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**ALTERA CORPORATION REPORTS THIRD QUARTER '98 RESULTS  
SALES INCREASE 2% SEQUENTIALLY,  
NET INCOME UP 10% SEQUENTIALLY**

**San Jose, Calif.,** October 14, 1998 - Altera Corporation (Nasdaq: ALTR) today reported third quarter sales of \$164.2 million, up 2% from the previous quarter and up 1% over the same period last year. Overall sales growth of 2% was achieved by sequential gains of 2% in North America and 11% in Europe. Offsetting growth in North America and Europe, third quarter sales in Asia/Pacific were flat and Japan experienced a 5% sequential decline. Under the new categorization of product revenues announced last quarter (**see note below**), new and mainstream products made up over 50% of total revenues for the quarter, and their growth fully offset declines in mature and other products. New product revenues grew 42% sequentially representing a tenfold increase year on year, and mainstream product revenues grew 10% sequentially, an increase of 80% year on year.

Net income for the third quarter was \$40.1 million, an increase of 10% from the previous quarter, and up 3% from the third quarter of 1997. Both gross margins and operating expenses, as a percentage of sales, improved from the previous quarter to 61.9% and 25.8%, respectively. Third quarter earnings per share, on a diluted basis, were \$0.40, an increase of \$0.02 from the prior quarter, and equivalent to the same period last year. Third quarter earnings included an after-tax charge of \$3.3 million, or \$0.03 per share, representing the Company's share in the start-up losses of WaferTech (a joint venture with TSMC to manufacture wafers in a state-of-the-art facility in Camas, Washington). Excluding WaferTech results, diluted earnings per share were \$0.43, up \$0.03 from the same period last year.

Altera added \$51.1 million of cash to its balance sheet during the quarter, after the repurchase of 260,000 shares of its common stock for \$8.6 million and routine capital expenditures of \$6.4 million.

(more)

During the third quarter, the Company announced APEX™ (formerly code-named Raphael), its newest family of devices, which utilizes a revolutionary, new architecture for programmable logic devices (PLDs). The APEX family of embedded PLDs, fabricated on a 0.25 micron SRAM process, marks an industry first with the introduction of an innovative embedded architecture. The MultiCore™ architecture includes look-up tables, product terms and increased amounts of embedded memory including ROM, RAM and CAM. With initial gate counts ranging from 100,000 to 1 million gates and future process migrations enabling up to 2 million gates, the APEX device family will allow designers to integrate complex, high-performance systems on a single programmable chip.

APEX will be supported by Altera's fourth-generation design tool, Quartus™. Quartus has been specifically designed to support million-plus gate designs with features such as workgroup-based computing, incremental compilation and seamless integration with leading third-party EDA tools.

Earlier this month, the roll out of the previously announced FLEX10KE family was initiated with first shipments of the FLEX10K50E. Manufactured on a 0.25 micron process and operating at a 2.5V core voltage, the FLEX10KE family offers higher performance and lower power consumption with logic densities ranging from 30K to 250K gates and up to 96K bits of on-chip, dual-port RAM. Version 9.0 of the MAX+PLUS®II design software, introduced during the third quarter, supports all FLEX10KE devices, allowing customers to start designs in advance of silicon for the entire FLEX10KE family.

Rodney Smith, President and CEO stated, "We are pleased with the financial and operational results achieved during the quarter. Record sales results were obtained in both Europe and total International, in what historically has been a seasonally weak quarter. Both new and mainstream products delivered double-digit sequential growth and achieved the important milestone of contributing more than half the quarter's revenues. We plan to continue on time execution of new product introductions, and believe we will demonstrate continued industry leadership with truly innovative products such as the APEX family and Quartus design tools."

#### **Note on Product Category Changes**

As announced last quarter, effective this quarter Altera has changed the make up of the product categories as reported each quarter. Remaining in the "New" category are the FLEX10KA/10KE, FLEX6000/6000A, and MAX7000A devices. Added to the "New" category are the MAX7000B and APEX devices. The FLEX10K, MAX7000S, and MAX9000 products, previously categorized as "New", now make up the "Mainstream" category in its entirety. All the products previously reported in the "Mainstream" category are now classified as either Mature (FLEX8000 and MAX7000) or Other (FLASHlogic). For further details please refer to Altera's Investor Relations web page @ [www.altera.com](http://www.altera.com).

This press release contains “forward looking statements” which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward looking statements are generally written in the future tense and/or are preceded by words such as “expects”, “believes”, “offers”, “anticipates”, “projects”, or “intends”. Investors are cautioned that all forward looking statements in this release involve risks and uncertainty, including without limitation the risk that future performance is dependent on FLEX10KE and APEX product development, MAX+PLUS II and Quartus software development, market acceptance of the Company’s new products, development of technology and manufacturing capabilities, and third-party wafer suppliers meeting the Company’s wafer requirements. Please refer to the Company’s Securities and Exchange Commission filings, copies of which are available from the Company without charge, for further information.

