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**ALTERA REPORTS RECORD FOURTH QUARTER AND ANNUAL RESULTS  
SEQUENTIAL RESULTS FOR THE FOURTH QUARTER -  
SALES INCREASE 5% WITH NET INCOME UP 6%**

**San Jose, Calif.,** January 20, 1999 - Altera Corporation (Nasdaq: ALTR) today reported record fourth quarter sales of \$172.4 million, up 5% from the previous quarter and up 10% over the same period last year. Total sales for the year, also a record, were \$654.3 million, an increase of 4% over 1997. Fourth quarter sales growth of 5% was achieved by sequential gains in all channels with North America up 3% and International up 8% as a result of 4% growth in Europe, 10% in Japan and 22% in Asia/Pacific. New and mainstream products made up 57% of sales for the quarter with new product revenues growing 28% sequentially, representing a seven fold increase over the same period last year, and mainstream product revenues growing 15% sequentially, an increase of 70% over the fourth quarter of last year.

Net income and diluted earnings per share were at record levels both for the quarter and for the year. Net income for the fourth quarter was \$42.5 million, an increase of 6% from the previous quarter and up 16% from the fourth quarter of 1997. Net income for the year was \$154.4 million, up 2% from 1997 excluding the cumulative effect of a change in accounting principle. Fourth quarter earnings per share, on a diluted basis, were \$0.42, an increase of \$0.02 from the prior quarter and up \$0.04 over the same period last year. Diluted earnings per share for the year were \$1.56, an increase of \$0.01 over 1997 excluding the cumulative effect of a change in accounting principle. Fourth quarter earnings included after-tax charges of \$3.0 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 the WaferTech results, diluted earnings per share were \$0.45 for the fourth quarter and \$1.66 for the year, up \$0.07 or 18% and \$0.11 or 7%, respectively from the same periods last year.

Altera added \$84.3 million of cash to its balance sheet during the quarter after routine capital expenditures of \$5.6 million.

(more)

Fourth quarter highlights included:

- New FLEX<sup>®</sup> 10K family products achieved significant sales growth and market acceptance. Sales to customers of the 3.3-Volt FLEX 10KA devices grew 25% sequentially, an increase of seven fold over the same period last year. The 2.5-Volt FLEX 10KE devices achieved significant market endorsement, with 115 customers taking the initial deliveries of the new family members introduced during the quarter, the FLEX 10K50E and FLEX 10K200E.
- Altera continued to see excellent growth in its product lines that support In-System Programmability (ISP) – MAX<sup>®</sup> 7000S, MAX 7000A, and MAX 9000. ISP product revenues grew 16% sequentially to \$39.5 million, positioning the Company as the leading supplier in this market segment. Also in the quarter, the performance of the 3.3-Volt MAX 7000A devices was enhanced with the introduction of the first two of five new MAX 7000AE devices, the EPM7512AE and EPM7064AE. The MAX 7000AE devices offer pin-to-pin performance as fast as 4.5 nanoseconds for peak on-chip speeds of up to 196.5 MHz. Additionally, new on-chip features enable MAX 7000AE in-system programming times to be up to ten times faster than comparable ISP devices.
- The Company announced its agreement to invest \$37.5 million during the first quarter of 1999 to increase its ownership in WaferTech by five percentage points, bringing Altera's total equity position to 23%. After a successful start-up earlier this year, WaferTech is now manufacturing four FLEX 10KA and two FLEX 6000 products in volume and with excellent quality and yield.
- Altera further expanded its R&D capabilities during the quarter with the formal dedication of its newest R&D facility, the Asian Design Center in Penang, Malaysia. Earlier in the year, the Company opened its European Design Center in High Wycombe, United Kingdom. These two new facilities along with the San Jose Design Center have enabled Altera to implement "round-the-clock" development activities and to grow development personnel resources by 18% over the year.

Rodney Smith, President and CEO, stated, "We are very pleased that during a year in which the overall programmable logic market declined, Altera was able to achieve its sixth straight year of record revenues and financial performance and to further enhance our market share position. During the year, we successfully implemented major product transitions in which sales of our new and mainstream FLEX and MAX products grew from \$124 million in 1997 to \$301 million in 1998, an increase of 143%. When combined with record sales both domestically and internationally, we believe this makes a strong statement about the success these products are enjoying in the marketplace. We are optimistic about prospects that growth will return to the programmable logic market in 1999, and we believe the broad capabilities of the FLEX and MAX product lines together with the product rollout of the new APEX<sup>™</sup> 20K family and Quartus<sup>™</sup> development software place Altera in an excellent position in the coming year to take advantage of market expansion."

