for cash at par value. There was no redemption during the first nine months of fiscal 2016.

As of January 2, 2016, marketable securities measured at fair value using Level 3 inputs were comprised of $10.1 million of student loan auction rate securities. There was no material change to the input assumptions of the pricing model for these student loan auction securities.

Financial Instruments Not Recorded at Fair Value on a Recurring Basis

The Company's 2.625% Senior Convertible Debentures due June 15, 2017 (2017 Convertible Notes), 2.125% Notes due 2019 (2019 Notes) and 3.000% Notes due 2021 (2021 Notes) are measured at fair value on a quarterly basis for disclosure purposes. The fair values of the 2017 Convertible Notes, 2019 Notes and 2021 Notes as of January 2, 2016 were approximately $976.5 million, $497.3 million and $503.4 million, respectively, based on the last trading price of the respective debentures for the period (classified as Level 2 in fair value hierarchy due to relatively low trading volume).

Note 5. Financial Instruments

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

(In thousands)	January 2, 2016 Amortized Cost	January 2, 2016 Gross Unrealized Gains	January 2, 2016 Gross Unrealized Losses	January 2, 2016 Estimated Fair Value	March 28, 2015 Amortized Cost	March 28, 2015 Gross Unrealized Gains	March 28, 2015 Gross Unrealized Losses	March 28, 2015 Estimated Fair Value
Money market funds	$222,433	$—	$—	$222,433	$235,583	$—	$—	$235,583
Financial institution securities	328,945	—	—	328,945	304,999	—	—	304,999
Non-financial institution securities	673,436	38	(807)	672,667	429,005	25	(6)	429,024
Auction rate securities	10,500	—	(389)	10,111	10,500	—	(188)	10,312
Municipal bonds	65,920	577	(302)	66,195	49,064	744	(152)	49,656
U.S. government and agency securities	298,492	21	(196)	298,317	757,954	91	(129)	757,916

Foreign government and agency securities	136,384	—	(9)	136,375	197,932	—	—	197,932
Mortgage-backed securities	1,138,412	6,504	(10,768)	1,134,148	1,035,598	8,809	(4,171)	1,040,236
Asset-backed securities	213,908	635	(876)	213,667	211,487	1,130	(159)	212,458
Debt mutual funds	101,350	—	(13,233)	88,117	101,350	—	(6,150)	95,200
Bank loans	102,724	31	(103)	102,652	98,131	29	(60)	98,100
Commercial mortgage-backed securities	193,033	26	(2,658)	190,401	40,132	133	(325)	39,940
	$3,485,537	$7,832	$(29,341)	$3,464,028	$3,471,735	$10,961	$(11,340)	$3,471,356

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The following tables show the fair values and gross unrealized losses of the Company's investments, aggregated by investment category, for individual securities that have been in a continuous unrealized loss position for the length of time specified, as of January 2, 2016 and March 28, 2015:

	January 2, 2016					
	Less Than 12 Months		12 Months or Greater		Total	
(In thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Non-financial institution securities	$113,246	$(807)	$—	$—	$113,246	$(807)
Auction rate securities	—	—	10,111	(389)	10,111	(389)
Municipal bonds	24,009	(148)	3,408	(154)	27,417	(302)
U.S. government and agency securities	167,906	(196)	—	—	167,906	(196)
Foreign government and agency securities	9,986	(9)	—	—	9,986	(9)
Mortgage-backed securities	822,404	(9,365)	55,649	(1,403)	878,053	(10,768)
Asset-backed securities	154,782	(749)	25,470	(127)	180,252	(876)
Debt mutual funds	17,628	(2,372)	70,489	(10,861)	88,117	(13,233)
Bank loans	41,534	(64)	31,080	(39)	72,614	(103)
Commercial mortgage-backed securities	182,372	(2,038)	1,512	(620)	183,884	(2,658)
	$1,533,867	$(15,748)	$197,719	$(13,593)	$1,731,586	$(29,341)

	March 28, 2015					
	Less Than 12 Months		12 Months or Greater		Total	
(In thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Non-financial institution securities	$7,190	$(6)	$—	$—	$7,190	$(6)
Auction rate securities	—	—	10,312	(188)	10,312	(188)
Municipal bonds	10,014	(94)	1,931	(58)	11,945	(152)
U.S. government and agency securities	451,296	(129)	—	—	451,296	(129)
Mortgage-backed securities	442,786	(2,901)	48,263	(1,270)	491,049	(4,171)
Asset-backed securities	75,009	(159)	—	—	75,009	(159)
Debt mutual funds	38,608	(1,392)	56,592	(4,758)	95,200	(6,150)
Bank loans	65,085	(60)	—	—	65,085	(60)
Commercial mortgage-backed securities	5,984	(268)	944	(57)	6,928	(325)
	$1,095,972	$(5,009)	$118,042	$(6,331)	$1,214,014	$(11,340)

As of January 2, 2016, the gross unrealized losses that had been outstanding for less than twelve months were primarily related to mortgage-backed securities, debt mutual funds and commercial mortgage-backed securities due to the general rising of the interest-rate environment and foreign currency movement. The gross unrealized losses that had been outstanding for more than twelve months were primarily related to debt mutual funds and mortgage-backed securities, which were primarily due to the same reasons stated above. The percentage of the losses to the total estimated fair value of the Company's investments was insignificant.

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The Company reviewed the investment portfolio and determined that the gross unrealized losses on these investments as of January 2, 2016 and March 28, 2015 were temporary in nature as evidenced by the fluctuations in the gross unrealized losses within the investment categories. These investments are highly rated by the credit rating agencies and there have been no defaults on any of these securities, and we have received interest payments as they become due. Additionally, in the past several years a portion of the Company's investment in the mortgage-backed securities were redeemed or prepaid by the debtors at par. Furthermore, the aggregate of individual unrealized losses that had been outstanding for twelve months or more was not significant as of January 2, 2016 and March 28, 2015. The Company neither intends to sell these investments nor concludes that it is more-likely-than-not that it will have to sell them until recovery of their carrying values. The Company also believes that it will be able to collect both principal and interest amounts due to the Company at maturity, given the high credit quality of these investments and any related underlying collateral.

The amortized cost and estimated fair value of marketable debt securities (financial institution securities, non-financial institution securities, auction rate securities, municipal bonds, U.S. and foreign government and agency securities, mortgage-backed securities, asset-backed securities, bank loans and commercial mortgage-backed securities), by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations without call or prepayment penalties.

	January 2, 2016	
(In thousands)	Amortized Cost	Estimated Fair Value
Due in one year or less	$1,232,756	$1,232,713
Due after one year through five years	503,374	501,371
Due after five years through ten years	272,546	271,353
Due after ten years	1,153,078	1,148,041
	$3,161,754	$3,153,478

As of January 2, 2016, $1.78 billion of marketable debt securities with contractual maturities of greater than one year were classified as short-term investments. Additionally, the above table did not include investments in money market and mutual funds because these funds do not have specific contractual maturities.

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

	Three Months Ended		Nine Months Ended	
(In thousands)	January 2, 2016	December 27, 2014	January 2, 2016	December 27, 2014
Proceeds from sale of available-for-sale securities	$82,396	$478,562	$203,426	$774,406
Gross realized gains on sale of available-for-sale securities	$203	$4,759	$1,038	$7,838
Gross realized losses on sale of available-for-sale securities	(221)	(1,663)	(439)	(2,330)
Net realized gains (losses) on sale of available-for-sale securities	$(18)	$3,096	$599	$5,508
Amortization of premiums on available-for-sale securities	$6,906	$5,913	$20,417	$18,559

The cost of securities matured or sold is based on the specific identification method.

Note 6. Derivative Financial Instruments

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

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As of January 2, 2016 and March 28, 2015, the Company had the following outstanding forward currency exchange contracts (in notional amount), which were derivative financial instruments:

(In thousands and U.S. dollars)	January 2, 2016	March 28, 2015
Singapore Dollar	$26,620	$43,901
Euro	18,262	29,973
Indian Rupee	22,754	22,228
British Pound	11,749	12,946
Japanese Yen	3,338	4,994
	$82,723	$114,042

As part of the Company’s strategy to reduce volatility of operating expenses due to foreign exchange rate fluctuations, the Company employs a hedging program with a forward outlook of up to two years for major foreign-currency-denominated operating expenses. The outstanding forward currency exchange contracts expire at various dates through February 2017. The majority of net unrealized losses, which approximate the fair market value of the outstanding forward currency exchange contracts, are expected to be realized into net income within the next twelve months.

As of January 2, 2016, all of the forward foreign currency exchange contracts were designated and qualified as cash flow hedges and the effective portion of the gain or loss on the forward contracts was reported as a component of other comprehensive income (loss) and reclassified into net income in the same period during which the hedged transaction affects earnings. The estimated amount of such gains or losses as of January 2, 2016 that is expected to be reclassified into earnings was not material. The ineffective portion of the gains or losses on the forward contracts was included in the net income for all periods presented.

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

The Company had the following derivative instruments as of January 2, 2016 and March 28, 2015, located on the condensed consolidated balance sheet, utilized for risk management purposes detailed above:

	Foreign Exchange Contracts			
	Asset Derivatives		Liability Derivatives	
(In thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
January 2, 2016	Prepaid expenses and other current assets	$446	Other accrued liabilities	$3,084
March 28, 2015	Prepaid expenses and other current assets	$—	Other accrued liabilities	$9,320

The Company does not offset or net the fair value amounts of derivative financial instruments in its condensed consolidated balance sheets. The potential effect of rights of set-off associated with the derivative financial instruments was not material to the Company's condensed consolidated balance sheet for all periods presented.

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The following table summarizes the effect of derivative instruments on the condensed consolidated statements of income for the third quarter and the first nine months of fiscal 2016 and 2015:

(In thousands)	Three Months Ended January 2, 2016	Three Months Ended December 27, 2014	Nine Months Ended January 2, 2016	Nine Months Ended December 27, 2014
Amount of losses recognized in other comprehensive income on derivative (effective portion of cash flow hedging)	$(1,470)	$(2,110)	$(5,035)	$(6,189)
Amount of losses reclassified from accumulated other comprehensive income into income (effective portion) *	$(2,166)	$(1,786)	$(6,110)	$(768)
Amount of gains (losses) recorded (ineffective portion) *	$7	$(3)	$(15)	$(16)

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

Note 7. Stock-Based Compensation Plans

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

Stock-Based Compensation

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

(In thousands)	Three Months Ended January 2, 2016	Three Months Ended December 27, 2014	Nine Months Ended January 2, 2016	Nine Months Ended December 27, 2014
Stock-based compensation included in:				
Cost of revenues	$2,145	$2,339	$5,872	$6,408
Research and development	16,935	14,909	44,561	40,245
Selling, general and administrative	12,383	11,806	34,031	33,247
	$31,463	$29,054	$84,464	$79,900

During the first nine months of fiscal 2016 and 2015, the tax benefits realized for the tax deduction from option exercises and other awards credited to additional paid-in capital were $8.5 million and $12.3 million, respectively.

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Employee Stock Option Plans

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

	Options Outstanding	
(Shares in thousands)	Number of Shares	Weighted-Average Exercise Price Per Share
March 29, 2014	5,280	$25.22
Exercised	(2,009)	$25.80
Forfeited/cancelled/expired	(24)	$32.22
March 28, 2015	3,247	$24.81
Exercised	(1,503)	$24.43
Forfeited/cancelled/expired	(12)	$31.99
January 2, 2016	1,732	$25.09
Options exercisable at:		
January 2, 2016	1,705	$24.96
March 28, 2015	3,173	$24.59

The types of awards allowed under the 2007 Equity Incentive Plan (2007 Equity Plan) include incentive stock options, non-qualified stock options, restricted stock unit (RSU) awards, restricted stock and stock appreciation rights. To date, the Company has issued a mix of non-qualified stock options and RSUs under the 2007 Equity Plan. As of January 2, 2016, 13.0 million shares remained available for grant under the 2007 Equity Plan.

