XILINX INC
Form 10-Q
October 27, 2014

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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 September 27, 2014

or

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

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

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

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

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

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

Non-accelerated filer ¨ Smaller reporting company ¨

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

Shares outstanding of the registrant’s common stock:

Class	Shares Outstanding as of October 17, 2014
Common Stock, $.01 par value	264,455,283

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PART I. FINANCIAL INFORMATION

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

(In thousands, except per share amounts)	Three Months Ended		Six Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Net revenues	$604,262	$598,937	$1,216,895	$1,177,892
Cost of revenues	169,617	182,816	358,806	362,516
Gross margin	434,645	416,121	858,089	815,376
Operating expenses:				
Research and development	138,335	125,002	260,348	236,543
Selling, general and administrative	93,883	96,339	186,396	188,726
Amortization of acquisition-related intangibles	2,378	2,418	4,796	4,836
Litigation and contingencies	—	28,600	—	28,600
Total operating expenses	234,596	252,359	451,540	458,705
Operating income	200,049	163,762	406,549	356,671
Interest and other expense, net	5,731	10,997	11,953	20,927
Income before income taxes	194,318	152,765	394,596	335,744
Provision for income taxes	22,802	11,304	49,469	37,260
Net income	$171,516	$141,461	$345,127	$298,484
Net income per common share:				
Basic	$0.64	$0.53	$1.29	$1.12
Diluted	$0.62	$0.49	$1.24	$1.05
Cash dividends per common share	$0.29	$0.25	$0.58	$0.50
Shares used in per share calculations:				
Basic	265,942	268,478	267,098	265,350
Diluted	275,800	290,685	278,784	284,270

See notes to condensed consolidated financial statements.

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

(In thousands)	Three Months Ended September 27, 2014	Three Months Ended September 28, 2013	Six Months Ended September 27, 2014	Six Months Ended September 28, 2013
Net income	$171,516	$141,461	$345,127	$298,484
Other comprehensive income (loss), net of tax:				
Change in net unrealized gains (losses) on available-for-sale securities	(3,728)	2,995	4,231	(13,930)
Reclassification adjustment for (gains) losses on available-for-sale securities	(927)	155	(1,318)	(167)
Change in net unrealized gains (losses) on hedging transactions	(3,602)	1,353	(3,060)	(155)
Reclassification adjustment for (gains) losses on hedging transactions	(211)	1,389	(1,018)	2,095
Cumulative translation adjustment, net	(578)	(371)	(407)	(1,064)
Other comprehensive income (loss)	(9,046)	5,521	(1,572)	(13,221)
Total comprehensive income	$162,470	$146,982	$343,555	$285,263

See notes to condensed consolidated financial statements.

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XILINX, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value amounts)	September 27, 2014 (unaudited)	March 29, 2014 [1]
ASSETS		
Current assets:		
Cash and cash equivalents	$714,699	$973,677
Short-term investments	1,881,147	1,483,644
Accounts receivable, net	290,629	267,833
Inventories	262,669	233,999
Deferred tax assets	73,545	56,166
Prepaid expenses and other current assets	81,288	51,828
Total current assets	3,303,977	3,067,147
Property, plant and equipment, at cost	825,653	810,030
Accumulated depreciation and amortization	(480,168)	(454,941)
Net property, plant and equipment	345,485	355,089
Long-term investments	950,827	1,190,775
Goodwill	159,296	159,296
Acquisition-related intangibles, net	24,070	28,867
Other assets	233,647	236,175
Total Assets	$5,017,302	$5,037,349
LIABILITIES, TEMPORARY EQUITY AND STOCKHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable	$105,689	$149,695
Accrued payroll and related liabilities	162,854	157,373
Income taxes payable	2,170	12,936
Deferred income on shipments to distributors	60,850	55,099
Other accrued liabilities	68,559	49,256
Current portion of long-term debt	570,527	565,001
Total current liabilities	970,649	989,360
Long-term debt	994,352	993,870
Deferred tax liabilities	295,641	253,433
Long-term income taxes payable	11,635	11,470
Other long-term liabilities	1,591	1,535
Commitments and contingencies	—	—
Temporary equity (Note 10)	29,473	34,999
Stockholders' equity:		
Preferred stock, $.01 par value (none issued)	—	—
Common stock, $.01 par value	2,644	2,686
Additional paid-in capital	736,252	805,073
Retained earnings	1,977,185	1,945,471
Accumulated other comprehensive loss	(2,120)	(548)
Total stockholders’ equity	2,713,961	2,752,682
Total Liabilities, Temporary Equity and Stockholders’ Equity	$5,017,302	$5,037,349

[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)