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”, “positions” 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 FLEX 10KA, FLEX 10KE, MAX 7000AE, and APEX 20K product development, Quartus software development, market acceptance of the Company’s new products, market growth in 1999, 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.

Altera Corporation, The Programmable Solutions Company™, was founded in 1983 and is a leading supplier of programmable logic devices and associated logic development software tools. Programmable logic devices are semiconductor chips that can be programmed on-site, using software tools that run on personal computers or engineering workstations. User benefits include ease of use, lower risk, and fast time-to-market. Altera’s CMOS-based programmable logic address high-speed, high-density and low-power applications in the telecommunications, data communications, computer peripheral, and industrial markets. Altera common stock is traded on the Nasdaq Stock Market under the symbol ALTR. More information on Altera can be obtained on the Internet at <http://www.altera.com>.

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

	(Unaudited)				
	<b>THREE MONTHS ENDED</b>			<b>YEAR ENDED</b>	
	Dec. 31 1998	Dec. 31 1997	Sept. 30 1998	Dec. 31 1998	Dec. 31 1997
Net sales	\$172,432	\$157,088	\$164,218	\$654,342	\$631,114
Costs & expenses:					
Cost of sales	65,182	58,967	62,511	249,474	236,958
Research and development	16,001	13,329	15,223	59,864	54,417
Selling, general and administrative	29,309	29,361	27,142	113,161	112,784
Total costs and expenses	<u>110,492</u>	<u>101,657</u>	<u>104,876</u>	<u>422,499</u>	<u>404,159</u>
Income from operations	61,940	55,431	59,342	231,843	226,955
Interest & other income, net	<u>5,458</u>	<u>100</u>	<u>5,065</u>	<u>12,340</u>	<u>2,616</u>
Income before taxes	67,398	55,531	64,407	244,183	229,571
Provision for income taxes	<u>21,905</u>	<u>18,881</u>	<u>20,931</u>	<u>79,356</u>	<u>78,054</u>
Income before accounting change and equity investment	45,493	36,650	43,476	164,827	151,517
Equity in loss of WaferTech	<u>(3,000)</u>	<u>-</u>	<u>(3,333)</u>	<u>(10,440)</u>	<u>-</u>
Income before cumulative effect of accounting change	42,493	36,650	40,143	154,387	151,517
Cumulative effect of change in accounting principle	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,064)</u>
Net income	<u>\$ 42,493</u>	<u>\$ 36,650</u>	<u>\$ 40,143</u>	<u>\$154,387</u>	<u>\$133,453</u>
<b>Basic earnings per share:</b>					
Income before accounting change	<u>\$ 0.44</u>	<u>\$ 0.41</u>	<u>\$ 0.41</u>	<u>\$ 1.65</u>	<u>\$ 1.71</u>
Net income	<u>\$ 0.44</u>	<u>\$ 0.41</u>	<u>\$ 0.41</u>	<u>\$ 1.65</u>	<u>\$ 1.51</u>
<b>Diluted earnings per share:</b>					
Income before accounting change and equity investment	<u>\$ 0.45</u>	<u>\$ 0.38</u>	<u>\$ 0.43</u>	<u>\$ 1.66</u>	<u>\$ 1.55</u>
Income before accounting change	<u>\$ 0.42</u>	<u>\$ 0.38</u>	<u>\$ 0.40</u>	<u>\$ 1.56</u>	<u>\$ 1.55</u>
Net income	<u>\$ 0.42</u>	<u>\$ 0.38</u>	<u>\$ 0.40</u>	<u>\$ 1.56</u>	<u>\$ 1.37</u>
<b>Shares used in computation:</b>					
Basic	<u>97,414</u>	<u>89,104</u>	<u>97,235</u>	<u>93,493</u>	<u>88,525</u>
Diluted	<u>101,899</u>	<u>102,615</u>	<u>100,902</u>	<u>101,589</u>	<u>102,616</u>
Tax rate	32.5%	34.0%	32.5%	32.5%	34.0%
% of Sales:					
Gross margin	62%	62%	62%	62%	62%
Research and development	9%	8%	9%	9%	9%
Selling, general & administrative	17%	19%	17%	17%	18%
Income from operations	36%	35%	36%	36%	36%
Income before accounting change	25%	23%	24%	24%	24%

