

ALTERA CORP
Form 10-Q
October 21, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2011

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 0-16617

ALTERA CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

101 INNOVATION DRIVE

SAN JOSE, CALIFORNIA 95134

(Address of principal executive offices) (zip code)

408-544-7000

77-0016691

(I.R.S. Employer

Identification Number)

(Registrant's telephone number, including area code)

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 No

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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 definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act:

Large accelerated filer 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

Number of shares of common stock outstanding at October 12, 2011: 320,863,017

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PART I FINANCIAL INFORMATION

ITEM 1: Financial Statements

ALTERA CORPORATION

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except par value amount)	September 30, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$3,177,314	\$2,765,196
Short-term investments	61,399	—
Total cash, cash equivalents, and short-term investments	3,238,713	2,765,196
Accounts receivable, net	386,842	363,614
Inventories	134,028	146,524
Deferred income taxes — current	80,478	66,839
Deferred compensation plan — marketable securities	50,809	54,419
Deferred compensation plan — restricted cash equivalents	18,157	19,817
Other current assets	60,151	114,601
Total current assets	3,969,178	3,531,010
Property and equipment, net	171,100	164,155
Long-term investments	66,780	—
Deferred income taxes — non-current	29,781	37,319
Other assets, net	34,971	27,353
Total assets	\$4,271,810	\$3,759,837
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$54,367	\$86,061
Accrued liabilities	23,053	23,278
Accrued compensation and related liabilities	79,617	83,773
Deferred compensation plan obligations	68,966	74,236
Deferred income and allowances on sales to distributors	439,826	428,711
Income taxes payable	1,592	428
Credit facility	500,000	—
Total current liabilities	1,167,421	696,487
Income taxes payable — non-current	260,790	231,833
Credit facility	—	500,000
Other non-current liabilities	8,831	7,865
Total liabilities	1,437,042	1,436,185
Commitments and contingencies (See “Note 11 — Commitments and Contingencies”)		
Stockholders' equity:		
Common stock: \$.001 par value; 1,000,000 shares authorized; outstanding - 320,855 shares at September 30, 2011 and 319,494 shares at December 31, 2010	321	319
Capital in excess of par value	1,011,865	908,989
Accumulated other comprehensive loss	(190) —
Retained earnings	1,822,772	1,414,344
Total stockholders' equity	2,834,768	2,323,652

Total liabilities and stockholders' equity	\$4,271,810	\$3,759,837
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See accompanying notes to consolidated financial statements.

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ALTERA CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In thousands, except per share amounts)	Three Months Ended		Nine Months Ended	
	September 30, 2011	October 1, 2010	September 30, 2011	October 1, 2010
Net sales	\$522,474	\$527,453	\$1,606,671	\$1,399,048
Cost of sales	166,938	157,899	473,565	405,646
Gross margin	355,536	369,554	1,133,106	993,402
Research and development expense	80,771	67,896	235,438	197,861
Selling, general, and administrative expense	69,345	63,473	208,550	190,421
Compensation (benefit) expense — deferred compensation plan	(6,642)	) 4,699	(4,926)	) 3,285
Loss (gain) on deferred compensation plan securities	6,642	(4,699)	) 4,926	(3,285)
Interest income and other	(663)	) (1,092)	) (2,505)	) (2,394)
Interest expense	806	1,098	2,717	3,492
Income before income taxes	205,277	238,179	688,906	604,022
Income tax expense	19,873	20,688	64,806	52,751
Net income	\$185,404	\$217,491	\$624,100	\$551,271
Net income per share:				
Basic	\$0.58	\$0.70	\$1.94	\$1.81
Diluted	\$0.57	\$0.69	\$1.90	\$1.78
Shares used in computing per share amounts:				
Basic	321,745	309,766	322,012	304,267
Diluted	327,044	317,069	328,264	310,367
Cash dividends per common share	\$0.08	\$0.06	\$0.20	\$0.16

See accompanying notes to consolidated financial statements.