(In thousands)	Six Months Ended September 27, 2014	September 28, 2013
Cash flows from operating activities:		
Net income	$345,127	$298,484
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	27,146	28,009
Amortization	10,508	9,770
Stock-based compensation	50,846	44,014
Net (gain) loss on sale of available-for-sale securities	(2,412)	148
Amortization of debt discounts	6,008	8,073
Provision for deferred income taxes	26,304	43,754
Excess tax benefit from stock-based compensation	(13,775)	(18,914)
Others	—	(691)
Changes in assets and liabilities:		
Accounts receivable, net	(22,796)	(48,364)
Inventories	(28,409)	17,634
Prepaid expenses and other current assets	(13,250)	(6,667)
Other assets	(2,871)	(7,016)
Accounts payable	(44,006)	16,181
Accrued liabilities	7,066	71,660
Income taxes payable	(17,237)	(72,380)
Deferred income on shipments to distributors	5,751	15,457
Net cash provided by operating activities	334,000	399,152
Cash flows from investing activities:		
Purchases of available-for-sale securities	(1,566,289)	(2,178,565)
Proceeds from sale and maturity of available-for-sale securities	1,432,191	1,767,178
Purchases of property, plant and equipment	(17,543)	(19,742)
Other investing activities	(5,251)	37,217
Net cash used in investing activities	(156,892)	(393,912)
Cash flows from financing activities:		
Repurchases of common stock	(301,015)	(69,981)
Proceeds from issuance of common stock through various stock plans, net	5,532	125,968
Payment of dividends to stockholders	(154,378)	(133,205)
Excess tax benefit from stock-based compensation	13,775	18,914
Net cash used in financing activities	(436,086)	(58,304)
Net decrease in cash and cash equivalents	(258,978)	(53,064)
Cash and cash equivalents at beginning of period	973,677	623,558
Cash and cash equivalents at end of period	$714,699	$570,494
Supplemental disclosure of cash flow information:		
Interest paid	$20,901	$18,651
Income taxes paid, net	$40,139	$65,903

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 29, 2014. The interim financial statements are unaudited, but reflect all adjustments which are, in the opinion of management, of a normal, recurring nature necessary to provide a fair statement of results for the interim periods presented. The results of operations for the interim periods shown in this report are not necessarily indicative of the results that may be expected for the fiscal year ending March 28, 2015 or any future period.

The Company uses a 52- to 53-week fiscal year ending on the Saturday nearest March 31. Fiscal 2015 and 2014 are 52-week year ending on March 28, 2015 and March 29, 2014, respectively. The quarters ended September 27, 2014 and September 28, 2013 each included 13 weeks.

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 and IFRS 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. The standard is effective for Xilinx beginning in fiscal year 2018, with no option to early adopt under US GAAP. 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.

Note 3. Significant Customers and Concentrations of Credit Risk

Avnet, Inc. (Avnet), one of the Company’s distributors, distributes the Company’s products worldwide. As of September 27, 2014 and March 29, 2014, Avnet accounted for 63% and 55% of the Company’s total net accounts receivable, respectively. Resale of product through Avnet accounted for 43% of the Company’s worldwide net revenues for both the second quarter and the first six months of fiscal 2015. For the second quarter and the first six months of fiscal 2014, resale of product through Avnet accounted for 47% and 48% of the Company’s worldwide net revenues, respectively. The percentage of worldwide net revenues from Avnet is consistent with historical patterns. While the percentage of accounts receivable due from Avnet increased as of September 27, 2014 compared to as of March 29, 2014 due to timing, it is also consistent with historical patterns.

Xilinx is subject to concentrations of credit risk primarily in its trade accounts receivable and investments in debt securities to the extent of the amounts recorded on the consolidated balance sheet. The Company attempts to mitigate the concentration of credit risk in its trade receivables through its credit evaluation process, collection terms, distributor sales to diverse end customers and through geographical dispersion of sales. Xilinx generally does not require collateral for receivables from its end customers or from distributors.

No end customer accounted for more than 10% of the Company’s worldwide net revenues for the second quarter as well as the first six months of fiscal 2015 and 2014.

The Company mitigates concentrations of credit risk in its investments in debt securities by currently investing approximately 80% 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.

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As of September 27, 2014, approximately 36% 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 six months of fiscal 2015 and the Company did not adjust or override any fair value measurements as of September 27, 2014.

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, asset-backed securities, bank loans and debt mutual funds. 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

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assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability. The following tables present information about the Company's assets and liabilities measured at fair value on a recurring basis as of September 27, 2014 and March 29, 2014:

(In thousands)	September 27, 2014 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	$322,088	$—	$—	$322,088
Financial institution securities	—	24,999	—	24,999
Non-financial institution securities	—	37,498	—	37,498
U.S. government and agency securities	25,000	19,997	—	44,997
Foreign government and agency securities	—	55,997	—	55,997
Short-term investments:				
Financial institution securities	—	74,989	—	74,989
Non-financial institution securities	—	292,807	—	292,807
Municipal bonds	—	24,181	—	24,181
U.S. government and agency securities	275,816	93,772	—	369,588
Foreign government and agency securities	—	353,918	—	353,918
Asset-backed securities	—	95,488	—	95,488
Mortgage-backed securities	—	532,629	—	532,629
Debt mutual funds	—	40,819	—	40,819
Bank loans	—	96,728	—	96,728
Long-term investments:				
Non-financial institution securities	—	170,643	—	170,643
Auction rate securities	—	—	20,608	20,608
Asset-backed securities	—	11,820	—	11,820
Municipal bonds	—	15,136	—	15,136
U.S. government and agency securities	2,826	14,377	—	17,203
Mortgage-backed securities	—	656,516	—	656,516
Debt mutual fund	—	58,901	—	58,901
Total assets measured at fair value	$625,730	$2,671,215	$20,608	$3,317,553
Liabilities				
Derivative financial instruments, net	$—	$3,528	$—	$3,528
Total liabilities measured at fair value	$—	$3,528	$—	$3,528
Net assets measured at fair value	$625,730	$2,667,687	$20,608	$3,314,025

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(In thousands)	March 29, 2014 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	$213,988	$—	$—	$213,988
Financial institution securities	—	131,990	—	131,990
Non-financial institution securities	—	319,970	—	319,970
U.S. government and agency securities	69,998	—	—	69,998
Foreign government and agency securities	—	194,984	—	194,984
Short-term investments:				
Financial institution securities	—	234,916	—	234,916
Non-financial institution securities	—	226,828	—	226,828
Municipal Bonds	—	15,780	—	15,780
U.S. government and agency securities	349,023	89,422	—	438,445
Foreign government and agency securities	—	159,951	—	159,951
Mortgage-backed securities	—	387,508	—	387,508
Debt mutual fund	—	20,216	—	20,216
Long-term investments:				
Non-financial institution securities	—	209,274	—	209,274
Auction rate securities	—	—	20,160	20,160
Municipal bonds	—	15,986	—	15,986
U.S. government and agency securities	4,950	36,126	—	41,076
Mortgage-backed securities	—	847,581	—	847,581
Debt mutual fund	—	56,698	—	56,698
Derivative financial instruments, net	—	1,713	—	1,713
Total assets measured at fair value	$637,959	$2,948,943	$20,160	$3,607,062

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):

(In thousands)	Three Months Ended September 27, 2014	Three Months Ended September 28, 2013	Six Months Ended September 27, 2014	Six Months Ended September 28, 2013
Balance as of beginning of period	$20,704	$28,081	$20,160	$27,610
Total realized and unrealized gains (losses):				
Included in interest and other expense, net	—	758	—	683
Included in other comprehensive income	(96)	(260)	448	586
Sales and settlements, net (1)	—	(6,350)	—	(6,650)
Balance as of end of period	$20,608	$22,229	$20,608	$22,229

(1) During the first six months of fiscal 2014, the Company redeemed $6.7 million of student loan auction rate securities for cash at par value. There was no redemption during the first six months of fiscal 2015.

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

(In thousands)	Three Months Ended		Six Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Included in interest and other expense, net	$—	$758	$—	$683

As of September 27, 2014, marketable securities measured at fair value using Level 3 inputs were comprised of $20.6 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.

The 3.125% Junior Convertible Debentures due March 15, 2037 (2037 Convertible Notes), which were fully redeemed on March 12, 2014, included embedded features that qualify as an embedded derivative, and was separately accounted for as a discount on the 2037 Convertible Notes. Its fair value was established at the inception of the 2037 Convertible Notes. Prior to the redemption, each quarter, the change in the fair value of the embedded derivative, if any, was recorded in the consolidated statements of income. The Company used a derivative valuation model to derive the value of the embedded derivative. Key inputs into this valuation model were the Company’s current stock price, risk-free interest rates, the stock dividend yield, the stock volatility and the 2037 Convertible Notes’ credit spread over London Interbank Offered Rate. The first three inputs were based on observable market data and were considered Level 2 inputs while the last two inputs required management judgment and were Level 3 inputs.

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 September 27, 2014 were approximately $906.0 million, $494.1 million and $499.1 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).

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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)	September 27, 2014 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	March 29, 2014 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Money market funds	$322,088	$—	$—	$322,088	$213,988	$—	$—	$213,988
Financial institution securities	99,988	—	—	99,988	366,906	—	—	366,906
Non-financial institution securities	498,447	3,086	(585)	500,948	753,888	3,428	(1,244)	756,072
Auction rate securities	21,500	—	(892)	20,608	21,500	—	(1,340)	20,160
Municipal bonds	38,863	663	(209)	39,317	31,367	604	(205)	31,766
U.S. government and agency securities	431,726	172	(110)	431,788	548,568	1,135	(184)	549,519
Foreign government and agency securities	409,937	—	(22)	409,915	354,935	—	—	354,935
Mortgage-backed securities	1,186,084	11,441	(8,380)	1,189,145	1,234,237	11,380	(10,528)	1,235,089
Asset-backed securities	106,522	944	(158)	107,308	—	—	—	—
Debt mutual funds	101,350	818	(2,448)	99,720	81,350	216	(4,652)	76,914
Bank loans	97,816	28	(1,116)	96,728	—	—	—	—
	$3,314,321	$ 17,152	$ (13,920)	$3,317,553	$3,606,739	$ 16,763	$ (18,153)	$3,605,349