The total pre-tax intrinsic value of options exercised during the three and nine months ended January 2, 2016 was $8.3 million and $31.6 million, respectively. The total pre-tax intrinsic value of options exercised during the three and nine months ended December 27, 2014 was $11.7 million and $27.7 million, respectively.

This intrinsic value represents the difference between the exercise price and the fair market value of the Company’s common stock on the date of exercise.

The Company's stock-based compensation expense relating to options during the first nine months of fiscal 2016 and 2015 was not material.

RSU Awards

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

	RSUs Outstanding	
(Shares in thousands)	Number of Shares	Weighted-Average Grant-Date Fair Value Per Share
March 29, 2014	6,901	$35.08
Granted	3,201	$43.11
Vested	(2,698)	$33.82
Cancelled	(531)	$32.91
March 28, 2015	6,873	$39.07
Granted	2,889	$41.24
Vested	(2,287)	$37.16
Cancelled	(517)	$39.77
January 2, 2016	6,958	$40.54

The estimated fair values of RSU awards were calculated based on the market price of Xilinx common stock on the date of grant, reduced by the present value of dividends expected to be paid on Xilinx common stock prior to vesting. The per share weighted-

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average fair value of RSUs granted during the third quarter of fiscal 2016 was $43.41 ($40.76 for the third quarter of fiscal 2015), and for the first nine months of fiscal 2016 was $41.24 ($43.76 for the first nine months of fiscal 2015), which were calculated based on estimates at the date of grant using the following weighted-average assumptions:

	Three Months Ended				Nine Months Ended			
	January 2, 2016		December 27, 2014		January 2, 2016		December 27, 2014	
Risk-free interest rate	1.3	%	1.3	%	1.3	%	0.7	%
Dividend yield	2.7	%	2.7	%	2.8	%	2.4	%

For the majority of RSUs granted, the number of shares of common stock issued on the date the RSU awards vest is net of the minimum statutory withholding requirements that we pay in cash to the appropriate taxing authorities on behalf of our employees. In the condensed consolidated statement of cash flows, these amounts have been included as a reduction in the cash proceeds from issuance of common stock under our various stock plans. During the first nine months of fiscal 2016 and 2015, we withheld $29.8 million and $33.2 million worth of RSU awards, respectively, to satisfy the employees' tax obligations.

Employee Stock Purchase Plan

Under the ESPP, shares are only issued during the second and fourth quarters of each fiscal year. Employees purchased 438 thousand shares for $14.5 million during the second quarter of fiscal 2016 and 446 thousand shares for $14.9 million in the second quarter of fiscal 2015. The per-share weighted-average fair value of stock purchase rights granted under the ESPP during the second quarter of fiscal 2016 and 2015 was $9.78 and $9.75, respectively. The fair values of stock purchase plan rights granted in the second quarter of fiscal 2016 and 2015 were estimated using the Black-Scholes option pricing model at the date of grant using the following assumptions:

	2016		2015	
Expected life of options (years)	1.25		1.25	
Expected stock price volatility	0.25		0.25	
Risk-free interest rate	0.4	%	0.2	%
Dividend yield	3.0	%	2.8	%

The next scheduled purchase under the ESPP is in the fourth quarter of fiscal 2016. As of January 2, 2016, 10.1 million shares were available for future issuance under the ESPP.

Note 8. 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 following table summarizes the computation of basic and diluted net income per common share:

	Three Months Ended		Nine Months Ended	
(In thousands, except per share amounts)	January 2, 2016	December 27, 2014	January 2, 2016	December 27, 2014
Net income available to common stockholders	$130,819	$168,466	$405,833	$513,593
Weighted average common shares outstanding-basic	256,450	262,881	257,491	266,299
Dilutive effect of employee equity incentive plans	2,538	3,138	2,416	3,463
Dilutive effect of 2017 Convertible Notes and warrants	10,623	7,776	8,809	7,947
Weighted average common shares outstanding-diluted	269,611	273,795	268,716	277,709
Basic earnings per common share	$0.51	$0.64	$1.58	$1.93
Diluted earnings per common share	$0.49	$0.62	$1.51	$1.85

The total shares used in the denominator of the diluted net income per common share calculation includes potentially dilutive common equivalent shares outstanding that are not included in basic net income per common share by applying the treasury stock method to the impact of the equity incentive plans and to the incremental shares issuable assuming conversion of the Company's convertible debt and warrants (see "Note 10. Debt and Credit Facility" for more discussion of the Company's debt and warrants).

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Outstanding stock options and RSUs under the Company's stock award plans to purchase approximately 222 thousand and 3.7 million shares, for the third quarter and the first nine months of fiscal 2016, respectively, were excluded from diluted net income per common share by applying the treasury stock method, as their inclusion would have been anti-dilutive. These options and RSUs 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 and RSUs.
To hedge against potential dilution upon conversion of the 2017 Convertible Notes, the Company also purchased call options on its common stock from the hedge counter-parties. The call options give the Company the right to purchase up to 20.5 million shares of its common stock at $29.26 per share. These call options are not considered for purposes of calculating the total shares outstanding under the basic and diluted net income per share, as their effect would be anti-dilutive. Upon exercise, the call options would serve to neutralize the dilutive effect of the 2017 Convertible Notes and potentially reduce the weighted number of diluted shares used in per share calculations.

Note 9. Inventories
Inventories are stated at the lower of actual cost (determined using the first-in, first-out method), or market (estimated NRV) and are comprised of the following:

(In thousands)	January 2, 2016	March 28, 2015
Raw materials	$13,707	$14,174
Work-in-process	141,529	183,472
Finished goods	40,733	33,682
	$195,969	$231,328

Note 10. Debt and Credit Facility
2017 Convertible Notes
As of January 2, 2016, the Company had $600.0 million principal amount of 2017 Convertible Notes outstanding. The 2017 Convertible Notes are senior in right of payment to the Company’s existing and future unsecured indebtedness that is expressly subordinated in right of payment to the 2017 Convertible Notes, and are ranked equally with all of our other existing and future unsecured senior indebtedness, including the 2019 and 2021 Notes discussed below. The Company may not redeem the 2017 Convertible Notes prior to maturity.
The 2017 Convertible Notes are convertible, subject to certain conditions, into shares of Xilinx common stock at a conversion rate of 34.1754 shares of common stock per $1 thousand principal amount of the 2017 Convertible Notes, representing an effective conversion price of approximately $29.26 per share of common stock. The conversion rate is subject to adjustment for certain events as outlined in the indenture governing the 2017 Convertible Notes, but will not be adjusted for accrued interest. One of the conditions allowing holders of the 2017 Convertible Notes to convert during any fiscal quarter is if the last reported sale price of the Company's common stock for at least 20 trading days during a period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter is greater than or equal to 130% of the conversion price on each applicable trading day. This condition was met as of January 2, 2016 and as a result, the 2017 Convertible Notes were convertible at the option of the holders. As of January 2, 2016, the 2017 Convertible Notes were classified as a current liability on the Company's condensed consolidated balance sheet. Additionally, a portion of the equity component attributable to the conversion feature of the 2017 Convertible Notes was classified in temporary stockholders' equity. The amount classified as temporary equity was equal to the difference between the principal amount and carrying value of the 2017 Convertible Notes.
Upon conversion, the Company would pay the holders of the 2017 Convertible Notes cash up to the aggregate principal amount of the 2017 Convertible Notes. If the conversion value exceeds the principal amount, the Company would deliver shares of its common stock in respect to the remainder of its conversion obligation in excess of the aggregate principal amount (conversion spread). Accordingly, there is no adjustment to the numerator in the net income per common share computation for the cash settled portion of the 2017 Convertible Notes, as that portion of the debt liability will always be settled in cash. The conversion spread is included in the denominator for the computation of diluted net income per common share, using the treasury stock method.

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The carrying values of the liability and equity components of the 2017 Convertible Notes are reflected in the Company's condensed consolidated balance sheets as follows:

(In thousands)	January 2, 2016	March 28, 2015
Liability component:		
Principal amount of the 2017 Convertible Notes	$600,000	$600,000
Unamortized discount of liability component	(22,021)	(33,679)
Hedge accounting adjustment – sale of interest rate swap	6,364	9,732
Net carrying value of the 2017 Convertible Notes	$584,343	$576,053
Equity component (including temporary equity) – net carrying value	$66,415	$66,415

The remaining unamortized debt discount, net of the hedge accounting adjustment from the previous sale of the interest rate swap, is being amortized as additional non-cash interest expense over the expected remaining term of the 2017 Convertible Notes. As of January 2, 2016, the remaining term of the 2017 Convertible Notes is 1.5 years. As of January 2, 2016, the if-converted value of the 2017 Convertible Notes was $990.8 million.

Interest expense related to the 2017 Convertible Notes was included in interest and other expense, net on the condensed consolidated statements of income as follows:

	Three Months Ended		Nine Months Ended	
(In thousands)	January 2, 2016	December 27, 2014	January 2, 2016	December 27, 2014
Contractual coupon interest	$3,938	$3,938	$11,813	$11,813
Amortization of debt issuance costs	362	362	1,086	1,086
Amortization of debt discount, net	2,763	2,763	8,289	8,289
Total interest expense related to the 2017 Convertible Notes	$7,063	$7,063	$21,188	$21,188

To hedge against potential dilution upon conversion of the 2017 Convertible Notes, the Company purchased call options on its common stock from the hedge counter parties. The call options give the Company the right to purchase up to 20.5 million shares of its common stock at $29.26 per share. The call options will terminate upon the earlier of the maturity of the 2017 Convertible Notes or the last day any of the 2017 Convertible Notes remain outstanding. To reduce the hedging cost, under separate transactions the Company sold warrants to the hedge counter parties, which give the hedge counter parties the right to purchase up to 20.5 million shares of the Company's common stock at $41.45 per share. These warrants expire on a gradual basis over a specified period starting on September 13, 2017.

2019 and 2021 Notes

On March 12, 2014, the Company issued $500.0 million principal amount of 2019 Notes and $500.0 million principal amount of 2021 Notes with maturity dates of March 15, 2019 and March 15, 2021 respectively. The 2019 and 2021 Notes were offered to the public at a discounted price of 99.477% and 99.281% of par, respectively. Interest on the 2019 and 2021 Notes is payable semiannually on March 15 and September 15.

The Company received net proceeds of $990.1 million from issuance of the 2019 and 2021 Notes, after the debt discounts and deduction of debt issuance costs. The debt discounts and issuance costs are amortized to interest expense over the terms of the 2019 and 2021 Notes.

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The following table summarizes the carrying value of the 2019 and 2021 Notes as of January 2, 2016 and March 28, 2015:

(In thousands)	January 2, 2016	March 28, 2015
Principal amount of the 2019 Notes	$500,000	$500,000
Unamortized discount of the 2019 Notes	(1,689)	(2,073)
Principal amount of the 2021 Notes	500,000	500,000
Unamortized discount of the 2021 Notes	(2,727)	(3,088)
Total carrying value	$995,584	$994,839

Interest expense related to the 2019 and 2021 Notes was included in interest and other expense, net on the condensed consolidated statements of income as follows:

	Three Months Ended		Nine Months Ended	
(In thousands)	January 2, 2016	December 27, 2014	January 2, 2016	December 27, 2014
Contractual coupon interest	$6,406	$6,406	$19,219	$19,219
Amortization of debt issuance costs	146	146	439	436
Amortization of debt discount, net	251	244	745	725
Total interest expense related to the 2019 and 2021 Notes	$6,803	$6,796	$20,403	$20,380

Revolving Credit Facility

On December 7, 2011, the Company entered into a $250.0 million senior unsecured revolving credit facility with a syndicate of banks (expiring in December 2016). Borrowings under the credit facility will bear interest at a benchmark rate plus an applicable margin based upon the Company’s credit rating. In connection with the credit facility, the Company is required to maintain certain financial and nonfinancial covenants. As of January 2, 2016, the Company had made no borrowings under this credit facility and was not in violation of any of the covenants.

Note 11. Common Stock Repurchase Program

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 independent financial institutions. In November 2014, the Board authorized the repurchase of $800.0 million of the Company's common stock (2014 Repurchase Program). The 2014 Repurchase Program has no stated expiration date.