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ALTERA CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Nine Months Ended	
	September 30, 2011	October 1, 2010
Cash Flows from Operating Activities:		
Net income	\$624,100	\$551,271
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23,443	20,276
Stock-based compensation	59,983	44,898
Deferred income tax benefit	(9,549)	(16,493)
Tax effect of employee stock plans	26,077	14,602
Excess tax benefit from employee stock plans	(22,959)	(12,879)
Changes in assets and liabilities:		
Accounts receivable, net	(23,228)	(128,668)
Inventories	12,496	(38,448)
Other assets	47,986	(43,946)
Accounts payable and other liabilities	(40,004)	112,788
Deferred income and allowances on sales to distributors	11,115	103,665
Income taxes payable	30,122	42,358
Deferred compensation plan obligations	(345)	(2,880)
Net cash provided by operating activities	739,237	646,544
Cash Flows from Investing Activities:		
Purchases of property and equipment	(23,178)	(6,325)
Sales of deferred compensation plan securities, net	345	2,880
Purchases of available-for-sale securities	(130,146)	—
Proceeds from sale and maturity of available-for-sale securities	1,750	—
Purchases of intangible assets	—	(1,500)
Net cash used in investing activities	(151,229)	(4,945)
Cash Flows from Financing Activities:		
Proceeds from issuance of common stock through various stock plans	93,619	284,776
Shares withheld for employee taxes	(31,122)	(19,880)
Payment of dividends to stockholders	(64,328)	(48,764)
Repurchases of common stock	(197,018)	—
Excess tax benefit from stock-based compensation	22,959	12,879
Principal payments on capital lease obligations	—	(2,866)
Net cash (used in) provided by financing activities	(175,890)	226,145
Net increase in cash and cash equivalents	412,118	867,744
Cash and cash equivalents at beginning of period	2,765,196	1,546,672
Cash and cash equivalents at end of period	\$3,177,314	\$2,414,416

See accompanying notes to consolidated financial statements.

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ALTERA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 — Organization and Basis of Presentation

The accompanying unaudited consolidated financial statements of Altera Corporation and its subsidiaries, collectively referred to herein as “Altera”, “we”, “us”, or “our”, have been prepared by us in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information. This financial information reflects all adjustments which are, in the opinion of our management, of a normal recurring nature and necessary for a fair statement of the results for the periods presented. The December 31, 2010 consolidated balance sheet data was derived from our audited consolidated financial statements included in our 2010 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission (“SEC”), but does not include all disclosures required by U.S. GAAP. The consolidated financial statements include our accounts as well as those of our wholly-owned subsidiaries after elimination of all significant inter-company balances and transactions.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates.

These consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2010 included in our Annual Report on Form 10-K. The consolidated operating results for the three or nine months ended September 30, 2011 are not necessarily indicative of the results to be expected for any future period.

Note 2 — Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (“FASB”) issued amended guidance on fair value measurement and related disclosures. The new guidance clarified the concepts applicable for fair value measurement of non-financial assets and requires the disclosure of quantitative information about the unobservable inputs used in a fair value measurement. This guidance will be effective for reporting periods beginning after December 15, 2011, and will be applied prospectively. We are in the process of evaluating the financial and disclosure impact of this guidance. We do not anticipate a material impact on our consolidated financial statements as a result of the adoption of this amended guidance.

In June 2011, the FASB issued amended guidance on the presentation of comprehensive income. The amended guidance eliminates one of the presentation options provided by current U.S. GAAP, that is to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. In addition, it gives an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This guidance will be effective for reporting periods beginning after December 15, 2011 and will be applied retrospectively. We are in the process of evaluating the disclosure impact of this guidance.

Note 3 — Financial Instruments

Management determines the appropriate classification of investments at the time of purchase. As of September 30, 2011, all investments in our portfolio were classified as available-for-sale. Available-for-sale investments are carried at their fair value based on quoted market prices as of the balance sheet date. Realized gains or losses are determined on the specific identification method and are reflected in Interest income and other in our consolidated statements of

income. Net unrealized gains or losses are recorded directly in stockholders' equity on a net of tax basis. Those unrealized losses that are deemed to be other than temporary are reflected in Interest income and other. Investments classified as long-term represent funds that are deemed to be in excess of our estimated operating requirements and have remaining maturities exceeding twelve months as of the balance sheet date.

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The following tables summarize the our available-for-sale securities as of September 30, 2011. We did not own any available-for-sale securities as of December 31, 2010.