The following tables show the fair values and gross unrealized losses of the Company’s investments, aggregated by investment category, for individual securities that have been in a continuous unrealized loss position for the length of time specified, as of September 27, 2014 and March 29, 2014:

	September 27, 2014					
	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	$85,731	$(330)	$15,538	$(255)	$101,269	$(585)
Auction rate securities	—	—	20,608	(892)	20,608	(892)
Municipal bonds	5,653	(82)	4,626	(127)	10,279	(209)
U.S. government and agency securities	58,067	(64)	3,320	(46)	61,387	(110)
Foreign government and agency securities	74,975	(22)	—	—	74,975	(22)
Mortgage-backed securities	354,808	(3,365)	220,041	(5,015)	574,849	(8,380)
Asset-backed securities	52,987	(158)	—	—	52,987	(158)
Debt mutual fund	—	—	58,901	(2,448)	58,901	(2,448)

Bank loans	87,525	(1,116)	—	—	87,525	(1,116)
	$719,746	$(5,137)	$323,034	$(8,783)	$1,042,780	$(13,920)

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	March 29, 2014					
	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	$112,470	$(1,167)	$4,488	$(77)	$116,958	$(1,244)
Auction rate securities	—	—	20,160	(1,340)	20,160	(1,340)
Municipal bonds	5,917	(166)	1,743	(39)	7,660	(205)
U.S. government and agency securities	118,125	(184)	—	—	118,125	(184)
Mortgage-backed securities	457,903	(7,225)	132,376	(3,303)	590,279	(10,528)
Debt mutual fund	56,698	(4,652)	—	—	56,698	(4,652)
	$751,113	$(13,394)	$158,767	$(4,759)	$909,880	$(18,153)

As of September 27, 2014, the gross unrealized losses that had been outstanding for less than twelve months were primarily related to mortgage-backed securities due to the general rising of the interest-rate environment, although the percentage of such losses to the total estimated fair value of the mortgage-backed securities was relatively insignificant. The gross unrealized losses that had been outstanding for more than twelve months were primarily related to mortgage-backed securities and debt mutual fund, which were primarily due to the general rising of the interest-rate environment.

The Company reviewed the investment portfolio and determined that the gross unrealized losses on these investments as of September 27, 2014 and March 29, 2014 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 auction rate securities and 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 September 27, 2014 and March 29, 2014. 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 and bank loans), by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations without call or prepayment penalties.

	September 27, 2014	
(In thousands)	Amortized Cost	Estimated Fair Value
Due in one year or less	$1,051,147	$1,051,360
Due after one year through five years	537,228	539,677
Due after five years through ten years	345,232	345,386
Due after ten years	957,276	959,322
	$2,890,883	$2,895,745

As of September 27, 2014, $993.3 million 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:

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(In thousands)	Three Months Ended September 27, 2014	Three Months Ended September 28, 2013	Six Months Ended September 27, 2014	Six Months Ended September 28, 2013
Proceeds from sale of available-for-sale securities	$236,263	$104,021	$295,844	$199,160
Gross realized gains on sale of available-for-sale securities	$2,243	$266	3,080	1,367
Gross realized losses on sale of available-for-sale securities	(501)	(521)	(668)	(1,515)
Net realized gains (losses) on sale of available-for-sale securities	$1,742	$(255)	$2,412	$(148)
Amortization of premiums on available-for-sale securities	$6,413	$6,904	$12,646	$14,063

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.

As of September 27, 2014 and March 29, 2014, the Company had the following outstanding forward currency exchange contracts (in notional amount), which were derivative financial instruments:

(In thousands and U.S. dollars)	September 27, 2014	March 29, 2014
Singapore Dollar	$57,116	$60,551
Euro	45,718	46,062
Indian Rupee	22,504	18,631
British Pound	13,842	12,056
Japanese Yen	9,295	9,273
	$148,475	$146,573

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 August 2016. The net unrealized gains, which approximate the fair market value of the outstanding forward currency exchange contracts, are expected to be realized into net income within the next two years.

As of September 27, 2014, 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 September 27, 2014 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 September 27, 2014 and March 29, 2014, located on the condensed consolidated balance sheet, utilized for risk management purposes detailed above:

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	Foreign Exchange Contracts			
	Asset Derivatives		Liability Derivatives	
(In thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
September 27, 2014	Prepaid expenses and other current assets	$643	Other accrued liabilities	$4,170
March 29, 2014	Prepaid expenses and other current assets	$2,648	Other accrued liabilities	$935

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.