Through January 2, 2016, the Company had used $452.6 million of the $800.0 million authorized under the 2014 Repurchase Program, leaving $347.4 million available for future repurchases. The Company’s current policy is to retire all repurchased shares, and consequently, no treasury shares were held as of January 2, 2016 and March 28, 2015.

During the first nine months of fiscal 2016, the Company repurchased 6.7 million shares of common stock in the open market for a total of $300.0 million. During the first nine months of fiscal 2015, the Company repurchased 11.0 million shares of common stock in the open market for a total of $475.0 million.

Note 12. Interest and Other Expense, Net

The components of interest and other expense, net are as follows:

	Three Months Ended		Nine Months Ended	
(In thousands)	January 2, 2016	December 27, 2014	January 2, 2016	December 27, 2014
Interest income	$12,640	$11,375	$28,739	$28,268

Interest expense	(13,866)	(13,859)	(41,591)	(41,567)
Other expense, net	(3,827)	(1,523)	(11,941)	(2,661)
	$(5,053)	$(4,007)	$(24,793)	$(15,960)

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Note 13. Accumulated Other Comprehensive Loss

Comprehensive income (loss) is defined as the change in equity of a company during a period from transactions and other events and circumstances from non-owner sources. The components of accumulated other comprehensive loss are as follows:

(In thousands)	January 2, 2016	March 28, 2015
Accumulated unrealized losses on available-for-sale securities, net of tax	$(13,517)	$(238)
Accumulated unrealized losses on hedging transactions, net of tax	(2,487)	(7,523)
Accumulated cumulative translation adjustment, net of tax	(5,385)	(3,388)
Accumulated other comprehensive loss	$(21,389)	$(11,149)

The related tax effects of other comprehensive loss were not material for all periods presented.

Note 14. Income Taxes

The Company recorded tax provisions of $24.2 million and $61.2 million for the third quarter and the first nine months of fiscal 2016, respectively, representing an effective tax rate of 16% and 13%, respectively. The Company recorded tax provisions of $17.5 million and $67.0 million for the third quarter and the first nine months of fiscal 2015, respectively, representing effective tax rates of 9% and 12%, respectively.

The difference between the U.S. federal statutory tax rate of 35% and the Company’s effective tax rate in all periods 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’s total gross unrecognized tax benefits as of January 2, 2016, determined in accordance with FASB authoritative guidance for measuring uncertain tax positions, increased by $2.4 million in the third quarter of fiscal 2016 to $32.4 million. The total amount of unrecognized tax benefits that, if realized in a future period, would favorably affect the effective tax rate was $14.8 million as of January 2, 2016. It is reasonably possible that changes to our unrecognized tax benefits could be significant in the next twelve months due to tax audit settlements and lapses of statutes of limitation. As a result of uncertainties regarding tax audit settlements and their possible outcomes, an estimate of the range of increase or decrease that could occur in the next twelve months cannot be made.

The Company’s policy is to include interest and penalties related to income tax liabilities within the provision for income taxes on the condensed consolidated statements of income. The balance of accrued interest and penalties recorded in the condensed consolidated balance sheets and the amounts of interest and penalties included in the Company's provision for income taxes were not material for all periods presented.

The Company is no longer subject to U.S. federal audits by taxing authorities for years through fiscal 2011. The Company is no longer subject to U.S. state audits for years through fiscal 2010. The Company is no longer subject to tax audits in Ireland for years through fiscal 2011.

The Company is currently under examination by the IRS for fiscal years 2012 through 2014. The Company believes that its allowances for income tax contingencies are adequate and does not anticipate a significant change in its income tax contingencies as a result of the IRS audit.

Note 15. Commitments

Xilinx leases some of its facilities and office buildings under non-cancelable operating leases that expire at various dates through October 2021. Additionally, Xilinx entered into a land lease in conjunction with the Company’s building in Singapore, which will expire in November 2035 and 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. Most of the Company’s leases contain renewal options for varying terms. Approximate future minimum lease payments under non-cancelable operating leases are as follows:

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Fiscal	(In thousands)
2016 (remaining three months)	$1,220
2017	4,268
2018	3,061
2019	2,812
2020	2,000
Thereafter	2,210
Total	$15,571

Aggregate future rental income to be received from owned property, totaled $2.7 million as of January 2, 2016. Rent expense, net of rental income, under all operating leases was $1.2 million and $3.3 million for the three and nine months ended January 2, 2016, respectively. Rent expense, net of rental income, under all operating leases was $792 thousand and $2.4 million for the three and nine months ended December 27, 2014, respectively. Rental income was not material for the third quarter and the first nine months of fiscal 2016 and 2015.

Other commitments as of January 2, 2016 totaled $95.5 million and consisted of purchases of inventory and other non-cancelable purchase obligations related to subcontractors that manufacture silicon wafers and provide assembly and 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 January 2, 2016, the Company had $49.4 million of non-cancelable license obligations to providers of electronic design automation software and hardware/software maintenance expiring at various dates through December 2018. As of January 2, 2016, the Company also had open purchase obligations totaling $24.4 million related to the renovation of one of its properties.

Note 16. Product Warranty and Indemnification

The Company generally sells products with a limited warranty for product quality. The Company provides an accrual for known product issues if a loss is probable and can be reasonably estimated. As of the end of the third quarter of fiscal 2016 and the end of fiscal 2015, the accrual balance of the product warranty liability was immaterial.

The Company offers, subject to certain terms and conditions, to indemnify customers and distributors for costs and damages awarded against these parties in the event the Company’s hardware products are found to infringe third-party intellectual property rights, including patents, copyrights or trademarks, and to compensate certain customers for limited specified costs they actually incur in the event our hardware products experience epidemic failure. To a lesser extent, the Company may from time-to-time offer limited indemnification with respect to its software products. The terms and conditions of these indemnity obligations are limited by contract, which obligations are typically perpetual from the effective date of the agreement. The Company has historically received only a limited number of requests for indemnification under these provisions and has not made any significant payments pursuant to these provisions. The Company cannot estimate the maximum amount of potential future payments, if any, that the Company may be required to make as a result of these obligations due to the limited history of indemnification claims and the unique facts and circumstances that are likely to be involved in each particular claim and indemnification provision. However, there can be no assurances that the Company will not incur any financial liabilities in the future as a result of these obligations.

Note 17. Contingencies

Patent Litigation

On November 7, 2014, the Company filed a complaint for declaratory judgment against Papst Licensing GmbH & Co., KG (Papst) in the U.S. District Court for the Northern District of California (Xilinx, Inc. v. Papst Licensing GmbH & Co., KG, Case No. 3:14-CV-04963) (the California Action). On the same date, a patent infringement lawsuit was filed by Papst against the Company in the U.S. District Court for the District of Delaware (Papst Licensing GmbH & Co., KG v. Xilinx, Inc., Case No. 1:14-CV-01376) (the Delaware Action). Both the California Action and the Delaware Action pertain to the same two patents. In the Delaware Action, Papst seeks unspecified damages, interest and costs. On July 9, 2015, the Court in the California Action granted Papst's motion to dismiss for lack of personal jurisdiction and the California Action was dismissed. The Company has filed its opening brief, accompanied by three amicus briefs supported by industry and academia, in its appeal of the dismissal of the California Action to the U.S. Court of Appeals for the Federal Circuit. On September 1, 2015, the Court in the Delaware Action granted the Company's motion to transfer the Delaware Action to the U.S. District Court for the Northern District of California. Papst has filed an objection to that order. The Company is unable to estimate its range of possible loss, if any, in this matter at this time.

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On July 17, 2014, a patent infringement lawsuit was filed by PLL Technologies, Inc. (PTI) against the Company in the U.S. District Court for the District of Delaware (PLL Technologies, Inc. v. Xilinx, Inc., Case No. 1:14-CV-00945). On April 28, 2015, the United States Patent Trial and Appeal Board (PTAB) granted Xilinx's request for inter partes review (IPR) with respect to all claims in the litigation. An oral hearing in the IPR was held before the PTAB on January 26, 2016. On May 5, 2015, the Court ordered the litigation be stayed pending final resolution of the IPR. The lawsuit pertains to one patent and PTI seeks unspecified damages, interest and costs. The Company is unable to estimate its range of possible loss, if any, in this matter at this time.

On May 22, 2015, a patent infringement lawsuit was filed by QuickCompile IP, LLC (QuickCompile) against the Company in the U.S. District Court for the Eastern District of Texas (QuickCompile IP, LLC v. Xilinx, Inc., Case No. 2:15-CV-00820). The lawsuit pertains to two patents and QuickCompile seeks unspecified damages, interest and costs. The Company is unable to estimate its range of possible loss, if any, in this matter at this time.

The Company intends to continue to protect and defend our Intellectual Property (IP) vigorously.

Other Matters

On June 11, 2015, John P. Neblett as Chapter 7 Trustee of Valley Forge Composite Technologies, Inc. filed a complaint against Xilinx and others in the U.S. Bankruptcy Court for the Middle District of Pennsylvania (Bankruptcy No. 1:13-bk-05253-JJT). The complaint alleges causes of actions against Xilinx for negligence and civil conspiracy relating to alleged violations of U.S. export laws. It seeks at least $50.0 million in damages, together with punitive damages, from the defendants. On September 21, 2015, the action was withdrawn from the U.S. Bankruptcy Court for the Middle District of Pennsylvania and transferred to the U.S. District Court for the Eastern District of Kentucky. On November 2, 2015, Xilinx-along with other defendants-filed a motion to dismiss the complaint. On November 3, 2015, Xilinx filed a motion for sanctions pursuant to Federal Rule of Civil Procedure 11. The Court has not yet adjudicated either motion. The Company is unable to estimate its range of possible loss, if any, in this matter at this time.

From time to time, the Company is involved in various disputes and litigation matters that arise in the ordinary course of its business. These include disputes and lawsuits related to intellectual property, mergers and acquisitions, licensing, contract law, tax, regulatory, distribution arrangements, employee relations and other matters. Periodically, the Company reviews the status of each matter and assesses its potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and a range of possible losses can be estimated, the Company accrues a liability for the estimated loss. Legal proceedings are subject to uncertainties, and the outcomes are difficult to predict. Because of such uncertainties, accruals are based only on the best information available at the time. As additional information becomes available, the Company continues to reassess the potential liability related to pending claims and litigation and may revise estimates.

Note 18. Goodwill and Acquisition-Related Intangibles

As of January 2, 2016 and March 28, 2015, the gross and net amounts of goodwill and of acquisition-related intangibles for all acquisitions were as follows:

(In thousands)	January 2, 2016	March 28, 2015	Weighted-Average Amortization Life
Goodwill	$159,296	$159,296	
Core technology, gross	77,640	77,640	5.6 years
Less accumulated amortization	(70,244)	(64,988)	
Core technology, net	7,396	12,652	

Other intangibles, gross	46,606	46,606	2.7 years
Less accumulated amortization	(46,556)	(46,506)	
Other intangibles, net	50	100	
Total acquisition-related intangibles, gross	124,246	124,246	
Less accumulated amortization	(116,800)	(111,494)	
Total acquisition-related intangibles, net	$7,446	$12,752	

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Amortization expense for acquisition-related intangibles for the three and nine months ended January 2, 2016 was $1.8 million and $5.3 million, respectively. Based on the carrying value of acquisition-related intangibles recorded as of January 2, 2016, and assuming no subsequent impairment of the underlying assets, the annual amortization expense for acquisition-related intangibles is expected to be as follows:

Fiscal	(In thousands)
2016 (remaining three months)	$1,244
2017	4,761
2018	1,374
2019	67
Total	$7,446

Note 19. Restructuring Charges

During the fourth quarter of fiscal 2015, the Company announced restructuring measures designed to realign resources and drive overall operating efficiencies. These measures impacted approximately 120 positions, or 3% of the Company's global workforce, in various geographies and functions worldwide. The reorganization plan was substantially completed by the end of the first quarter of fiscal 2016.

The Company recorded total restructuring charges of $24.5 million in the fourth quarter of fiscal 2015, primarily related to severance pay expenses and write-offs of acquisition-related intangibles. As of the end of the third quarter of fiscal 2016, the balance of the restructuring accrual was $3.0 million, which is expected to be paid within the next few quarters.