(In thousands)	September 30, 2011			Estimated Fair Value
	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Assets:				
U.S. treasury securities	\$6,748	\$1	\$—	\$6,749
U.S. agency securities	57,662	8	(9)	57,661
Non-U.S. government securities	8,931	1	(6)	8,926
Municipal bond	752	—	—	752
Corporate securities	103,577	28	(239)	103,366
Total available-for-sale securities	\$177,670	\$38	\$(254)	\$177,454

The adjusted cost and estimated fair value of marketable debt securities (corporate bonds, municipal bonds, U.S. and foreign government securities, and U.S. treasury securities) as of September 30, 2011, 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.

(In thousands)	September 30, 2011	
	Adjusted Cost	Estimated Fair Value
Due in one year or less	\$110,694	\$110,674
Due after one year through five years	66,976	66,780
	\$177,670	\$177,454

Note 4 — Accounts Receivable, Net and Significant Customers

Accounts receivable, net was comprised of the following:

(In thousands)	September 30, 2011	December 31, 2010
Gross accounts receivable	\$387,674	\$364,114
Allowance for doubtful accounts	(500)	(500)
Allowance for sales returns	(332)	—
Accounts receivable, net	\$386,842	\$363,614

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We sell our products to original equipment manufacturers, or OEMs, and to electronic components distributors who resell these products to OEMs, or their subcontract manufacturers. Net sales by customer type and net sales to significant customers were as follows:

(Percentage of Net Sales)	Three Months Ended		Nine Months Ended			
	September 30, 2011	October 1, 2010	September 30, 2011	October 1, 2010		
Sales to distributors	74	% 77	% 74	% 82		%
Sales to OEMs	26	% 23	% 26	% 18		%
	100	% 100	% 100	% 100		%
Significant Distributors ⁽¹⁾ :						
Arrow Electronics, Inc. ("Arrow")	40	% 45	% 39	% 47		%
Macnica, Inc. ("Macnica")	19	% 19	% 20	% 19		%

(1) Except as presented above, no other distributor accounted for greater than 10% of our net sales for the quarterly or year-to-date periods ended September 30, 2011 or October 1, 2010.

Huawei Technologies Co., Ltd. ("Huawei"), an OEM, accounted for 12% and 13% of our net sales for the quarterly and year-to-date periods ended September 30, 2011, respectively. Huawei accounted for 14% and 11% of our net sales for the quarterly and year-to-date periods ended October 1, 2010, respectively. No other individual OEM accounted for more than 10% of our net sales for the quarterly or year-to-date periods ended September 30, 2011 or October 1, 2010.

As of September 30, 2011, accounts receivable from Arrow, Macnica and Avnet, Inc. including its affiliates ("Avnet"), individually accounted for approximately 41%, 38% and 10%, respectively, of our total accounts receivable. As of December 31, 2010, accounts receivable from Arrow, Macnica and Avnet individually accounted for approximately 18%, 51% and 12%, respectively, of our total accounts receivable. No other distributor or OEM accounted for more than 10% of our accounts receivable as of September 30, 2011 or December 31, 2010. Accounts receivable from distributors may not be proportionate to net sales and may fluctuate on a quarterly basis due to varying factors, including inventory levels held by distributors and timing of price concessions and payments.

Note 5 — Inventories

Inventories were comprised of the following:

(In thousands)	September 30, 2011	December 31, 2010
Raw materials	\$10,266	\$9,833
Work in process	79,998	90,627
Finished goods	43,764	46,064
Total inventories	\$134,028	\$146,524

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Note 6 — Property and Equipment

Property and equipment, net was comprised of the following:

(In thousands)	September 30, 2011	December 31, 2010
Land and land rights	\$23,157	\$23,108
Buildings	148,200	146,604
Equipment and software	227,084	206,935
Office furniture and fixtures	23,146	22,952
Leasehold improvements	7,423	6,773
Construction in progress	5,320	3,406
Property and equipment, at cost	434,330	409,778
Accumulated depreciation and amortization	(263,230)	(245,623)
Property and equipment, net	\$171,100	\$164,155

Depreciation expense includes the amortization of assets recorded under capital leases. Depreciation expense was \$7.4 million and \$21.1 million for the three and nine months ended September 30, 2011, respectively. Depreciation expense was \$6.5 million and \$19.9 million for the three and nine months ended October 1, 2010, respectively. Depreciation and amortization expense as presented in our consolidated statements of cash flows includes the above amounts, together with amortization expense on our intangible assets. Intangible asset amortization expense was not significant for any period presented in our consolidated statements of income.