The following table summarizes the effect of derivative instruments on the condensed consolidated statements of income for the second quarter and the first six months of fiscal 2015 and 2014:

	Three Months Ended		Six Months Ended	
(In thousands)	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Amount of gains (losses) recognized in other comprehensive income on derivative (effective portion of cash flow hedging)	$(3,838)	$2,742	$(4,123)	$1,940
Amount of (gains) losses reclassified from accumulated other comprehensive income into income (effective portion) *	$(211)	$1,389	$(1,018)	$2,095
Amount of gains (losses) recorded (ineffective portion) *	$(43)	$24	$(13)	$7

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

Note 7. Stock-Based Compensation Plans

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

Stock-Based Compensation

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

	Three Months Ended		Six Months Ended	
(In thousands)	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Stock-based compensation included in:				
Cost of revenues	$2,077	$1,858	$4,069	$3,662
Research and development	14,831	11,343	25,336	21,562

Selling, general and administrative	11,832	9,859	21,441	18,790
	$28,740	$23,060	$50,846	$44,014

During the first six months of fiscal 2015 and 2014, the tax benefits realized for the tax deduction from option exercises and other awards credited to additional paid-in capital were $9.9 million and $16.4 million, respectively.

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The fair values of stock options and stock purchase plan rights under the Company’s equity incentive plans and ESPP were estimated as of the grant date using the Black-Scholes option pricing model. The Company’s expected stock price volatility assumption for stock options is estimated using implied volatility of the Company’s traded options. The expected life of options granted is based on the historical exercise activity as well as the expected disposition of all options outstanding. The expected life of options granted also considers the actual contractual term. The Company's stock-based compensation expense relating to options granted during the first six months of fiscal 2015 and 2014 was not material.

The estimated fair values of restricted stock unit (RSU) awards were calculated based on the market price of Xilinx common stock on the date of grant, reduced by the present value of dividends expected to be paid on Xilinx common stock prior to vesting. The per share weighted-average fair value of RSUs granted during the second quarter of fiscal 2015 was $44.40 ($37.81 for the second quarter of fiscal 2014), and for the first six months of fiscal 2015 was $43.84 ($37.63 for the first six months of fiscal 2014), which were calculated based on estimates at the date of grant using the following weighted-average assumptions:

	Three Months Ended		Six Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Risk-free interest rate	0.7 %	0.7 %	0.7 %	0.7 %
Dividend yield	2.4 %	2.5 %	2.4 %	2.5 %

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 30, 2013	12,753	$ 28.01
Granted	8	$ 41.08
Exercised	(7,421)	$ 29.95
Forfeited/cancelled/expired	(60)	$ 35.61
March 29, 2014	5,280	$ 25.22
Granted	—	$ —
Exercised	(801)	$ 26.88
Forfeited/cancelled/expired	(13)	$ 32.63
September 27, 2014	4,466	$ 24.90
Options exercisable at:		
September 27, 2014	4,329	$ 24.62
March 29, 2014	4,935	$ 24.87

The types of awards allowed under the 2007 Equity Incentive Plan (2007 Equity Plan) include incentive stock options, non-qualified stock options, RSUs, 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 September 27, 2014, 15.5 million shares remained available for grant under the 2007 Equity Plan.

The total pre-tax intrinsic value of options exercised during the three and six months ended September 27, 2014 was $4.8 million and $15.9 million, respectively. The total pre-tax intrinsic value of options exercised during the three and six months ended September 28, 2013 was $52.5 million and $65.3 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.

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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 30, 2013	5,996	$ 30.83
Granted	3,297	$ 38.90
Vested	(2,066)	$ 29.25
Cancelled	(326)	$ 32.28
March 29, 2014	6,901	$ 35.08
Granted	2,682	$ 43.84
Vested	(2,141)	$ 33.57
Cancelled	(173)	$ 35.96
September 27, 2014	7,269	$ 38.74

For the majority of restricted stock units 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 six months of fiscal 2015 and 2014, we withheld $31.7 million and $16.8 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 446 thousand shares for $14.9 million during the second quarter of fiscal 2015 and 529 thousand shares for $14.6 million in the second quarter of fiscal 2014. The per-share weighted-average fair value of stock purchase rights granted under the ESPP during the second quarter of fiscal 2015 and 2014 was $14.12 and $11.24, respectively. The fair values of stock purchase plan rights granted in the second quarter of fiscal 2015 and 2014 were estimated at the date of grant using the following assumptions:

	2015	2014
Expected life of options (years)	1.25	1.25
Expected stock price volatility	0.25	0.23
Risk-free interest rate	0.2 %	0.2 %
Dividend yield	2.8 %	2.1 %

The next scheduled purchase under the ESPP is in the fourth quarter of fiscal 2015. On August 13, 2014, the stockholders approved an amendment to increase the authorized number of shares reserved for issuance under the ESPP by 2.0 million shares. As of September 27, 2014, 11.3 million shares were available for future issuance out of 52.5 million shares authorized.