Note 20. Subsequent Events

On January 19, 2016, the Company’s Board of Directors declared a cash dividend of $0.31 per common share for the fourth quarter of fiscal 2016. The dividend is payable on March 16, 2016 to stockholders of record on March 2, 2016.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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.

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 condensed 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, 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 condensed consolidated balance sheet; and valuation and recognition of stock-based compensation, which impacts gross margin, research and development (R&D) expenses, and selling, general and administrative (SG&A) expenses. For more discussion please refer to "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Form 10-K for the year ended March 28, 2015 filed with the SEC. 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.

Results of Operations: Third quarter and first nine months of fiscal 2016 compared to the third quarter and first nine months of fiscal 2015

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

	Three Months Ended				Nine Months Ended			
	January 2, 2016		December 27, 2014		January 2, 2016		December 27, 2014	
Net revenues	100.0	%	100.0	%	100.0	%	100.0	%
Cost of revenues	31.5		30.3		30.2		29.7	
Gross margin	68.5		69.7		69.8		70.3	
Operating expenses:								
Research and development	25.0		22.5		24.3		21.7	
Selling, general and administrative	14.9		14.8		15.3		15.2	

Amortization of acquisition-related intangibles	0.3	0.4	0.3	0.4
Total operating expenses	40.2	37.7	39.9	37.3
Operating income	28.3	32.0	29.9	33.0
Interest and other expense, net	0.9	0.7	1.5	0.9
Income before income taxes	27.4	31.3	28.4	32.1
Provision for income taxes	4.3	2.9	3.7	3.7
Net income	23.1 %	28.4 %	24.7 %	28.4 %

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Net Revenues

We sell our products to global manufacturers of electronic products in end markets such as wireline and wireless communications, aerospace and defense, industrial, scientific and medical, audio, video and broadcast, and automotive. 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 Zynq UltraScale+, Virtex and Kintex UltraScale, Virtex-7, Kintex-7, Artix-7, Zynq-7000 and Spartan-6 product families.
- Mainstream Products include the Virtex-6, Virtex-5 and CoolRunner-II product families.
- Base Products consist of our older product families including the Virtex-4, Virtex-II, Virtex-E, Spartan-3, Spartan-II, Spartan, CoolRunner and XC9500 products.
- Support Products include configuration solutions, software and support/services.

These product categories, except for Support Products, are modified on a periodic basis to better reflect the maturity of the products and advances in technology. The most recent modification was made on March 29, 2015, which was the beginning of our fiscal 2016. The 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 of $566.2 million in the third quarter of fiscal 2016 represented a 5% decrease from the comparable prior year period of $593.5 million. The decrease was driven primarily by applications in aerospace & defense, particularly in North America, and wireless communications, particularly in Europe. Net revenues from New Products increased significantly in the third quarter of fiscal 2016 versus the comparable prior year period, but the declines from our older products more than offset the increase. No end customer accounted for more than 10% of our net revenues for the third quarter and the first nine months of fiscal 2016 and 2015.

For the first nine months of fiscal 2016, approximately 60% of our net revenues were from products sold to distributors for subsequent resale to original equipment manufacturers (OEMs) or their subcontract manufacturers. As of January 2, 2016, we had $66.9 million of deferred revenue and $19.9 million of deferred cost of revenues recognized as a net $47.0 million of deferred income on shipments to distributors. As of March 28, 2015, we had $87.7 million of deferred revenue and $21.6 million of deferred cost of revenues recognized as a net $66.1 million of deferred income on shipments to distributors. The deferred income on shipments to distributors that will ultimately be recognized in our condensed consolidated statement of income will be different than the amount shown on the condensed consolidated balance sheet due to actual price adjustments issued to the distributors when the product is sold to their end customers.

Net Revenues by Product

Net revenues by product categories for the third quarter and the first nine months of fiscal 2016 and 2015 were as follows:

	Three Months Ended	Nine Months Ended

(In millions)	January 2, 2016	% Change	December 27, 2014	January 2, 2016	% Change	December 27, 2014
New Products	$270.0	28	$211.5	$705.4	19	$590.3
Mainstream Products	129.0	(17)	154.5	399.8	(30)	571.4
Base Products	145.8	(30)	208.2	479.2	(19)	590.1
Support Products	21.4	11	19.3	58.4	—	58.6
Total net revenues	$566.2	(5)	$593.5	$1,642.8	(9)	$1,810.4

Net revenues from New Products increased significantly in both the third quarter and the first nine months of fiscal 2016 compared to the comparable prior year periods. The increases for both periods were a result of sales growth from our 28nm and 20nm product families. We expect sales of New Products to continue to grow as more customer programs enter into volume production with our 28nm, 20nm and 16nm products.

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Net revenues from Mainstream Products decreased in both the third quarter and the first nine months of fiscal 2016 from the comparable prior year periods. The decreases were largely due to the decline in sales of our Virtex-5 product family. For the first nine months of fiscal 2016, revenues from our Virtex-6 product family decreased as well.

Net revenues from Base Products decreased in both the third quarter and the first nine months of fiscal 2016 from the comparable prior year periods. The decreases for both periods were primarily due to a decline in sales of our Virtex-2 product family as sales from certain key programs within aerospace and defense declined. Base Products are mature products with sales that are expected to decline over time.
Net revenues from Support Products increased in the third quarter of fiscal 2016, but were fairly stable for the first nine months of fiscal 2016, compared to the comparable prior year periods. The increase for the third quarter of fiscal 2016 was primarily due to higher sales from our software products.

Net Revenues by End Markets

Our end market revenue data is derived from our understanding of our end customers' primary markets. On March 29, 2015, we modified our end market categories by combining the Other category, which was previously a stand-alone category, into the Communications and Data Center category. Amounts for prior periods presented have been reclassified accordingly. As such, net revenues by end markets are classified into the following three categories: Communications & Data Center; Industrial, Aerospace & Defense; and Broadcast, Consumer & Automotive. 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 third quarter and the first nine months of fiscal 2016 and 2015 were as follows:

	Three Months Ended			Nine Months Ended		
(% of total net revenues)	January 2, 2016	% Change in Dollars	December 27, 2014	January 2, 2016	% Change in Dollars	December 27, 2014
Communications & Data Center	43 %	(3)	43 %	41 %	(21)	47 %
Industrial, Aerospace & Defense	41	(10)	43	42	—	38
Broadcast, Consumer & Automotive	16	7	14	17	4	15
Total net revenues	100 %	(5)	100 %	100 %	(9)	100 %

Net revenues from Communications & Data Center decreased in the third quarter (in terms of absolute dollars) and the first nine month of fiscal 2016 from the comparable prior year periods. The decrease for the third quarter of fiscal 2016 was driven by lower sales from wireless communications, which more than offset the increase in wireline communications. For the first nine months of fiscal 2016, the decrease was due to lower sales from both wireless and wireline, with wireless communications driving most of the decrease.

Net revenues from Industrial, Aerospace & Defense decreased in the third quarter of fiscal 2016, but were relatively stable (in terms of absolute dollars) for the first nine months of fiscal 2016, from the comparable prior year periods. The decrease for the third quarter of fiscal 2016 was primarily due to a decline in sales from certain key programs within aerospace and defense. For the first nine months of fiscal 2016, the decline in aerospace and defense was largely offset by increases in both test & measurement and industrial, scientific & medical.

Net revenues from Broadcast, Consumer & Automotive increased in both the third quarter and the first nine months of fiscal 2016 from the comparable prior year periods. The increases for both periods were mainly due to higher sales from automotive, but were partially offset by a decline in audio, video and broadcast.

Net Revenues by Geography

Geographic revenue information reflects the geographic location of the distributors, OEMs or contract manufacturers who purchased our products. This may differ from the geographic location of the end customers. Net revenues by geography for the third quarter and the first nine months of fiscal 2016 and 2015 were as follows:

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(In millions)	Three Months Ended January 2, 2016	% Change	December 27, 2014	Nine Months Ended January 2, 2016	% Change	December 27, 2014
North America	$181.2	(10)	$201.0	$526.5	(5)	$554.1
Asia Pacific	229.6	(1)	231.7	637.7	(11)	718.4
Europe	98.7	(5)	104.0	307.9	(15)	360.6
Japan	56.7	—	56.8	170.7	(4)	177.4
Total net revenues	$566.2	(5)	$593.5	$1,642.8	(9)	$1,810.5

Net revenues in North America decreased in both the third quarter and the first nine months of fiscal 2016 from the comparable prior year periods. The decreases were primarily due to a decline in sales from certain key programs within aerospace and defense. Additionally, we also experienced weaker sales from wireless communications for the first nine months of fiscal 2016.

Net revenues in Asia Pacific decreased slightly in the third quarter of fiscal 2016 from the comparable prior year period. The decrease was primarily due to lower sales from wireline. For the first nine months of fiscal 2016, decrease in net revenue from the comparable prior year period was primarily due to a decrease in sales from Communications & Data Center, which more than offset the increases in all other end markets in Asia Pacific.

Net revenues in Europe decreased in both the third quarter and the first nine months of fiscal 2016 from the comparable prior year periods. The decreases for both periods were primarily due to weaker sales from wireless communications, and to a lesser extent audio, video and broadcast.

Net revenues in Japan were fairly stable in the third quarter of fiscal 2016, but were lower in the first nine months of fiscal 2016, from the comparable prior year periods. The decrease for the first nine months of fiscal 2016 was primarily driven by lower sales in Communications & Data Center, which more than offset the increase in automotive.

Gross Margin

(In millions)	Three Months Ended January 2, 2016	% Change	December 27, 2014	Nine Months Ended January 2, 2016	% Change	December 27, 2014
Gross margin	$387.7	(6)	$413.9	$1,146.7	(10)	$1,272.0
Percentage of net revenues	68.5 %		69.7 %	69.8 %		70.3 %

Gross margin was lower by 1.2 and 0.5 percentage points in the third quarter and the first nine months of fiscal 2016, respectively. Lower gross margin in the third quarter of fiscal 2016 was driven primarily by our product mix as we sold less from the Base Products category, which have relatively higher margins, in the current quarter as compared to the prior year period. The decrease in gross margin in the first nine months of fiscal 2016 was due to an increase in manufacturing overhead expenses primarily related to the ramp of our newest products and a lower mix of high margin Base Products, which more than offset product cost reductions.

Gross margin may be affected in the future due to multiple factors, including but not limited to those set forth in Item 1A. "Risk Factors," included in Part II of this Form 10-Q, shifts in the mix of customers and products, 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, improve manufacturing efficiencies, and improve average selling price management. New Products generally have lower gross margins than Mainstream and Base Products as they are in the early stages of their product life cycle and have higher unit costs associated with relatively lower volumes and early manufacturing maturity.

In order to compete effectively, we pass manufacturing cost reductions 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.

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Research and Development

(In millions)	Three Months Ended January 2, 2016	% Change	December 27, 2014	Nine Months Ended January 2, 2016	% Change	December 27, 2014
Research and development	$141.4	6	$133.5	$398.2	1	$393.8
Percentage of net revenues	25 %		23 %	24 %		22 %

R&D spending increased $7.9 million, or 6%, for the third quarter of fiscal 2016 from the comparable prior year period. For the first nine months of fiscal 2016, R&D spending increased $4.4 million, or 1%, from the comparable prior year period. The increases for both periods were primarily attributable to higher employee-related compensation, including stock-based compensation as a result of the additional week in 2016 fiscal period, and higher headcount.

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

Selling, General and Administrative

(In millions)	Three Months Ended January 2, 2016	% Change	December 27, 2014	Nine Months Ended January 2, 2016	% Change	December 27, 2014
Selling, general and administrative	$84.5	(4)	$88.1	$251.4	(8)	$274.5
Percentage of net revenues	15 %		15 %	15 %		15 %

SG&A expenses were lower during the third quarter and the first nine months of fiscal 2016 as compared to the comparable prior year periods. We incurred lower variable spending (including sales commissions) associated with lower revenue and operating margin and as a result of the restructuring of our sales channel in the prior year. Overall, employee compensation in both periods also decreased due to lower headcount (as a result of restructuring in the prior year), but was partially offset by the additional week in the 2016 fiscal period.