Assets held under capital leases, included in Equipment and software as presented above, totaled \$1.0 million (net of accumulated amortization of \$13.8 million) as of September 30, 2011 and \$5.0 million (net of accumulated amortization of \$11.3 million) as of December 31, 2010.

Note 7 — Deferred Income and Allowances on Sales to Distributors

Deferred income and allowances on sales to distributors was comprised of the following:

(In thousands)	September 30, 2011	December 31, 2010
Deferred revenue on shipment to distributors	\$470,793	\$529,332
Deferred cost of sales on shipment to distributors	(37,444)	(42,044)
Deferred income on shipment to distributors	433,349	487,288
Advances to distributors	(2,692)	(66,495)
Other deferred revenue ⁽¹⁾	9,169	7,918
Total	\$439,826	\$428,711

(1) Principally represents revenue deferred on our software and intellectual property licenses.

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The Deferred income and allowances on sales to distributors activity for the nine months ended September 30, 2011 and October 1, 2010 was as follows:

(In thousands)	Nine Months Ended	
	September 30, 2011	October 1, 2010
Balance at beginning of period	\$428,711	\$281,885
Deferred revenue recognized upon shipment to distributors	3,992,638	6,384,863
Deferred costs of sales recognized upon shipment to distributors	(227,189)	(431,293)
Decrease/(increase) in advances to distributors	63,803	(90,808)
Revenue recognized upon sell-through to end customers	(979,877)	(1,221,097)
Costs of sales recognized upon sell-through to end customers	224,933	363,645
Earned distributor price concessions ⁽¹⁾	(2,952,593)	(4,827,363)
Returns	(111,851)	(72,979)
Increase/(decrease) in other deferred revenue	1,251	(1,303)
Balance at end of period	\$439,826	\$385,550

Average aggregate price concessions typically range from 65% to 80% of our list price on an annual basis, (1) depending upon the composition of our sales, volumes, and factors associated with timing of shipments to distributors.

We sell the majority of our products to distributors worldwide at a list price. However, distributors resell our products to end customers at a very broad range of individually negotiated prices based on a variety of factors, including customer, product, quantity, geography and competitive differentiation. The majority of our distributors' sales to their customers are priced at a discount from our list price. Under these circumstances, we remit back to the distributor a portion of its original purchase price after the resale transaction is completed and we validate the distributor's resale information, including end customer, device, quantity and price, against the distributor price concession that we have approved in advance. To receive price concessions, distributors must submit the price concession claims to us for approval within 60 days of the resale of the product to an end customer. It is our practice to apply these negotiated price discounts to future purchases, requiring the distributor to settle receivable balances, on a current basis, generally within 30 days, for amounts originally invoiced. This practice has an adverse impact on the working capital of our distributors. As such, we have entered into agreements with certain distributors whereby we advance cash to the distributors to reduce the distributor's working capital requirements. These advances are settled in cash at least on a quarterly basis and are estimated based on the amount of ending inventory as reported by the distributor multiplied by a negotiated percentage. Such advances have no impact on revenue recognition or our consolidated statements of income and are a component of Deferred income and allowances on sales to distributors on our consolidated balance sheets. We continuously process discounts taken by distributors against our Deferred income and allowances on sales to distributors. We adjust the recorded amount of the distributor advances based on cash settlements at the end of each quarter. These advances are set forth in binding legal agreements and are unsecured, bear no interest on unsettled balances, and are due upon demand. The agreements governing these advances can be canceled by us at any time.

Total price concessions earned by distributors were \$3.0 billion and \$4.8 billion for the nine months ended September 30, 2011 and October 1, 2010, respectively. The 2011 decrease in price concessions results from proportionately higher sales to OEMs in 2011 and higher sales to certain distributors at prices reflecting negotiated discounted end customer prices.

We also enter into arrangements that, in substance, finance distributors' accounts receivable and inventory. The amounts advanced are classified as Other current assets in our consolidated balance sheets and totaled \$24.6 million as of September 30, 2011 and \$66.3 million as of December 31, 2010. These arrangements are set forth in binding legal agreements and are unsecured, bear no interest on unsettled balances, and are due upon demand.