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:

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(In thousands, except per share amounts)	Three Months Ended September 27, 2014	Three Months Ended September 28, 2013	Six Months Ended September 27, 2014	Six Months Ended September 28, 2013
Net income available to common stockholders	$171,516	$141,461	$345,127	$298,484
Weighted average common shares outstanding-basic	265,942	268,478	267,098	265,350
Dilutive effect of employee equity incentive plans	3,155	4,919	3,653	4,715
Dilutive effect of 2017 Convertible Notes and warrants	6,703	8,702	8,033	6,790
Dilutive effect of 2037 Convertible Notes	—	8,586	—	7,415
Weighted average common shares outstanding-diluted	275,800	290,685	278,784	284,270
Basic earnings per common share	$0.64	$0.53	$1.29	$1.12
Diluted earnings per common share	$0.62	$0.49	$1.24	$1.05

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).

Outstanding stock options and RSUs under the Company's stock award plans to purchase approximately 3.8 million and 2.5 million shares, for the second quarter and the first six months of fiscal 2015, 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 20.2 million shares of its common stock at $29.64 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 net realizable value) and are comprised of the following:

(In thousands)	September 27, 2014	March 29, 2014
Raw materials	$15,752	$15,306
Work-in-process	208,407	192,067
Finished goods	38,510	26,626
	$262,669	$233,999

Note 10. Debt and Credit Facility

2017 Convertible Notes

As of September 27, 2014, 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 33.7391 shares of common stock per $1 thousand principal amount of the 2017 Convertible Notes, representing an effective conversion price of approximately $29.64 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

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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 September 27, 2014 and as a result, the 2017 Convertible Notes were convertible at the option of the holders. As of September 27, 2014, 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.

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)	September 27, 2014	March 29, 2014
Liability component:		
Principal amount of the 2017 Convertible Notes	$600,000	$600,000
Unamortized discount of liability component	(41,451)	(49,223)
Hedge accounting adjustment – sale of interest rate swap	11,978	14,224
Net carrying value of the 2017 Convertible Notes	$570,527	$565,001
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 September 27, 2014, the remaining term of the 2017 Convertible Notes is 2.7 years. As of September 27, 2014, the if-converted the value of the 2017 Convertible Notes was $865.5 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		Six Months Ended	
(In thousands)	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Contractual coupon interest	$3,938	$3,938	$7,875	$7,875
Amortization of debt issuance costs	362	362	724	724
Amortization of debt discount, net	2,763	2,763	5,526	5,526
Total interest expense related to the 2017 Convertible Notes	$7,063	$7,063	$14,125	$14,125

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 20.2 million shares of its common stock at $29.64 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 20.2 million shares of the Company’s common stock at $41.99 per share. These warrants expire on a gradual basis over a specified period starting on September 13, 2017.

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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.

The following table summarizes the carrying value of the 2019 and 2021 Notes as of September 27, 2014 and March 29, 2014:

(In thousands)	September 27, 2014	March 29, 2014
Principal amount of the 2019 Notes	$500,000	$500,000
Unamortized discount of the 2019 Notes	(2,324)	(2,574)
Principal amount of the 2021 Notes	500,000	500,000
Unamortized discount of the 2021 Notes	(3,324)	(3,556)
Total carrying value	$994,352	$993,870

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		Six Months Ended	
(In thousands)	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Contractual coupon interest	$6,406	$—	$12,813	$—
Amortization of debt issuance costs	134	—	290	—
Amortization of debt discount, net	242	—	482	—
Total interest expense related to the 2019 and 2021 Notes	$6,782	$—	$13,585	$—

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 September 27, 2014, 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. The last approval was the 2012 Repurchase Program, which was authorized by the Board in August 2012 to repurchase $750.0 million of the Company's common stock. The 2012 Repurchase Program has no stated expiration date.

Through September 27, 2014, the Company has used $552.7 million of the $750.0 million authorized under the 2012 Repurchase Program, leaving $197.3 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 September 27, 2014 and March 29, 2014.

During the first six months of fiscal 2015, the Company repurchased 7.0 million shares of common stock in the open market for a total of $300.0 million. During the first six months of fiscal 2014, the Company repurchased 1.5 million shares of common stock in the open market for a total of $70.0 million.

Note 12. Interest and Other Expense, Net

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

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(In thousands)	Three Months Ended September 27, 2014	Three Months Ended September 28, 2013	Six Months Ended September 27, 2014	Six Months Ended September 28, 2013
Interest income	$8,392	$5,363	$16,893	$10,966
Interest expense	(13,845)	(13,047)	(27,710)	(26,906)
Other expense, net	(278)	(3,313)	(1,136)	(4,987)
	$(5,731)	$(10,997)	$(11,953)	$(20,927)

Note 13. Accumulated Other Comprehensive Loss

Comprehensive 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)	September 27, 2014	March 29, 2014
Accumulated unrealized gains (losses) on available-for-sale securities, net of tax	$2,024	$(889)
Accumulated unrealized gains (losses) on hedging transactions, net of tax	(3,280)	798
Accumulated cumulative translation adjustment, net of tax	(864)	(457)
Accumulated other comprehensive loss	$(2,120)	$(548)