Amortization of Acquisition-Related Intangibles

(In millions)	Three Months Ended January 2, 2016	% Change	December 27, 2014	Nine Months Ended January 2, 2016	% Change	December 27, 2014
Amortization of acquisition-related intangibles	$1.8	(25)	$2.4	$5.3	(26)	$7.2
Percentage of net revenues	— %		— %	— %		— %

Amortization expense for both the third quarter and the first nine months of fiscal 2016 decreased slightly from the comparable prior year periods as certain intangibles were fully amortized by fiscal 2016.

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Stock-Based Compensation

(In millions)	Three Months Ended January 2, 2016	% Change	December 27, 2014	Nine Months Ended January 2, 2016	% Change	December 27, 2014
Stock-based compensation included in:						
Cost of revenues	$2.2	(9)	$2.4	$5.9	(10)	$6.5
Research and development	16.9	14	14.9	44.6	11	40.2
Selling, general and administrative	12.4	5	11.8	34.0	2	33.2
	$31.5	8	$29.1	$84.5	6	$79.9

The increases in stock-based compensation expense for the third quarter and the first nine months of fiscal 2016 as compared to the prior year periods were primarily due to the additional week in the 2016 fiscal period and higher expenses associated with RSUs (as we have granted more RSUs at a higher fair value in recent years).

Interest and Other Expense, Net

(In millions)	Three Months Ended January 2, 2016	% Change	December 27, 2014	Nine Months Ended January 2, 2016	% Change	December 27, 2014
Interest and other expense, net	$5.1	26	$4.0	$24.8	55	$16.0
Percentage of net revenues	1%		1%	2%		1%

Our net interest and other expense increased in both the third quarter and the first nine months of fiscal 2016 from the comparable prior year periods. For the third quarter of fiscal 2016, the increase was due to lower realized gain on sale of available-for-sale securities. For the first nine months of fiscal 2016, the increase was primarily due to higher losses associated with foreign-exchange related transactions.

Provision for Income Taxes

(In millions)	Three Months Ended January 2, 2016	% Change	December 27, 2014	Nine Months Ended January 2, 2016	% Change	December 27, 2014
Provision for income taxes	$24.2	38	$17.5	$61.2	(9)	$67.0
Percentage of net revenues	4%		3%	4%		4%
Effective tax rate	16%		9%	13%		12%

The difference between the U.S. federal statutory tax rate of 35% and our effective tax rate in all periods was primarily due to income earned in lower tax rate jurisdictions, for which no U.S. income tax has been provided, as we intend to permanently reinvest these earnings outside of the U.S.

The increase in the effective tax rates in the third quarter and first nine months of fiscal 2016 as compared to the same prior year periods was primarily due to a decrease in the amount of permanently reinvested foreign earnings for which no U.S. taxes were provided. The increase in the effective tax rates was partially offset by the reinstatement of the U.S. federal research tax credit, which was signed into law on December 18, 2015 as part of the Protecting Americans from Tax Hikes Act. All periods included a U.S. federal research tax credit. However, the credit in fiscal 2016 was larger than the credit in fiscal 2015 as the credit is available for the full fiscal year 2016 whereas in fiscal 2015 the credit expired on December 31, 2014.

Financial Condition, Liquidity and Capital Resources

We have historically used a combination of cash flows from operations and equity as well as debt financing to support ongoing business activities, acquire or invest in critical or complementary technologies, purchase facilities and capital equipment, repurchase

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our common stock and debentures under our repurchase program, pay dividends and finance working capital. Additionally, our investments in debt securities are liquid and available for future business needs.

The combination of cash, cash equivalents and short-term and long-term investments as of January 2, 2016 and March 28, 2015 totaled $3.62 billion and $3.57 billion, respectively. As of January 2, 2016, we had cash, cash equivalents and short-term investments of $3.40 billion and working capital of $3.08 billion. As of March 28, 2015, cash, cash equivalents and short-term investments were $3.30 billion and working capital was $2.97 billion.

As of January 2, 2016, we had $2.16 billion of cash, cash equivalents and short-term investments held by our non-U.S. jurisdictions. From a financial statement perspective, approximately $974.3 million of the $2.16 billion held by our non-U.S. jurisdictions was available for use in the U.S. without incurring additional U.S. income taxes in excess of the amounts already accrued in our financial statements as of January 2, 2016. The remaining amount of non-U.S. cash, cash equivalents and short-term investments was permanently reinvested and, therefore, no U.S. current or deferred taxes was accrued on this amount, which is intended for investment in our operations outside the U.S. We believe our U.S. sources of cash and liquidity are sufficient to meet our business needs in the U.S. and do not expect that we will need to repatriate the funds we have designated as permanently reinvested outside the U.S. Under current tax laws, should our plans change and we were to choose to repatriate some or all of the funds we have designated as permanently reinvested outside the U.S., such amounts would be subject to U.S. income taxes and applicable non-U.S. income and withholding taxes.

Operating Activities —During the first nine months of fiscal 2016, our operations generated net positive cash flow of $607.2 million, which was $17.6 million lower than the $624.7 million generated during the first nine months of fiscal 2015. The positive cash flow from operations generated during the first nine months of fiscal 2016 was primarily from net income as adjusted for non-cash related items, decreases in accounts receivable and inventories and an increase in other accrued liabilities. These items were partially offset by decreases in income taxes payable, deferred income on shipments to distributors and accounts payable. Accounts receivable decreased by $43.4 million and days sales outstanding decreased to 35 days at January 2, 2016 from 38 days at March 28, 2015 due to timing of shipments. Our inventory levels as of January 2, 2016 were $35.4 million lower at $196.0 million compared to $231.3 million at March 28, 2015, and combined inventory days at Xilinx and distribution decreased to 122 days at January 2, 2016 from 130 days at March 28, 2015.

Investing Activities —Net cash used in investing activities was $95.4 million during the first nine months of fiscal 2016, as compared to net cash provided by investing activities of $503.2 million in the first nine months of fiscal 2015. Net cash used in investing activities during the first nine months of fiscal 2016 consisted primarily of $70.5 million of net purchases of available-for-sale securities, $19.2 million for purchases of property, plant and equipment and $5.7 million of other investing activities.

Financing Activities —Net cash used in financing activities was $506.1 million in the first nine months of fiscal 2016, as compared to $670.6 million in the first nine months of fiscal 2015. Net cash used in financing activities during the first nine months of fiscal 2016 consisted of $300.0 million of cash payment to repurchase common stock and $240.1 million dividend payments to stockholders, which was partially offset by $21.7 million of net proceeds from issuance of common stock under employee stock plans and $12.3 million for excess tax benefits from stock-based compensation.

Contractual Obligations

We lease some of our facilities, office buildings and land under non-cancelable operating leases that expire at various dates through October 2021. See "Note 15. Commitments" to our condensed consolidated financial statements, included in Part I. "Financial Information," for a schedule of our operating lease commitments as of January 2, 2016 and additional information about operating leases.

Due to the nature of our business, we depend entirely upon subcontractors to manufacture our silicon wafers and provide assembly and 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. As of January 2, 2016, we had $95.5 million of outstanding inventory and other non-cancelable purchase obligations to subcontractors. 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. As of January 2, 2016, we also had $49.4 million of non-cancelable license obligations to providers of electronic design automation software and hardware/software maintenance expiring at various dates through December 2018.

As of January 2, 2016, we had $600.0 million of 2017 Convertible Notes outstanding. The 2017 Convertible Notes require payment of interest semiannually on June 15 and December 15 of each year. As of January 2, 2016, the 2017 Convertible Notes are convertible at the option of the holders. We also had $500.0 million of 2019 Notes and $500.0 million of 2021 Notes outstanding as of January 2, 2016. The 2019 Notes and 2021 Notes require payment of interest semiannually on March 15 and September 15.

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See "Note 10. Debt and Credit Facility" to our condensed consolidated financial statements, included in Part 1. "Financial Information," for additional information about our debentures.

As of January 2, 2016, $15.2 million of liabilities for uncertain tax positions and related interest and penalties were classified as long-term income taxes payable in the condensed 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.

Off-Balance-Sheet Arrangements

As of January 2, 2016, we did not have any significant off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

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 (expiring in December 2016). 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.

During the first nine months of fiscal 2016, we repurchased 6.7 million shares of common stock in the open market for a total of $300.0 million. During the first nine months of fiscal 2015, we repurchased 11.0 million shares of common stock in the open market for a total of $475.0 million. During the first nine months of fiscal 2016, we paid $240.1 million in cash dividends to stockholders, representing $0.93 per common share. During the first nine months of fiscal 2015, we paid $230.6 million in cash dividends to stockholders, representing $0.87 per common share. On January 19, 2016, our Board of Directors declared a cash dividend of $0.31 per common share for the fourth quarter of fiscal 2016. The dividend is payable on March 16, 2016 to stockholders of record on March 2, 2016. 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.

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, to procure additional capital equipment and facilities, to develop new products, and to potentially acquire technologies or businesses that could complement our business. However, the risk factors discussed in Item 1A included in Part II. "Risk Factors" and below could affect our cash positions adversely.

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Item 3. 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 $3.24 billion as of January 2, 2016. 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, mortgage-backed securities, asset-backed securities, financial institution securities, non-financial institution securities, student loan auction rate securities, U.S. and foreign government and agency securities, bank loans, debt mutual funds and commercial mortgage-backed 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 January 2, 2016 would have affected the fair value of our investment portfolio by less than $47.0 million.

Credit Market Risk

The global credit markets may experience adverse conditions that negatively impact the values of various types of investment and non-investment grade securities. The global credit and capital markets may experience 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 other-than-temporary impairment charges for certain types of investments should credit market conditions deteriorate. See "Note 5. Financial Instruments" to our condensed consolidated financial statements, included in Part 1. "Financial Information."

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 condensed consolidated statements of income as they are incurred.

We enter into forward currency exchange contracts to hedge our overseas operating expenses and other liabilities when deemed appropriate. As of January 2, 2016 and March 28, 2015, we had the following outstanding forward currency exchange contracts (in notional amount):

(In thousands and U.S. dollars)	January 2, 2016	March 28, 2015
Singapore Dollar	$26.6	$43.9
Euro	18.3	30.0
Indian Rupee	22.8	22.2
British Pound	11.7	12.9
Japanese Yen	3.3	5.0
	$82.7	$114.0

As part of our strategy to reduce volatility of operating expenses due to foreign exchange rate fluctuations, we employ a hedging program with forward outlook of up to two years for major foreign-currency-denominated operating expenses. The outstanding forward currency exchange contracts expire at various dates through February 2017. The majority of net unrealized losses, which approximate the fair market value of the outstanding forward currency exchange contracts, are expected to be realized into net income within the next twelve months.

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Our investments in several of our wholly-owned subsidiaries are recorded in currencies other than the U.S. dollar. As the financial statements of these subsidiaries are translated at each quarter end during consolidation, fluctuations of exchange rates between the foreign currency and the U.S. dollar increase or decrease the value of those investments. These fluctuations are recorded within stockholders' equity as a component of accumulated other comprehensive income (loss). Other monetary foreign-denominated assets and liabilities are revalued on a monthly basis with gains and losses on revaluation reflected in net income. A hypothetical 10% favorable or unfavorable change in foreign currency exchange rates at January 2, 2016 would have affected the annualized foreign-currency-denominated operating expenses of our foreign subsidiaries by less than $10.0 million. In addition, a hypothetical 10% favorable or unfavorable change in foreign currency exchange rates compared to rates at January 2, 2016 would have affected the value of foreign-currency-denominated cash and investments by less than $5.0 million.

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Item 4. Controls and Procedures

We maintain a system of disclosure controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the U.S. Securities Exchange Act of 1934, as amended (Exchange Act), is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms. These controls and procedures are also designed to ensure that such information is accumulated and communicated to our management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as appropriate to allow timely decisions regarding required disclosure. Internal controls are procedures designed to provide reasonable assurance that: transactions are properly authorized; assets are safeguarded against unauthorized or improper use; and transactions are properly recorded and reported, to permit the preparation of our financial statements in conformity with generally accepted accounting principles.