**ALTERA CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands)

	Dec. 31 1998	(Unaudited) Sept. 30 1998	Dec. 31 1997
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>			
Current assets:			
Cash and short-term investments	\$ 579,106	\$ 494,853	\$ 377,569
Accounts receivable, net	56,138	64,667	55,251
Inventories	69,869	70,039	98,883
Other assets	94,420	87,495	84,499
Total current assets	<u>799,533</u>	<u>717,054</u>	<u>616,202</u>
Property and equipment, net	152,320	152,981	152,417
Investments & intangibles	141,478	154,309	183,899
	<u>\$ 1,093,331</u>	<u>\$ 1,024,344</u>	<u>\$ 952,518</u>

**Liabilities and Stockholders' Equity**

Accounts payable and current liabilities	\$ 50,450	\$ 52,233	\$ 57,563
Deferred income on sales to distributors	161,160	143,107	128,268
Total current liabilities	<u>211,610</u>	<u>195,340</u>	<u>185,831</u>
Convertible subordinated notes	-	-	230,000
Total liabilities	<u>211,610</u>	<u>195,340</u>	<u>415,831</u>
Stockholders' equity	881,721	829,004	536,687
	<u>\$ 1,093,331</u>	<u>\$ 1,024,344</u>	<u>\$ 952,518</u>

**Key Ratios & Information**

Current Assets/Current Liabilities	4:1	4:1	3:1
Liabilities/Equity	1:4	1:4	1:1
Annualized Quarterly Return on Equity	20%	20%	28%
Quarterly Depreciation Expense	6,249	5,971	5,549
Quarterly Capital Expenditures	5,587	6,364	9,498
Annualized Sales per Employee	605	587	584

## Altera Corporate Profile

### Revenue by Market Segment

	<u>Q2'98</u>	<u>Q3'98</u>	<u>Q4'98</u>	
Communications	63%	65%	67%	<ul style="list-style-type: none"> <li>• Serve over 13,000 customers</li> <li>• Three distributors in North America - 85 branch locations</li> <li>• 46% of sales in export markets</li> <li>• Distributors in all European countries And major Asian markets</li> </ul>
EDP	19%	16%	15%	
Industrial	12%	12%	12%	
Consumer	3%	3%	3%	
Other	3%	4%	3%	

### Revenue: Product Family

	<u>Q2'98</u>	<u>Q3'98</u>	<u>Q4'98</u>
New	10%	15%	18%
Mainstream	33%	36%	39%
Mature	47%	41%	35%
Other	<u>10%</u>	<u>8%</u>	<u>8%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

### Channel

	<u>Q2'98</u>	<u>Q3'98</u>	<u>Q4'98</u>
North America	<u>55%</u>	<u>55%</u>	<u>54%</u>
Europe	22%	23%	23%
Japan	19%	18%	18%
Asia/Pacific	<u>4%</u>	<u>4%</u>	<u>5%</u>
International	<u>45%</u>	<u>45%</u>	<u>46%</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>1998</u>
Net sales	\$198,796	\$401,598	\$497,306	\$631,114	\$654,342
Income before effect of accounting change	14,608	86,871	109,135	151,517	154,387
Cash and investments	92,594	365,219	280,850	377,569	579,106
Total assets	213,882	715,554	778,212	952,518	1,093,331
Stockholders' equity	158,019	255,189	370,245	536,687	881,721
Annualized ROE	23%	42%	35%	28%	20%

### Ownership:

Management/Directors/Employees:	5%
Institutional Holdings:	80%
Retail/Other:	15%

**Corporate Office:** San Jose, CA

**Employees:** 1,151

### Research Coverage by 15 Most Active Market Makers

Goldman Sachs	Joe Moore	(212) 902-6834
NationsBanc Montgomery Securities	Clark Westmont	(415) 627-2277
Morgan Stanley	Mark Edelstone	(415) 576-2381
Donaldson, Lufkin & Jenrette	Charles Boucher	(415) 249-2277
PaineWebber Inc.	John Lazlo	(415) 576-2980
Lehman Brothers	James Barlage	(212) 526-6093
Credit Suisse First Boston	Scott Nirenberski	(415) 836-7764
Merrill Lynch	Tom Kurlak	(212) 449-2308
Prudential Securities	Hans Mosesmann	(415) 395-2636
J.P. Morgan Securities	Terry Ragsdale	(212) 648-9047
Warburg Dillon Read	Greg Mischou	(415) 296-6333
BancBoston Robertson Stephens	Dan Niles	(415) 693-3241
Needham & Company	A.A. LaFountain III	(212) 705-0317
Soundview Financial Group	Eric Rothdeutsch	(415) 217-5530
CIBC Oppenheimer & Co.	Ken Pearlman	(415) 438-3016