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 $22.8 million and $49.5 million for the second quarter and the first six months of fiscal 2015, respectively, representing effective tax rates of 12% and 13%, respectively. The Company recorded tax provisions of $11.3 million and $37.3 million for the second quarter and the first six months of fiscal 2014, respectively, representing effective tax rates of 7% and 11%, 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 September 27, 2014, determined in accordance with FASB authoritative guidance for measuring uncertain tax positions, was $26.4 million. The total amount of unrecognized tax benefits that, if realized in a future period, would favorably affect the effective tax rate was $11.0 million as of September 27, 2014. 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 2010. The Company is no longer subject to U.S. state audits for years through fiscal 2008, except for fiscal years 1997, 1998 and 2005, which are still open for audit purposes. The Company is no longer subject to tax audits in Ireland for years through fiscal 2009.

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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:

Fiscal	(In thousands)
2015 (remaining six months)	$2,827
2016	4,004
2017	2,324
2018	2,087
2019	1,690
Thereafter	3,600
Total	$16,532

Aggregate future rental income to be received, which includes rents from both owned and leased property, totaled $3.2 million as of September 27, 2014. Rent expense, net of rental income, under all operating leases was $697 thousand and $1.6 million for the three and six months ended September 27, 2014, respectively. Rent expense, net of rental income, under all operating leases was $725 thousand and $1.5 million for the three and six months ended September 28, 2013, respectively. Rental income was not material for the second quarter and the first six months of fiscal 2015 and 2014.

Other commitments as of September 27, 2014 totaled $115.5 million and consisted of purchases of inventory and other non-cancelable purchase obligations related to subcontractors that manufacture silicon wafers and provide assembly and some test services. The Company expects to receive and pay for these materials and services in the next three to six months, as the products meet delivery and quality specifications. As of September 27, 2014, the Company also had $37.7 million of non-cancelable license obligations to providers of electronic design automation software and hardware/software maintenance expiring at various dates through May 2017.

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 second quarter of fiscal 2015 and the end of fiscal 2014, 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 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). 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.

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Other Matters

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

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 September 27, 2014 and March 29, 2014, the gross and net amounts of goodwill and of acquisition-related intangibles for all acquisitions were as follows:

(In thousands)	September 27, 2014	March 29, 2014	Weighted-Average Amortization Life
Goodwill	$159,296	$159,296	
Core technology, gross	91,860	91,860	5.7 years
Less accumulated amortization	(67,957)	(63,267)	
Core technology, net	23,903	28,593	
Other intangibles, gross	46,716	46,716	2.7 years
Less accumulated amortization	(46,549)	(46,442)	
Other intangibles, net	167	274	
Total acquisition-related intangibles, gross	138,576	138,576	
Less accumulated amortization	(114,506)	(109,709)	
Total acquisition-related intangibles, net	$24,070	$28,867	

Amortization expense for acquisition-related intangibles for the three and six months ended September 27, 2014 was $2.4 million and $4.8 million, respectively. Based on the carrying value of acquisition-related intangibles recorded as of September 27, 2014, 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)
2015 (remaining six months)	$4,741
2016	8,935
2017	7,131
2018	2,660
2019	603
Total	$24,070

Note 19. Subsequent Events

On October 15, 2014, the Company's Board of Directors declared a cash dividend of $0.29 per common share for the third quarter of fiscal 2015. The dividend is payable on November 26, 2014 to stockholders of record on November 5, 2014.

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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 29, 2014 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: Second quarter and first six months of fiscal 2015 compared to the second quarter and first six months of fiscal 2014

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

	Three Months Ended		Six Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Net revenues	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenues	28.1	30.5	29.5	30.8
Gross margin	71.9	69.5	70.5	69.2
Operating expenses:				
Research and development	22.9	20.9	21.4	20.1
Selling, general and administrative	15.5	16.1	15.3	16.0
Amortization of acquisition-related intangibles	0.4	0.4	0.4	0.4
Litigation and contingencies	—	4.8	—	2.4
Total operating expenses	38.8	42.2	37.1	38.9
Operating income	33.1	27.3	33.4	30.3
Interest and other expense, net	0.9	1.8	1.0	1.8
Income before income taxes	32.2	25.5	32.4	28.5

Provision for income taxes	3.8	1.9	4.0	3.2
Net income	28.4 %	23.6 %	28.4 %	25.3 %

Net Revenues

We sell our products to global manufacturers of electronic products in end markets such as wired and wireless communications, aerospace and defense, industrial, scientific and medical and audio, video and broadcast. The vast majority of our net revenues

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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 Kintex® UltraScale™, Virtex® Ultrascale, Virtex-7, Kintex-7, Artix®-7, Zynq®-7000, Virtex-6 and Spartan®-6 product families.
- Mainstream Products include the Virtex-5, Spartan-3 and CoolRunner™-II product families.
- Base Products consist of our older product families including the Virtex-4, Virtex-II, Virtex-E, Virtex, Spartan-II, Spartan, CoolRunner and XC9500 products.
- Support Products include configuration solutions, HardWire, 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 April 1, 2012, which was the beginning of our fiscal 2013. 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 $604.3 million in the second quarter of fiscal 2015 represented a 1% increase from the comparable prior year period of $598.9 million. The increase was driven primarily by applications in the Industrial, Scientific and Medical, Aerospace and Defense and Automotive. Net revenues from New Products increased significantly in the second quarter of fiscal 2015 versus the comparable prior year period, but were partially offset by declines from our older products. No end customer accounted for more than 10% of our net revenues for the first six months of fiscal 2015.

