

Programmability: The Answer to Complexity

Xilinx is poised for growth in 2006 and beyond.



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The year 2006 will bring many opportunities for growth throughout the semiconductor industry, particularly in markets and applications where just a few years ago FPGAs were a rare commodity. This growth will be driven by several factors. On the demand side, clearly there is a set of new applications emerging that will allow the industry to grow.

Analysts predict semiconductor industry growth at around 10 percent, and I agree with this prediction. The opportunities will obviously be driven by demand. The first of these potential growth areas lies in wireless communications, driven by the strength of the cell phone industry where demand continues to rise, particularly in foreign countries where new infrastructure equipment will also be required.

Another area of tremendous growth potential lies in wired communications, specifically in fiber to the home. In Japan, fiber-to-the-home subscribers have surpassed new DSL subscribers; this year will bring similar growth to the U.S. as service providers deploy new equipment to support not only more data into the home (2/3x), but higher performance equipment to sup-

As a result of this focused, customer-driven approach, Xilinx continues to win designs in a myriad of emerging applications and markets, including consumer, automotive, medical imaging, AVB, and wireless communications. Adoption of our newest 90 nm platform FPGAs is a key contributor – Xilinx has generated more than 2.5 times the 90 nm sales of its near-

broadcast equipment to aerospace and defense, security, and industrial control.

PLD Market Outlook

This year will bring the first 65 nm devices to the PLD market, which represents yet another cost reduction vehicle to enhance our competitive advantage over fixed ASICs. Major changes are taking place in

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port the speed at which the data travels.

Of course the digital consumer market will continue to further drive growth in the semiconductor industry, as it did in 2005. As prices continue to drop for high-definition television and flat-panel displays, more and more consumers will replace their current televisions with this new technology. In addition, broadcasters and studios will need to replace and upgrade their transmission equipment to meet the demand.

The move from analog to digital cameras will continue at a rapid pace; consumers will need new equipment to store these higher resolution images, driving growth in the PC market as well.

Poised for Growth

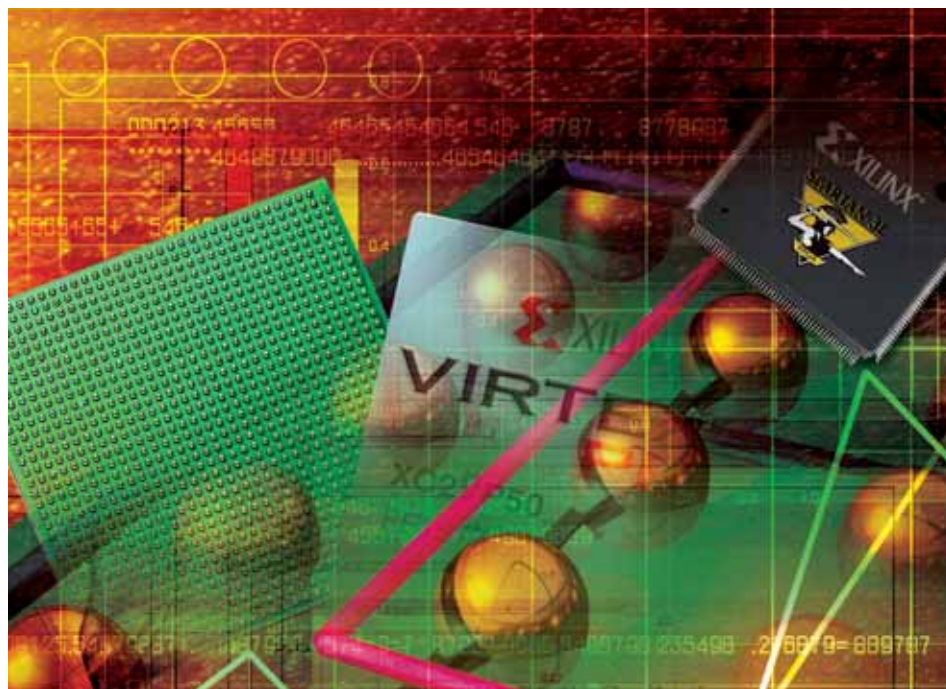
Xilinx in particular is poised for growth this year and beyond. Our most recent December quarter (Q3 FY06) was our most successful in history, with net revenues of \$450 million and a record 59 percent share of the FPGA market. With new product sales up by 24 percent sequentially, our success is clearly a result of the market diversification efforts we put in place at the outset of the new millennium. Xilinx pioneered the industry's transformation towards a focus on vertical markets and engaging with customers at a system architecture level. Today, this transformation helps us address our customer's complex design challenges by providing them with innovative, flexible, and compelling solutions that help them achieve their objectives of cost management, time to market, and leadership.

est competitor and shipped more than 10 million 90 nm devices.

Our investment in building integrated sophisticated system-level features into Virtex™ Platform FPGAs and aggressively moving to the next node with each new generation is paying off for designers. Customer demand is on a steady ramp for applications requiring high-speed DSP,

the ASIC marketplace as designers continue the quest for a more flexible and cost-effective solution. Xilinx will continue to drive down costs through advanced manufacturing processes such as 65 nm and 300 mm wafers, in addition to adding increased functionality.

Today's consumer products are increasing in complexity with networking, computing,



integrated IBM PowerPC™ processor cores, and multi-gigabit serial transceivers. Increasingly at the heart of the system, Virtex FPGAs have become the premier platform for a wide range of designs for high-performance applications ranging from wireless base stations, networking and telecom infrastructure, and video and audio

and imaging capabilities. Each of these capabilities has different standards – and in an environment with the convergence of many competing standards, programmability is king. In other words, as the world becomes more integrated, the world becomes more complex. And the only answer to complexity is programmability. ●●