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Note 8 — Comprehensive Income

The components of comprehensive income are as follows:

(in thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2011	October 1, 2010	September 30, 2011	October 1, 2010
Net income	\$ 185,404	\$ 217,491	\$ 624,100	\$ 551,271
Unrealized holding losses on available-for-sale securities, net of tax	(190)	—	(190)	—
Comprehensive income	\$ 185,214	\$ 217,491	\$ 623,910	\$ 551,271

Note 9 — Income Per Share

A reconciliation of basic and diluted income per share is presented below:

(In thousands, except per share amounts)	Three Months Ended		Nine Months Ended	
	September 30, 2011	October 1, 2010	September 30, 2011	October 1, 2010
Basic:				
Net income	\$ 185,404	\$ 217,491	\$ 624,100	\$ 551,271
Basic weighted shares outstanding	321,745	309,766	322,012	304,267
Net income per share	\$0.58	\$0.70	\$1.94	\$1.81
Diluted:				
Net income	\$ 185,404	\$ 217,491	\$ 624,100	\$ 551,271
Weighted shares outstanding	321,745	309,766	322,012	304,267
Effect of dilutive securities:				
Stock options, ESPP, and restricted stock unit shares	5,299	7,303	6,252	6,100
Diluted weighted shares outstanding	327,044	317,069	328,264	310,367
Net income per share	\$0.57	\$0.69	\$1.90	\$1.78

In applying the treasury stock method, we excluded 2.7 million and 1.4 million stock option shares and restricted stock units for the three and nine months ended September 30, 2011, respectively, and 1.0 million and 4.7 million stock option shares for the three and nine months ended October 1, 2010, respectively, because their effect was anti-dilutive. While these shares have been anti-dilutive, they could be dilutive in the future.

Note 10 — Credit Facility

Our total borrowings under our \$750 million unsecured revolving credit facility (the “Facility”) as of September 30, 2011 and December 31, 2010 were \$500 million. Borrowings under the Facility bear interest at either a Eurodollar rate (“LIBOR”) or a Prime rate, at our option, plus an applicable margin based upon certain financial ratios. The interest

rate as of September 30, 2011 was LIBOR plus 0.27%. In addition, we pay a facility fee on the entire Facility. This facility fee varies with certain financial ratios and was 0.08% as of September 30, 2011. The principal amount of borrowings, together with accrued interest, is due on the maturity date in August 2012. As of September 30, 2011, \$250 million was available under the Facility.

The terms of the Facility require compliance with certain financial covenants that require us to maintain specified financial ratios related to interest coverage and financial leverage. As of September 30, 2011, we were in compliance with all such covenants.

Note 11 — Commitments and Contingencies

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Indemnification and Product Warranty

We indemnify certain customers, distributors, suppliers, and subcontractors for attorney's fees and damages and costs awarded against these parties in certain circumstances in which our products are alleged to infringe third party intellectual property rights, including patents, trade secrets, trademarks, or copyrights. We cannot estimate the amount of potential future payments, if any, that we might be required to make as a result of these agreements. To date, we have not paid any claim or been required to defend any action related to our indemnification obligations, and accordingly, we have not accrued any amounts for such indemnification obligations. However, we may record charges in the future as a result of these indemnification obligations.

We generally warrant our devices for one year against defects in materials, workmanship and material non-conformance to our specifications. We accrue for known warranty issues if a loss is probable and can be reasonably estimated, and accrue for estimated but unidentified issues based on historical activity. If there is a material increase in customer claims compared with our historical experience or if the costs of servicing warranty claims are greater than expected, we may record a charge against cost of sales. Warranty expense was not significant for any period presented in our consolidated statements of income.

Purchase Obligations

We depend entirely upon subcontractors to manufacture our silicon wafers and provide assembly and test services. Due to lengthy subcontractor lead times, we must order these materials and services from these subcontractors well in advance, and we are obligated to pay for the materials and services once they are completed. As of September 30, 2011, we had approximately \$116.9 million of outstanding purchase commitments to such subcontractors. We expect to receive and pay for these materials and services over the next six months.

Operating Leases

We lease facilities under non-cancelable lease agreements expiring at various times through 2021. As of September 30, 2011, we have entered into an operating lease in Austin, Texas and an agreement to sign an operating lease in Toronto, Canada, respectively, both with a term of 10 years and total lease payment commitments of \$36.9 million.

Legal Proceedings

We are named as a party to a lawsuit concerning our historical stock option practices and related accounting and reporting.