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with its policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. We continuously evaluate our internal controls and make changes to improve them as necessary. Our intent is to maintain our disclosure controls as dynamic systems that change as conditions warrant.

An evaluation was carried out, under the supervision of and with the participation of our management, including our CEO and CFO, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a–15(e) and 15d–15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon this evaluation, our CEO and CFO have concluded that, as of the end of the period covered by this Form 10-Q, our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended January 2, 2016 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding our legal proceedings, see "Note 17. Contingencies" to our condensed consolidated financial statements, included in Item 1. "Financial Statements", which is incorporated herein by reference.

Item 1A. Risk Factors

The following risk factors and other information included in this Quarterly Report on Form 10-Q should be carefully considered. The risks and uncertainties described below are not the only risks to the Company. Additional risks and uncertainties not presently known to the Company or that the Company's management currently deems immaterial also may impair its business operations. If any of the risks described below were to occur, our business, financial condition, operating results and cash flows could be materially adversely affected.

There have been no material changes to our risk factors from those previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended March 28, 2015.

Our success depends on our ability to develop and introduce new products and failure to do so would have a material adverse impact on our financial condition and results of operations.

Our success depends in large part on our ability to develop and introduce new products that address customer requirements and compete effectively on the basis of price, density, functionality, power consumption and performance. The success of new product introductions is dependent upon several factors, including:

- timely completion of new product designs;
- ability to generate new design opportunities and design wins;
- availability of specialized field application engineering resources supporting demand creation and customer adoption of new products;
- ability to utilize advanced manufacturing process technologies on circuit geometries of 28nm and smaller;
- achieving acceptable yields;
- ability to obtain adequate production capacity from our wafer foundries and assembly and test subcontractors;
- ability to obtain advanced packaging;
- availability of supporting software design tools;
- utilization of predefined IP logic;
- customer acceptance of advanced features in our new products; and
- market acceptance of our customers' products.

Our product development efforts may not be successful, our new products may not achieve industry acceptance and we may not achieve the necessary volume of production that would lead to further per unit cost reductions. Revenues relating to our mature products are expected to decline in the future, which is normal for our product life cycles. As a result, we may be increasingly dependent on revenues derived from design wins for our newer products as well as anticipated cost reductions in the manufacture of our current products. We rely primarily on obtaining yield improvements and corresponding cost reductions in the manufacture of existing products, and on introducing new products that incorporate advanced features and other price/performance factors that enable us to increase revenues while maintaining consistent margins. To the extent that such cost reductions and new product introductions do not occur in a timely manner, or to the extent that our products do not achieve market acceptance at prices with higher margins, our financial condition and results of operations could be materially adversely affected.

We rely on independent foundries for the manufacture of all of our products and a manufacturing problem or insufficient foundry capacity could adversely affect our operations.

Most of our wafers are manufactured in Taiwan by United Microelectronics Corporation (UMC) and by Taiwan Semiconductor Manufacturing Company Limited (TSMC) for our newest products. In addition, we also have wafers manufactured in South Korea by Samsung Electronics Co., Ltd. Terms with respect to the volume and timing of wafer production and the pricing of wafers produced by the semiconductor foundries are determined by periodic negotiations between Xilinx and these wafer foundries, which usually result in short-term agreements that do not provide for long-term supply or allocation commitments. We are dependent on these foundries to supply the substantial majority of our wafers. We rely on UMC, TSMC and our other foundries to produce wafers with competitive performance attributes. Therefore, the foundries, particularly TSMC who manufactures our newest products, must be able to transition to advanced manufacturing process technologies and increased wafer sizes, produce wafers

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at acceptable yields and deliver them in a timely manner. Furthermore, we cannot guarantee that the foundries that supply our wafers will offer us competitive pricing terms or other commercial terms important to our business.

We cannot guarantee that our foundries will not experience manufacturing problems, including delays in the realization of advanced manufacturing process technologies or difficulties due to limitations of new and existing process technologies. Furthermore, we cannot guarantee the foundries will be able to manufacture sufficient quantities of our products or that they will continue to manufacture a product for the full life of the product. In addition, weak economic conditions may adversely impact the financial health and viability of the foundries and result in their insolvency or their inability to meet their commitments to us. For example, we may experience supply shortages due to the difficulties foundries may encounter if they must rapidly increase their production capacities from low utilization levels to high utilization levels because of an unexpected increase in demand. We may also experience supply shortages due to very strong demand for our products and a surge in demand for semiconductors in general, which may lead to tightening of foundry capacity across the industry. The insolvency of a foundry or any significant manufacturing problem or insufficient foundry capacity would disrupt our operations and negatively impact our financial condition and results of operations.

General economic conditions and any related deterioration in the global business environment could have a material adverse effect on our business, operating results and financial condition.

During the past six years, global consumer confidence eroded amidst concerns over declining asset values, inflation, volatility in energy costs, geopolitical issues, the availability and cost of credit, rising unemployment, and the stability and solvency of financial institutions, financial markets, businesses and sovereign nations, among other concerns. These concerns slowed global economic growth and resulted in recessions in numerous countries, including many of those in North America, Europe and Asia. The financial condition of certain sovereign nations, particularly in Europe, is of continuing concern as the sovereign debt crisis remains unresolved. These weak economic conditions resulted in reduced customer demand and had a negative impact on our results of operations for the second and third quarter of fiscal 2012 and the third quarter of fiscal 2013. If weak economic conditions return, there may be a number of negative effects on our business, including customers or potential customers reducing or delaying orders, the insolvency of key suppliers, potentially causing production delays, the inability of customers to obtain credit, and the insolvency of one or more customers. Any of these effects could impact our ability to effectively manage inventory levels and collect receivables and ultimately decrease our net revenues and profitability.

The semiconductor industry is characterized by cyclical market patterns and a significant industry downturn could adversely affect our operating results.

The semiconductor industry is highly cyclical and our financial performance has been affected by downturns in the industry. Down cycles are generally characterized by price erosion and weaker demand for our products. Weaker demand for our products resulting from economic conditions in the end markets we serve and reduced capital spending by our customers can result, and in the past has resulted, in excess and obsolete inventories and corresponding inventory write-downs. We attempt to identify changes in market conditions as soon as possible; however, the dynamics of the market in which we operate make prediction of and timely reaction to such events difficult. Due to these and other factors, our past results are not reliable predictors of our future results.

The nature of our business makes our revenues difficult to predict which could have an adverse impact on our business.

In addition to the challenging market conditions we may face, we have limited visibility into the demand for our products, particularly new products, because demand for our products depends upon our products being designed into our end customers’ products and those products achieving market acceptance. Due to the complexity of our customers’ designs, the design to volume production process for our customers requires a substantial amount of time, frequently longer than a year. In addition to this, other factors may affect our end customers’ demand for our products, including, but not limited to, end customer program delays and the ability of end customers to secure other complimentary products. We also are dependent upon "turns," orders received and turned for shipment in the same quarter. These factors make it difficult for us to forecast future sales and project quarterly revenues. The difficulty in forecasting future sales impairs our ability to project our inventory requirements, which could result, and in the past has resulted, in inventory write-downs or failure to meet customer product demands in a timely manner. In addition, difficulty in forecasting revenues compromises our ability to provide forward-looking revenue and earnings guidance.

If we are not able to compete successfully in our industry, our financial results and future prospects will be adversely affected.

Our Programmable Logic Devices (PLD) compete in the logic integrated circuits (IC) industry, an industry that is intensely competitive and characterized by rapid technological change, increasing levels of integration, product obsolescence and continuous price erosion. We expect increased competition from our primary PLD competitors, Intel Corporation's new Programmable Solutions Group (formerly Altera Corporation (Altera)), Lattice Semiconductor Corporation and Microsemi Corporation, and

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from new market entrants. In addition, competition from the application specific integrated circuits (ASIC) market and from the application specific standard products (ASSP) market continues.

We believe that important competitive factors in the logic IC industry include:

- product pricing;
- time-to-market;
- product performance, reliability, quality, power consumption and density;
- field upgradeability;
- adaptability of products to specific applications;
- ease of use and functionality of software design tools;
- availability and functionality of predefined IP logic;
- inventory and supply chain management;
- access to leading-edge process technology and assembly capacity;
- ability to provide timely customer service and support; and
- access to advanced packaging technology.

Our strategy for expansion in the logic market includes continued introduction of new product architectures that address high-volume, low-cost and low-power applications as well as high-performance, high-density applications. However, we may not be successful in executing this strategy. In addition, we anticipate continued pressure from our customers to reduce prices, which may outpace our ability to lower the cost for established products. We also expect that consolidation in our industry, like Intel Corporation's recently completed acquisition of Altera, may impact the competitive landscape to our detriment, such as by allowing our competitors to devote greater resources to developing, marketing and selling their products.

Other competitors include manufacturers of:

- high-density programmable logic products characterized by field programmable gate array (FPGA) type architectures;
- high-volume and low-cost FPGAs as programmable replacements for ASICs and ASSPs;
- ASICs and ASSPs with incremental amounts of embedded programmable logic;
- high-speed, low-density complex programmable logic devices;
- high-performance digital signal processing devices;
- products with embedded processors;
- products with embedded multi-gigabit transceivers; and
- other new or emerging programmable logic products.

Several companies have introduced products that compete with ours or have announced their intention to sell PLD products. To the extent that our efforts to compete are not successful, our financial condition and results of operations could be materially adversely affected.

The benefits of programmable logic have attracted a number of competitors to this segment. We recognize that different applications require different programmable technologies, and we are developing architectures, processes and products to meet these varying customer needs. Recognizing the increasing importance of standard software solutions, we have developed common software design tools that support the full range of our IC products. We believe that automation and ease of design are significant competitive factors in this segment.

We could also face competition from our licensees. In the past we have granted limited rights to other companies with respect to certain aspects of our older technology, and we may do so in the future. Granting such rights may enable these companies to manufacture and market products that may be competitive with some of our older products.

Increased costs of wafers and materials, or shortages in wafers and materials, could adversely impact our gross margins and lead to reduced revenues.

If greater demand for wafers is not offset by an increase in foundry capacity, market demand for wafers or production and assembly materials increases, or if a supplier of our wafers or other materials ceases or suspends operations, our supply of wafers and other materials could become limited. Such shortages raise the likelihood of potential wafer price increases, wafer shortages or shortages in materials at production and test facilities, resulting in potential inability to address customer product demands in a timely manner. For example, when certain suppliers were forced to temporarily halt production as the result of a natural disaster, this resulted in a tightening of supply for those materials. Such shortages of wafers and materials as well as increases in wafer or materials prices

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could adversely affect our gross margins and would adversely affect our ability to meet customer demands and lead to reduced revenue.

We depend on distributors, primarily Avnet, to generate a majority of our sales and complete order fulfillment.

Resale of product through Avnet accounted for 50% of our worldwide net revenues in fiscal 2016 and as of January 2, 2016, Avnet accounted for 51% of our total net accounts receivable. Any adverse change to our relationship with Avnet or our remaining distributors could have a material impact on our business. Furthermore, if a key distributor materially defaults on a contract or otherwise fails to perform, our business and financial results would suffer. In addition, we are subject to concentrations of credit risk in our trade accounts receivable, which includes accounts of our distributors. A significant reduction of effort by a distributor to sell our products or a material change in our relationship with one or more distributors may reduce our access to certain end customers and adversely affect our ability to sell our products.

In addition, the financial health of our distributors and our continuing relationships with them are important to our success. Unpredictable economic conditions may adversely impact the financial health of some of these distributors, particularly our smaller distributors. This could result in the insolvency of certain distributors, the inability of distributors to obtain credit to finance the purchase of our products, or cause distributors to delay payment of their obligations to us and increase our credit risk exposure. Our business could be harmed if the financial health of these distributors impairs their performance and we are unable to secure alternate distributors.

We are dependent on independent subcontractors for most of our assembly and test services, and unavailability or disruption of these services could negatively impact our financial condition and results of operations.