**Fax on Demand:**

Copies of Altera’s announcement are available from its fax-on-demand service. In the U.S. and Canada to request a copy call 1-800-789-ALTR. International users can dial their local International Access Code followed by 1-408-894-0466. More information can be obtained on the worldwide web at <http://www.altera.com>.

Altera Corporation, The Programmable Solutions Company™, was founded in 1983 and is a worldwide leader in high-performance, high-density programmable logic devices and associated computer aided engineering (CAE) logic development tools. Programmable logic devices are semiconductor chips that offer on-site programmability to customers. The chips are programmed using tools that run on personal computers or engineering workstations. User benefits include ease of use, lower risk, and fast time-to-market. The company offers the broadest line of CMOS programmable logic devices that address high-speed, high-density, and low-power applications. Altera products serve a broad range of markets, including telecommunications, data communications, computer peripherals, and industrial applications. Altera common stock is traded on the Nasdaq Stock Market under the symbol ALTR.

**ALTERA CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share data)  
(Unaudited)

	<b>THREE MONTHS ENDED</b>			<b>NINE MONTHS ENDED</b>	
	<u>Sept. 30 1998</u>	<u>Sept. 30 1997</u>	<u>Jun. 30 1998</u>	<u>Sept. 30 1998</u>	<u>Sept. 30 1997*</u>
Net sales	\$164,218	\$162,126	\$160,476	\$481,910	\$474,026
Costs & expenses:					
Cost of sales	62,511	60,749	61,691	184,292	177,991
Research and development	15,223	14,334	14,233	43,863	41,088
Selling, general and administrative	27,142	29,163	28,572	83,852	83,423
Total costs and expenses	<u>104,876</u>	<u>104,246</u>	<u>104,496</u>	<u>312,007</u>	<u>302,502</u>
Income from operations	59,342	57,880	55,980	169,903	171,524
Interest & other income, net	<u>5,065</u>	<u>925</u>	<u>1,665</u>	<u>6,882</u>	<u>2,516</u>
Income before taxes	64,407	58,805	57,645	176,785	174,040
Provision for income taxes	<u>20,931</u>	<u>19,994</u>	<u>18,733</u>	<u>57,451</u>	<u>59,173</u>
Income before accounting change and equity investment	43,476	38,811	38,912	119,334	114,867
Equity in income (loss) of WaferTech	<u>(3,333)</u>	<u>-</u>	<u>(2,296)</u>	<u>(7,440)</u>	<u>-</u>
Income before cumulative effect of accounting change	40,143	38,811	36,616	111,894	114,867
Cumulative effect of change in accounting principle	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,064)</u>
Net income	<u>\$ 40,143</u>	<u>\$ 38,811</u>	<u>\$ 36,616</u>	<u>\$111,894</u>	<u>\$ 96,803</u>
<b>Basic earnings per share:</b>					
Income before accounting change	<u>\$ 0.41</u>	<u>\$ 0.44</u>	<u>\$ 0.41</u>	<u>\$ 1.21</u>	<u>\$ 1.30</u>
Net income	<u>\$ 0.41</u>	<u>\$ 0.44</u>	<u>\$ 0.41</u>	<u>\$ 1.21</u>	<u>\$ 1.10</u>
<b>Diluted earnings per share:</b>					
Income before accounting change and equity investment	<u>\$ 0.43</u>	<u>\$ 0.40</u>	<u>\$ 0.40</u>	<u>\$ 1.22</u>	<u>\$ 1.17</u>
Income before accounting change	<u>\$ 0.40</u>	<u>\$ 0.40</u>	<u>\$ 0.38</u>	<u>\$ 1.14</u>	<u>\$ 1.17</u>
Net income	<u>\$ 0.40</u>	<u>\$ 0.40</u>	<u>\$ 0.38</u>	<u>\$ 1.14</u>	<u>\$ 0.99</u>
<b>Weighted average shares:</b>					
Basic	<u>97,235</u>	<u>88,782</u>	<u>90,311</u>	<u>92,173</u>	<u>88,332</u>
Diluted	<u>100,902</u>	<u>103,068</u>	<u>101,612</u>	<u>101,488</u>	<u>102,610</u>
Tax rate	32.5%	34.0%	32.5%	32.5%	34.0%
% of Sales:					
Gross margin	62%	63%	62%	62%	62%
Research and development	9%	9%	9%	9%	9%
Selling, general & administrative	17%	18%	18%	17%	17%
Income from operations	36%	36%	35%	36%	36%
Income before accounting change	24%	24%	23%	23%	24%