In May and July 2006, we were notified that three shareholder derivative lawsuits had been filed in the Superior Court of the State of California, County of Santa Clara, by persons identifying themselves as Altera shareholders and purporting to act on behalf of Altera, naming Altera Corporation as a nominal defendant and naming some of our current and former officers and directors as defendants. On July 12, 2006, one of these derivative actions was voluntarily dismissed by the plaintiff shareholder. The remaining two derivative lawsuits pending in Santa Clara Superior Court were consolidated into a single action on September 5, 2006. Plaintiffs filed a second amended consolidated complaint on December 15, 2006. On January 30, 2007, Altera and the defendants filed a motion to stay this action pending resolution of the federal derivative action (discussed below). On February 11, 2009, one of the remaining derivative plaintiffs voluntarily dismissed his derivative claims and, on March 20, 2009, the other remaining derivative plaintiff filed a third amended complaint. In June 2009, Altera and the defendants demurred to the third amended complaint. After the court issued a tentative ruling in favor of Altera, the parties agreed to stay the

action in order to allow plaintiff to serve a demand on Altera's board of directors. The plaintiff served the demand on November 4, 2009. In the first quarter of 2010, the board of directors completed its review of the demand and decided to reject plaintiff's demand. On June 1, 2010, the plaintiff filed a fourth amended complaint, alleging that the board of director's decision to reject plaintiff's demand was wrongful. On July 15, 2010, Altera demurred to the fourth amended complaint. In October 2010, the court dismissed plaintiff's fourth amended complaint and granted plaintiff leave to file a fifth amended complaint. On November 4, 2010, the plaintiff filed a fifth amended complaint, alleging that Altera's board of directors wrongfully refused his demand. On December 10, 2010, Altera, joined by the individual defendants, demurred to the fifth amended complaint. On March 23, 2011, the plaintiff entered into a stipulation agreeing to voluntarily dismiss the action with prejudice. On April 21, 2011, the court entered an order dismissing the action with prejudice and set a dismissal review hearing for June 24, 2011. The April 2011 order dismissing the action with prejudice was finalized at the June 2011 dismissal review hearing.

Plaintiff asserted claims against the individual defendants for breach of fiduciary duty, waste of corporate assets, unjust enrichment, violations of California Corporation Code section 25402, breach of fiduciary duty for insider selling and misappropriation of information, and deceit. Plaintiff's claims concerned the granting of stock options by Altera between 1994 and 2001 and the alleged filing of false and misleading financial statements between 1994 and 2006. All of these claims were

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asserted derivatively on behalf of Altera. Plaintiff sought, among other relief, an indeterminate amount of damages from the individual defendants and a judgment directing Altera to reform its corporate governance practices.

During the months of May, June, and July 2006, four other derivative lawsuits were filed by purported Altera shareholders, on behalf of Altera, in the United States District Court for the Northern District of California. On August 8, 2006, these actions were consolidated, and the plaintiffs filed a consolidated complaint on November 30, 2006. On September 15, 2008, the plaintiffs voluntarily agreed to dismiss the case. On September 18, 2008, the court entered an order dismissing the case.

On December 8, 2010, Intellectual Ventures I LLC and Intellectual Ventures II LLC (“Intellectual Ventures”) filed a lawsuit in the United States District Court for the District of Delaware against Altera, Microsemi Corporation, and Lattice Semiconductor Corporation alleging that Altera is infringing five patents. The complaint requests unspecified monetary damages including enhanced damages for willful infringement. In February 2011, Intellectual Ventures filed a First Amended Complaint adding Xilinx, Inc. as a defendant. In March 2011, Altera answered the complaint and asserted counterclaims against Intellectual Ventures for non-infringement and invalidity of the asserted patents. The defendants have filed motions in the District of Delaware to transfer the case to the United States District Court for the Northern District of California and to stay the action pending re-examination proceedings in the United States Patent and Trademark Office. Intellectual Ventures has opposed the motions, which are still pending before the court. Because the case is at a very early stage, it is not possible for us to determine whether there is a reasonable possibility that a loss has been incurred nor can we estimate the range of potential loss.