We are dependent on subcontractors to provide semiconductor assembly, substrate, test and shipment services. Any prolonged inability to obtain wafers with competitive performance and cost attributes, adequate yields or timely delivery, any disruption in assembly, test or shipment services, delays in stabilizing manufacturing processes and ramping up volume for new products, transitions to new service providers or any other circumstance that would require us to seek alternative sources of supply, could delay shipments and have a material adverse effect on our ability to meet customer demands. In addition, unpredictable economic conditions may adversely impact the financial health and viability of these subcontractors and result in their insolvency or their inability to meet their commitments to us. These factors would result in reduced net revenues and could negatively impact our financial condition and results of operations.

A number of factors, including our inventory strategy, can impact our gross margins.

A number of factors, including yield, wafer pricing, product mix, market acceptance of our new products, competitive pricing dynamics, geographic and/or market segment pricing strategies can cause our gross margins to fluctuate. In addition, forecasting our gross margins is difficult because a significant portion of our business is based on turns within the same quarter.

During the past few years our inventory levels were higher than historical norms due to weaker than anticipated sales and a planned increase in safety stock across newer technologies in anticipation of future revenue growth. In the event demand does not materialize, we may be subject to incremental obsolescence costs. In addition, future product cost reductions could have an increased impact on our inventory valuation, which would then impact our operating results.

Reductions in the average selling prices of our products could have a negative impact on our gross margins.

The average selling prices of our products generally decline as the products mature. We seek to offset the decrease in selling prices through yield improvement, manufacturing cost reductions and increased unit sales. We also continue to develop higher value products or product features that increase, or slow the decline of, the average selling price of our products. However, there is no guarantee that our ongoing efforts will be successful or that they will keep pace with the decline in selling prices of our products, which could ultimately lead to a decline in revenues and have a negative effect on our gross margins.

Because of our international business and operations, we are vulnerable to the economic conditions of the countries in which we operate and currency fluctuations could have a material adverse effect on our business and negatively impact our financial condition and results of operations.

In addition to our U.S. operations, we also have significant international operations, including foreign sales offices to support our international customers and distributors, our regional headquarters in Ireland and Singapore and an R&D site in India. Our international operations have grown because we have established certain operations and administrative functions outside the U.S. Sales and operations outside of the U.S. subject us to the risks associated with conducting business in foreign economic and regulatory environments. Our financial condition and results of operations could be adversely affected by unfavorable economic conditions in countries in which we do significant business or by changes in foreign currency exchange rates affecting those countries. We derive over one-half of our revenues from international sales, primarily in the Asia Pacific region, Europe and Japan. Past economic weaknesses in these markets adversely affected revenues. Sales to all direct OEMs and distributors are denominated in U.S. dollars. While the recent movements of the Euro and Yen exchange rates against the U.S. dollar had no material impact to our business, increased volatility could impact our European and Japanese customers. Currency instability and volatility and disruptions in the credit and capital markets may increase credit risks for some of our customers and may impair our customers' ability to repay existing obligations. Increased currency volatility could also positively or negatively impact our foreign-currency-denominated costs, assets and liabilities. In addition, any devaluation of the U.S. dollar relative to other foreign currencies may increase the operating expenses of our foreign subsidiaries adversely affecting our results of operations. Furthermore, because we are increasingly dependent on the global economy, instability in worldwide economic environments occasioned, for example, directly or indirectly by political instability, terrorist activity, U.S. or other military actions, and international sanctions or other diplomatic actions (potentially including sanctions adopted or under consideration by the U.S. or European Union with respect to Russia or Russian individuals or businesses), could adversely impact economic activity and lead to a contraction of capital spending by our customers generally or in specific regions. Any or all of these factors could adversely affect our financial condition and results of operations in the future.

We are subject to the risks associated with conducting business operations outside of the U.S. which could adversely affect our business.

In addition to international sales and support operations and development activities, we purchase our wafers from foreign foundries, have our commercial products assembled, packaged and tested by subcontractors located outside the U.S. and utilize third party warehouse operators to store and manage inventory levels for certain of our products. All of these activities are subject to the uncertainties associated with international business operations, including global laws and regulations, trade barriers, economic sanctions, tax regulations, import and export regulations, duties and tariffs and other trade restrictions, changes in trade policies, anti-corruption laws, foreign governmental regulations, potential vulnerability of and reduced protection for IP, longer receivable collection periods and disruptions or delays in production or shipments, any of which could have a material adverse effect on our business, financial condition and/or operating results. Additional factors that could adversely affect us due to our international operations include rising oil prices and increased costs of natural resources. Moreover, our financial condition and results of operations could be affected in the event of political conflicts or economic crises in countries where our main wafer providers, warehouses, end customers and contract manufacturers who provide assembly and test services worldwide, are located. Adverse change to the circumstances or conditions of our international business operations could have a material adverse effect on our business.

We are exposed to fluctuations in interest rates and changes in credit rating and in the market values of our portfolio investments which could have a material adverse impact on our financial condition and results of operations.

Our cash, short-term and long-term investments represent significant assets that may be subject to fluctuating or even negative returns depending upon interest rate movements, changes in credit rating and financial market conditions. Global credit market disruptions and economic slowdown and uncertainty have in the past negatively impacted the values of various types of investment and non-investment grade securities. The global credit and capital markets may again experience 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 other-than-temporary impairment charges for certain types of investments should credit market conditions deteriorate or the underlying assets fail to perform as anticipated. Our future investment income may fall short of expectations due to changes in interest rates or if the decline in fair values of our debt securities is judged to be other than temporary. Furthermore, we may suffer losses in principal if we are forced to sell securities that have declined in market value due to changes in interest rates or financial market conditions.

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Our failure to protect and defend our IP could impair our ability to compete effectively.

We rely upon patent, copyright, trade secret, mask work and trademark laws to protect our IP. We cannot provide assurance that such IP rights can be successfully asserted in the future or will not be invalidated, violated, circumvented or challenged. From time to time, third parties, including our competitors, have asserted against us patent, copyright and other IP rights to technologies that are important to us. Third parties may attempt to misappropriate our IP through electronic or other means or assert infringement claims against our indemnities or us in the future. Such assertions by third parties may result in costly litigation, indemnity claims or other legal actions, and we may not prevail in such matters or be able to license any valid and infringed patents from third parties on commercially reasonable terms. This could result in the loss of our ability to import and sell our products or require us to pay costly royalties to third parties in connection with sales of our products. Any infringement claim, indemnification claim, or impairment or loss of use of our IP could materially adversely affect our financial condition and results of operations.

Our ability to design and introduce new products in a timely manner is dependent upon third-party IP.

In the design and development of new products and product enhancements, we rely on third-party intellectual property such as software development tools and hardware testing tools. Furthermore, certain product features may rely on intellectual property acquired from third parties. The design requirements necessary to meet future consumer demands for more features and greater functionality from semiconductor products may exceed the capabilities of the third-party intellectual property or development tools that are available to us. If the third-party intellectual property that we use becomes unavailable or fails to produce designs that meet consumer demands, our business could be adversely affected.

We rely on information technology (IT) systems, and failure of these systems to function properly or unauthorized access to our systems could result in business disruption.

We rely in part on various information technology (IT) systems to manage our operations, including financial reporting, and we regularly evaluate these systems and make changes to improve them as necessary. Consequently, we periodically implement new, or upgrade or enhance existing, operational and IT systems, procedures and controls. Any delay in the implementation of, or disruption in the transition to, new or enhanced systems, procedures or controls, could harm our ability to record and report financial and management information on a timely and accurate basis. These systems are also subject to power and telecommunication outages or other general system failures. Failure of our IT systems or difficulties in managing them could result in business disruption. We also may be subject to unauthorized access to our IT systems through a security breach or cyber attack. We experience cyber attacks of varying degrees on an ongoing basis. In the past there have been attempts by third parties to penetrate and/or infect our network and systems with malicious software, in an effort to gain access to our network and systems. Third parties may continue to attempt to fraudulently induce employees, users, or customers to disclose sensitive information in order to gain access to our networks systems. We seek to detect and investigate any security incidents and prevent their recurrence, but in some cases, we might be unaware of an incident or its magnitude and effects. Because the techniques used to obtain unauthorized access to and sabotage our systems change frequently, we may be unable to anticipate these techniques or to implement adequate protections. Our business could be significantly harmed and we could be subject to third party claims in the event of such a security breach. Our IT systems are also linked to the IT systems of customers, suppliers, and distribution partners and those links provide critical information we use to manage our operations, including information used for financial reporting. The IT systems of our customers, suppliers, and distribution partners and the links between our IT systems and our customers are subject to the same risks as that of our IT systems.

Earthquakes and other natural disasters could disrupt our operations and have a material adverse effect on our financial condition and results of operations.

The independent foundries, upon which we rely to manufacture our products, as well as our California and Singapore facilities, are located in regions that are subject to earthquakes and other natural disasters. UMC’s and TSMC's foundries in Taiwan and our assembly and test partners in other regions as well as many of our operations in California are centered in areas that have been seismically active in the recent past and some areas have been affected by other natural disasters such as typhoons. Any catastrophic event in these locations will disrupt our operations, including our manufacturing activities and our insurance may not cover losses resulting from such disruptions of our operations. This type of disruption could result in our inability to manufacture or ship products, thereby materially adversely affecting our financial condition and results of operations. For example, as a result of the March 2011 earthquake in Japan, production at the Seiko foundry at Sakata was halted temporarily, impacting production of some of our older devices. In addition, suppliers of wafers and substrates were forced to halt production temporarily. Disruption of operations at these foundries for any reason, including other natural disasters such as typhoons, tsunamis, volcano eruptions, fires or floods, as well as disruptions in access to adequate supplies of electricity, natural gas or water could cause delays in shipments of our products, and could have a material adverse effect on our results of operations. Furthermore, natural disasters can also indirectly impact us. For example, our customers' supply of other complimentary products may be disrupted by a natural disaster and may cause them to delay orders of our products.

If we are unable to maintain effective internal controls, our stock price could be adversely affected.

We are subject to the ongoing internal control provisions of Section 404 of the Sarbanes-Oxley Act of 2002 (the Act). Our controls necessary for continued compliance with the Act may not operate effectively at all times and may result in a material weakness disclosure. The identification of material weaknesses in internal control, if any, could indicate a lack of proper controls to generate accurate financial statements and could cause investors to lose confidence and our stock price to drop.

We compete with others to attract and retain key personnel, and any loss of, or inability to attract, such personnel could harm us.

We depend on the efforts and abilities of certain key members of management and other technical personnel. Our future success depends, in part, upon our ability to retain such personnel and attract and retain other highly qualified personnel, particularly product engineers. Competition for such personnel is intense and we may not be successful in hiring or retaining new or existing qualified personnel. From time to time we have effected restructurings which eliminate a number of positions. Even if such personnel are not directly affected by the restructuring effort, such terminations can have a negative impact on morale and our ability to attract and hire new qualified personnel in the future. If we lose existing qualified personnel or are unable to hire new qualified personnel, as needed, our business, financial condition and results of operations could be seriously harmed.

Unfavorable results of legal proceedings could adversely affect our financial condition and operating results.

From time to time we are subject to various legal proceedings and claims that arise out of the ordinary conduct of our business. The amount of damages alleged in certain legal claims may be significant. For example, in December 2013, we entered into a Settlement and License Agreement with PACT in which the parties agreed to dismiss with prejudice all outstanding patent litigation among us, Avnet and PACT. As part of the settlement, we agreed to pay PACT a lump sum of $33.5 million. Certain other claims involving the Company are not yet resolved, including those that are discussed under Item 1. "Legal Proceedings," included in Part II of this Form 10-Q, and additional claims may arise in the future. Results of legal proceedings cannot be predicted with certainty. Regardless of its merit, litigation may be both time-consuming and disruptive to our operations and cause significant expense and diversion of management attention and we may enter into material settlements to avoid these risks. Should we fail to prevail in certain matters, or should several of these matters be resolved against us in the same reporting period, we may be faced with significant monetary damages or injunctive relief against us that would materially and adversely affect a portion of our business and might materially and adversely affect our financial condition and operating results.