For first six months of fiscal 2015, approximately 54% of our net revenues were from products sold to distributors for subsequent resale to original equipment manufacturers (OEMs) or their subcontract manufacturers. As of September 27, 2014, we had $82.9 million of deferred revenue and $22.0 million of deferred cost of revenues recognized as a net $60.9 million of deferred income on shipments to distributors. As of March 29, 2014, we had $75.2 million of deferred revenue and $20.1 million of deferred cost of revenues recognized as a net $55.1 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 second quarter and the first six months of fiscal 2015 and 2014 were as follows:

(In millions)	Three Months Ended September 27, 2014	% Change	September 28, 2013	Six Months Ended September 27, 2014	% Change	September 28, 2013
New Products	$258.0	21	$ 213.7	$534.9	38	$ 388.8
Mainstream Products	185.8	(8)	201.6	392.0	(5)	412.1
Base Products	140.7	(14)	163.0	250.7	(25)	335.0
Support Products	19.8	(4)	20.6	39.3	(6)	42.0
Total net revenues	$604.3	1	$ 598.9	$1,216.9	3	$ 1,177.9

Net revenues from New Products increased significantly in both the second quarter and the first six months of fiscal 2015 compared to the comparable prior year periods. The increases were a result of sales growth from both our 28nm and our 40/45nm product families. We expect sales of New Products to continue to grow as more customer programs enter into volume production with our 28nm products.

Net revenues from Mainstream Products decreased in both the second quarter and the first six months of fiscal 2015 from the comparable prior year periods. The decreases were largely due to the decline in sales of our Virtex-5 product family.

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Net revenues from Base Products decreased in both the second quarter and the first six months of fiscal 2015 from the comparable prior year periods. The decreases were due to a broad-based decline across most product families. Base Products are mature products and their sales are expected to decline over time.
Net revenues from Support Products decreased in both the second quarter and the first six months of fiscal 2015 compared to the comparable prior year periods. The decreases were primarily due to a decline in sales from our software and PROM products.

Net Revenues by End Markets

Our end market revenue data is derived from our understanding of our end customers' primary markets. Net revenues by end markets are classified into the following four categories: Communications & Data Center; Industrial, Aerospace & Defense; Broadcast, Consumer & Automotive; and Other. 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 second quarter and the first six months of fiscal 2015 and 2014 were as follows:

(% of total net revenues)	Three Months Ended			Six Months Ended		
	September 27, 2014	% Change in Dollars	September 28, 2013	September 27, 2014	% Change in Dollars	September 28, 2013
Communications & Data Center	41 %	(4)	43 %	46 %	8	44 %
Industrial, Aerospace & Defense	41	8	38	36	(1)	37
Broadcast, Consumer & Automotive	15	(6)	16	15	(2)	16
Other	3	12	3	3	12	3
Total net revenues	100 %	1	100 %	100 %	3	100 %

Net revenues from Communications & Data Center, our largest end market, decreased in the second quarter of fiscal 2015 from the comparable prior year period. The decrease was primarily due to lower sales from wireline. For the six months ended September 27, 2014, net revenues from Communications & Data Center increased compared to the prior year period due primarily to increased sales from wireless communications.
Net revenues from Industrial, Aerospace & Defense increased in the second quarter of fiscal 2015 from the comparable prior year period. The increase was primarily driven by higher sales in industrial, scientific and medical applications and in aerospace and defense applications. For the six months ended September 27, 2014, net revenues from Industrial, Aerospace & Defense decreased slightly compared to the prior year period due to lower sales from aerospace and defense applications.
Net revenues from Broadcast, Consumer & Automotive decreased in both the second quarter and the first six months of fiscal 2015 from the comparable prior year periods. The decreases were mainly due to lower sales from consumer applications.
Net revenues from the Other end market increased (in terms of absolute dollars) in both the second quarter and the first six months of fiscal 2015 from the comparable prior year periods. The increases were primarily due to higher sales from high-performance computing applications.
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 second quarter and the first six months of fiscal 2015 and 2014 were as follows:

(In millions)	Three Months Ended			Six Months Ended		
	September 27, 2014	% Change	September 28, 2013	September 27, 2014	% Change	September 28, 2013
North America	$192.7	3	$ 187.2	$353.1	(5)	$ 369.8

Asia Pacific	225.3	(2	) 229.2	486.6	12	436.4
Europe	127.4	(2	) 130.3	256.6		