\* As restated to reflect the effect of change in accounting principle

**ALTERA CORPORATION**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands)  
(Unaudited)

	<u>Sept. 30 1998</u>	<u>Jun. 30 1998</u>
<b>Assets</b>		
Current assets:		
Cash and short-term investments	\$ 494,853	\$ 443,756
Accounts receivable, net	64,667	60,791
Inventories	70,039	77,236
Other assets	94,695	91,634
Total current assets	<u>724,254</u>	<u>673,417</u>
Property and equipment, net	152,981	152,588
Investments & intangibles	154,309	165,879
	<u>\$ 1,031,544</u>	<u>\$ 991,884</u>
 <b>Liabilities and Stockholders' Equity</b>		
Accounts payable and current liabilities	\$ 52,233	\$ 53,269
Deferred income on sales to distributors	150,307	144,001
Total current liabilities	<u>202,540</u>	<u>197,270</u>
Stockholders' equity	829,004	794,614
	<u>\$ 1,031,544</u>	<u>\$ 991,884</u>

**Key Ratios & Information**

Current Assets/Current Liabilities	4:1	3:1
Liabilities/Equity	1:4	1:4
Annualized Quarterly Return on Equity	20%	22%
Quarterly Depreciation Expense	5,971	5,943
Quarterly Capital Expenditures	6,364	6,771
Annualized Sales per Employee	587	583

## Altera Corporate Profile

### Revenue by Market Segment

	<u>Q1'98</u>	<u>Q2'98</u>	<u>Q3'98</u>	
Communications	61%	63%	65%	<ul style="list-style-type: none"> <li>• Serve over 13,000 customers</li> <li>• Three distributors in North America - 85 branch locations</li> <li>• 45% of sales in export markets</li> <li>• Distributors in all European countries and major Asian markets</li> </ul>
EDP	20%	19%	16%	
Industrial	13%	12%	12%	
Consumer	3%	3%	3%	
Other	3%	3%	4%	

### Revenue: Product Family

	<u>Q1'98</u>	<u>Q2'98</u>	<u>Q3'98</u>
New	6%	10%	15%
Mainstream	28%	33%	36%
Mature	57%	47%	41%
Other	<u>6%</u>	<u>7%</u>	<u>5%</u>
Components	97%	97%	97%
Tools	<u>3%</u>	<u>3%</u>	<u>3%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

### Channel

	<u>Q1'98</u>	<u>Q2'98</u>	<u>Q3'98</u>
North America	<u>55%</u>	<u>55%</u>	<u>55%</u>
Europe	23%	22%	23%
Japan	18%	19%	18%
Asia/Pacific	<u>4%</u>	<u>4%</u>	<u>4%</u>
International	<u>45%</u>	<u>45%</u>	<u>45%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

### Financial Highlights: (In thousands)

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>Q3 1998</u>
Net sales	\$198,796	\$401,598	\$497,306	\$631,114	\$164,218
Income before effect of accounting change	14,608	86,871	109,135	151,517	40,143
Cash and investments	92,594	365,219	280,850	377,569	494,853
Total assets	213,882	715,554	778,212	952,518	1,031,544
Stockholders' equity	158,019	255,189	370,245	536,687	829,004
Annualized ROE	23%	42%	35%	28%	20%

### Ownership:

Management/Directors/Employees:	5%
Institutional Holdings:	85%
Retail/Other:	10%

**Corporate Office:** San Jose, CA

**Employees:** 1,130

### Research Coverage by 15 Most Active Market Makers

Morgan Stanley	Mark Edelstone	(415) 576-2381
Credit Suisse First Boston	Scott Nirenberski	(415) 836-7764
Donaldson, Lufkin & Jenrette	Charles Boucher	(415) 249-2277
NationsBanc Montgomery Securities Inc.	Clark Westmont	(415) 627-3160
Lehman Brothers	James Barlage	(212) 526-6093
Goldman Sachs	Joe Moore	(212) 902-6834
Merrill Lynch	Tom Kurlak	(212) 449-2308
Soundview	Scott Randall	(203) 462-7246
Prudential	Hans Mosesmann	(415) 395-2636
Paine Webber Inc.	John Lazlo	(415) 576-2980
BancBoston Robertson Stephens	Dan Niles	(415) 693-3241
J. P. Morgan	Terry Ragsdale	(212) 648-9047
Warburg Dillon Read	Greg Mischou	(415) 296-6333
Needham & Company	A.A. LaFountain III	(212) 705-0317
CIBC Oppenheimer & Co.	Ken Pearlman	(415) 438-3016