Our products could have defects which could result in reduced revenues and claims against us.

We develop complex and evolving products that include both hardware and software. Despite our testing efforts and those of our subcontractors, defects may be found in existing or new products. These defects may cause us to incur significant warranty, support and repair or replacement costs, divert the attention of our engineering personnel from our product development efforts and harm our relationships with customers. Subject to certain terms and conditions, we have agreed to compensate certain customers for limited specified costs they actually incur in the event our hardware products experience epidemic failure. As a result, epidemic failure and other performance problems could result in claims against us, the delay or loss of market acceptance of our products and would likely harm our business. Our customers could also seek damages from us for their losses.

In addition, we could be subject to product liability claims. A product liability claim brought against us, even if unsuccessful, would likely be time-consuming and costly to defend. Product liability risks are particularly significant with respect to aerospace, automotive and medical applications because of the risk of serious harm to users of these products. Any product liability claim, whether or not determined in our favor, could result in significant expense, divert the efforts of our technical and management personnel, and harm our business.

In preparing our financial statements, we make good faith estimates and judgments that may change or turn out to be erroneous.

In preparing our financial statements in conformity with accounting principles generally accepted in the U.S., we must make estimates and judgments in applying our most critical accounting policies. Those estimates and judgments have a significant impact on the results we report in our consolidated financial statements. The most difficult estimates and subjective judgments that we make concern valuation of marketable and non-marketable securities, revenue recognition, inventories, long-lived assets including acquisition-related intangibles, goodwill, taxes and stock-based compensation. We base our estimates on historical experience, input from outside experts and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. 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. Actual results may differ materially from these estimates. If these estimates or their related assumptions change, our operating results for the periods in which we revise our estimates or assumptions could be adversely and perhaps materially affected.

Our failure to comply with the requirements of the Export Administration Regulations (EAR) and the International Traffic and Arms Regulations (ITAR) could have a material adverse effect on our financial condition and results of operations.

Xilinx FPGAs and related technologies are subject to Export Administration Regulations (EAR), which are administered by the U.S. Department of Commerce. In addition, Xilinx may, from time to time, receive technical data from third parties that is subject to the International Traffic and Arms Regulations (ITAR), which are administered by the U.S. Department of State. EAR and ITAR govern the export and re-export of these FPGAs, the transfer of related technologies, whether in the U.S. or abroad, and the provision of services. We are required to maintain an internal compliance program and security infrastructure to meet EAR and ITAR requirements.

An inability to obtain the required export licenses, or to predict when they will be granted, increases the difficulties of forecasting shipments. In addition, security or compliance program failures that could result in penalties or a loss of export privileges, as well as stringent licensing restrictions that may make our products less attractive to overseas customers, could have a material adverse effect on our business, financial condition and/or operating results.

Our inability to effectively control the sale of our products on the gray market could have a material adverse effect on us.

We market and sell our products directly to OEMs and through authorized third-party distributors which helps to ensure that products delivered to our customers are authentic and properly handled. From time to time, customers may purchase products bearing our name from the unauthorized "gray market." These parts may be counterfeit, salvaged or re-marked parts, or parts that have been altered, mishandled, or damaged. Gray market products result in shadow inventory that is not visible to us, thus making it difficult to forecast supply or demand. Also, when gray market products enter the market, we and our authorized distributors may compete with brokers of these discounted products, which can adversely affect demand for our products and negatively impact our margins. In addition, our reputation with customers may be negatively impacted when gray market products bearing our name fail or are found to be substandard.

The conflict minerals provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act could result in additional costs and liabilities.

In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC established disclosure and reporting requirements for those companies who use "conflict" minerals mined from the Democratic Republic of Congo and adjoining countries in their products, whether or not these products are manufactured by third parties. These requirements could affect the sourcing and availability of minerals used in the manufacture of our semiconductor products. There will also be costs associated with complying with the disclosure requirements, including for due diligence in regard to the sources of any conflict minerals used in our products, in addition to the cost of remediation and other changes to products, processes, or sources of supply as a consequence of such verification activities. We may face reputational challenges if we are unable to sufficiently verify the origins for all minerals used in our products through the due diligence process we implement. Moreover, we may encounter challenges to satisfy those customers who require that all of the components of our products are certified as conflict free.

Exposure to greater than anticipated income tax liabilities, changes in tax rules and regulations, changes in interpretation of tax rules and regulations, or unfavorable assessments from tax audits could affect our effective tax rates, financial condition and results of operations.

We are a U.S.-based multinational company subject to tax in multiple U.S. and foreign tax jurisdictions. Our income tax obligations could be affected by many factors, including but not limited to changes to our corporate operating structure, intercompany arrangements and tax planning strategies. A significant portion of our earnings are earned by our subsidiaries outside the U.S. In addition to providing for U.S. income taxes on earnings from the U.S., we provide for U.S. income taxes on the earnings of foreign subsidiaries unless the subsidiaries' earnings are considered permanently reinvested outside the U.S. If certain foreign earnings previously treated as permanently reinvested are repatriated, the related U.S. tax on such repatriated earnings could negatively impact our effective tax rates, financial condition and results of operations.

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Our income tax expense is computed based on tax rates at the time of the respective financial period. Our future effective tax rates, financial condition and results from operations could be unfavorably affected by changes in the tax rates in jurisdictions where our income is earned, by changes in the tax rules and regulations or the interpretation of tax rules and regulations in the jurisdictions in which we do business, or by changes in the valuation of our deferred tax assets.

In addition, we are subject to examinations of our income tax returns by the U.S. Internal Revenue Service and other domestic and foreign tax authorities. We regularly assess the likelihood of outcomes resulting from these examinations to determine the adequacy of our provision for income taxes and have reserved for potential adjustments that may result from the current examinations. There can be no assurance that the final determination of any of these examinations will not have an adverse effect on our effective tax rates, financial position and results of operations.

The conditional conversion features of our 2017 Convertible Notes were triggered and holders of the 2017 Convertible Notes may elect to convert such 2017 Convertible Notes which could have a material effect on our liquidity.

The 2017 Convertible Notes have conditional conversion features which were triggered in fiscal 2013. Holders of the 2017 Convertible Notes are entitled to convert the 2017 Convertible Notes at any time during specified periods at their option. As a result of this, we were required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the 2017 Convertible Notes as a current rather than long-term liability. In addition, we were required to increase the number of shares used in our net income per share calculations to reflect the potentially dilutive impact of the conversion.

If one or more holders elect to convert their 2017 Convertible Notes, we would be required to settle any converted principal through the payment of cash, which could adversely affect our liquidity.

Considerable amounts of our common shares are available for issuance under our equity incentive plans and 2017 Convertible Notes, and significant issuances in the future may adversely impact the market price of our common shares.

As of January 2, 2016 we had 2.00 billion authorized common shares, of which 255.5 million shares were outstanding. In addition, 31.8 million common shares were reserved for issuance pursuant to our equity incentive plans and Employee Stock Purchase Plan, 20.5 million common shares were reserved for issuance upon conversion or repurchase of the 2017 Convertible Notes and 20.5 million common shares were reserved for issuance upon exercise of warrants. The availability of substantial amounts of our common shares resulting from the exercise or settlement of equity awards outstanding under our equity incentive plans or the conversion or repurchase of convertible debentures using common shares, which would be dilutive to existing stockholders, could adversely affect the prevailing market price of our common shares and could impair our ability to raise additional capital through the sale of equity securities.

We have indebtedness that could adversely affect our financial condition and prevent us from fulfilling our debt obligations.

The aggregate amount of our consolidated indebtedness as of January 2, 2016 was $1.60 billion (principal amount), which consists of $500.0 million in aggregate principal amount of our 2019 Notes, $500.0 million in aggregate principal amount of our 2021 Notes and $600.0 million in aggregate principal amount of our 2017 Convertible Notes. We also may incur additional indebtedness in the future. Our indebtedness may:

- make it difficult for us to satisfy our financial obligations, including making scheduled principal and interest payments on the debentures and our other indebtedness;
- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions or other general corporate purposes;
- limit our ability to use our cash flow or obtain additional financing for future working capital, capital expenditures, acquisitions or other general business purposes;
- require us to use a portion of our cash flow from operations to make debt service payments;
- limit our flexibility to plan for, or react to, changes in our business and industry;
- place us at a competitive disadvantage compared to our less leveraged competitors;
- increase our vulnerability to the impact of adverse economic and industry conditions; and
- require us to repatriate off-shore cash to the U.S. at unfavorable tax rates.

Our ability to meet our debt service obligations will depend on our future performance, which will be subject to financial, business and other factors affecting our operations, many of which are beyond our control.

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The agreements governing the 2019 Notes and 2021 Notes contain covenants that may adversely affect our ability to operate our business.

The indentures governing the 2019 Notes and 2021 Notes contain various covenants limiting our and our subsidiaries' ability to, among other things:

- create certain liens on principal property or the capital stock of certain subsidiaries;
- enter into certain sale and leaseback transactions with respect to principal property;
- consolidate or merge with, or convey, transfer or lease all or substantially all our assets, taken as a whole, to, another person.

A failure to comply with these covenants and other provisions in these indentures could result in events of default under the indentures, which could permit acceleration of the 2019 Notes and the 2021 Notes. Any required repayment as a result of such acceleration could have a material adverse effect on our business, results of operations, financial condition or cash flows.

The call options and warrant transactions related to our 2017 Convertible Notes may affect the value of the debentures and our common stock.

To hedge against potential dilution upon conversion of the 2017 Convertible Notes, we purchased call options on our common stock from the hedge counterparties. We also sold warrants to the hedge counterparties, which could separately have a dilutive effect on our earnings per share to the extent that the market price per share of our common stock exceeds the applicable strike price of the warrants of $41.45 per share.

As the hedge counterparties and their respective affiliates modify hedge positions, they may enter or unwind various derivatives with respect to our common stock and/or purchase or sell our common stock in secondary market transactions. This activity also could affect the market price of our common stock and/or debentures, which could affect the ability of the holders of the debentures to convert and the number of shares and value of the consideration that will be received by the holders of the debentures upon conversion.

Acquisitions and strategic investments present risks, and we may not realize the goals that were contemplated at the time of a transaction.

In the past, we have acquired technology companies whose products complement our products. We also have made a number of strategic investments in other technology companies. We may make similar acquisitions and strategic investments in the future. Acquisitions and strategic investments present risks, including:

- our ongoing business may be disrupted and our management's attention may be diverted by investment, acquisition, transition or integration activities;
- an acquisition or strategic investment may not further our business strategy as we expected, and we may not integrate an acquired company or technology as successfully as we expected;
- our operating results or financial condition may be adversely impacted by claims or liabilities that we assume from an acquired company or technology or that are otherwise related to an acquisition;
- we may have difficulty incorporating acquired technologies or products with our existing product lines;
- we may have higher than anticipated costs in continuing support and development of acquired products, and in general and administrative functions that support such products;
- our strategic investments may not perform as expected; and

- we may experience unexpected changes in how we are required to account for our acquisitions and strategic investments pursuant to U.S. GAAP.

The occurrence of any of these risks could have a material adverse effect on our business, results of operations, financial condition or cash flows, particularly in the case of a larger acquisition or several concurrent acquisitions or strategic investments.

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Item 2. Unregistered Sale of Equity Securities and Use of Proceeds

In November 2014, the Board authorized the repurchase of $800.0 million of the Company's common stock (2014 Repurchase Program). The 2014 Repurchase Program has no stated expiration date. Through January 2, 2016, the Company had used $452.6 million of the $800.0 million authorized under the 2014 Repurchase Program, leaving $347.4 million available for future purchases.

The following table summarizes our repurchase of our common stock during the third quarter of fiscal 2016:

(In thousands, except per share amounts) Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
September 27, 2015 to October 31, 2015	—	$—	—	$447,361
November 1 to November 28, 2015	1,503	$47.53	1,503	$375,904
November 29, 2015 to January 2, 2016	601	$47.53	601	$347,361
Total for the Quarter	2,104		2,104	

Item 6. 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

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase.

Items 3, 4 and 5 are not applicable and have been omitted.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

XILINX, INC.

Date: January 29, 2016

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