Background

In June 2010, we issued $600 million principal amount of 2.625% Senior Convertible Notes that was due in June 2017 (“2010 Notes”). Concurrent with the issuance of the 2010 Notes, we entered into a hedging transactions designed to mitigate or eliminate the potential dilution associated with the conversion of 2010 Notes.

Our 2010 Notes and associated derivative instruments require some explanation. As a refresher, there are 3 associated elements: the convertible bond itself, a bond hedge (call option) that we purchased to effectively offset the economic dilution from the convertible bond, and then a warrant we sold to offset the cost of the bond hedge. Accounting principles require us to reflect the dilution from the convertible bond and the warrant, but do not allow us to reflect the offsetting benefit from the call option. As our share price rises, the dilution from both the convertible bond and the warrant increases.

From an economic perspective, the bond hedge perfectly offsets the dilution from the convertible bond. After conversion, there will be net zero dilution. There will remain, however, dilution from the warrant as it is a separate instrument with a higher strike price and is not hedged.

In the March quarter we had $142M of conversions of the 2010 Notes. This impacted us as follows: First, we paid the principal value of the 2010 Notes ($142M). We then simultaneously issued to the 2010 Notes holders Xilinx shares in excess of the principal value and received from our counterparties the same amount of shares by exercising our bond hedge. The final number of shares is based on an average stock price over 30 days.

In the June 2017 quarter, the remainder of the 2010 Notes matured and we paid the remaining principal value of $458M. We also simultaneously issued shares to the 2010 Notes holders and received from our counterparties the same amount of shares from our bond hedge. Please refer to the table below for the impact of the 2010 Notes to our diluted shares:

Reduction in Diluted Shares due to Conversion and Maturity (Ms)*

	Q4FY17	**Q1FY18**	**Q2FY18**	**Total**
$142M @ ~$59	1.7	0.8		2.5
$458M @ ~$66		2.9	6.0	8.9
TOTAL	1.7	3.7	6.0	11.4

**The $59 and $66 share prices were used to illustrate the above table, which approximate the actual share price used for accounting purposes in Q4FY17 and Q1FY18, respectively.*

Our warrants continue to be outstanding until the expiration dates, which range in our September and December quarter. The table below illustrates the potential impact to the diluted shares outstanding associated with the warrants:

Stock Price	Shares Dilution from warrants (accounting)
$ 55.00	5,528,000
$ 56.00	5,800,000
$ 57.00	6,063,000
$ 58.00	6,317,000
$ 59.00	6,562,000
$ 60.00	6,799,000
$ 61.00	7,029,000
$ 62.00	7,251,000
$ 63.00	7,466,000
$ 64.00	7,674,000
$ 65.00	7,876,000
$ 66.00	8,071,000
$ 67.00	8,261,000
$ 68.00	8,445,000
$ 69.00	8,624,000
$ 70.00	8,798,000