On June 24, 2011, Altera filed an action in the United States District Court for the Northern District of California against LSI Corporation and Agere Systems, Inc. (collectively “LSI”). The action alleges that LSI infringes various patents owned by Altera and also seeks a declaratory judgment that Altera does not infringe various patents owned by LSI and/or Agere (the “LSI patents”) and that the LSI patents are invalid. In September 2011, LSI answered the complaint and asserted counterclaims of patent infringement against Altera. Because the case is at a very early stage, it is not possible for us to determine whether there is a reasonable possibility that a loss has been incurred nor can we estimate the range of potential loss.

Note 12 — Stock-Based Compensation

Our stock-based compensation plans include the 2005 Equity Incentive Plan (the “2005 Plan”) and the 1987 Employee Stock Purchase Plan (the “ESPP”).

2005 Plan

Our equity incentive program is a broad-based, long-term retention program intended to attract, motivate, and retain talented employees as well as align stockholder and employee interests. The 2005 Plan provides stock-based incentive compensation (“awards”) to both our eligible employees and non-employee directors. Awards that may be granted under the 2005 Plan include non-qualified and incentive stock options, restricted stock units (“RSU”s), performance-based restricted stock units (“PRSU”s), restricted stock awards, stock appreciation rights, and stock bonus awards. To date, awards granted under the 2005 Plan consist of stock options, RSUs and PRSUs. The majority of stock-based awards granted under the 2005 Plan vest over four years. Stock options granted under the 2005 Plan have a maximum contractual term of ten years. On May 10, 2011, our stockholders approved an amendment to the 2005 Plan to increase the shares reserved for future issuance by 10 million. As of September 30, 2011, the 2005 Plan had a total of 30.0 million shares reserved for future issuance, of which 19.4 million shares were available for future grants.

A summary of activity for our RSUs and PRSUs for the nine months ended September 30, 2011 and information regarding

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RSUs and PRSUs outstanding and expected to vest as of September 30, 2011 is as follows:

(In thousands, except per share amounts and terms)	Number of Shares	Weighted-Average Grant-Date Fair Market Value Per Share	Weighted-Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value ⁽¹⁾
Outstanding, December 31, 2010	7,613	\$22.95		
Grants	3,403	\$42.43		
Vested	(2,569)	\$21.87		
Forfeited	(363)	\$27.11		
Outstanding, September 30, 2011	8,084	\$31.30	1.8	\$254,898
Vested and expected to vest, September, 30, 2011	6,998	\$31.30	1.7	\$220,648

⁽¹⁾ Aggregate intrinsic value represents the closing price per share of our stock on September 30, 2011, multiplied by the number of RSUs and PRSUs outstanding or vested and expected to vest as of September 30, 2011.

A summary of stock option activity for the nine months ended September 30, 2011 and information regarding stock options outstanding, exercisable, and vested and expected to vest as of September 30, 2011 is as follows:

(In thousands, except per share amounts and terms)	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value ⁽¹⁾
Outstanding, December 31, 2010	10,179	\$20.61		
Grants	806	\$42.37		
Exercises	(3,950)	\$21.42		
Forfeited/Cancelled/Expired	(38)	\$21.95		
Outstanding, September 30, 2011	6,997	\$22.68	3.8	\$70,651
Exercisable, September 30, 2011	5,981	\$20.28	2.9	\$67,312
Vested and expected to vest, September 30, 2011	6,856	\$22.33	3.7	\$70,411

⁽¹⁾ For those stock options with an exercise price below the closing price per share on September 30, 2011, aggregate intrinsic value represents the difference between the exercise price and the closing price per share of our common stock on September 30, 2011, multiplied by the number of stock options outstanding, exercisable, or vested and expected to vest as of September 30, 2011.

For the three and nine months ended September 30, 2011, 0.3 million and 3.9 million non-qualified stock option shares were exercised, respectively. The total intrinsic value of stock options exercised for the three and nine months ended September 30, 2011 was \$5.9 million and \$83.2 million, respectively. The aggregate intrinsic value represents the difference between the exercise price and the selling price received by option holders upon the exercise of stock options during the period. The total cash received from employees as a result of employee stock option exercises during the three and nine months ended September 30, 2011 was \$6.5 million and \$84.6 million, respectively.

ESPP

Our ESPP has two consecutive, overlapping twelve-month offering periods, with a new period commencing on the first trading day on or after May 1 and November 1 of each year and terminating on the last trading day on or before April 30 and October 31. Each twelve-month offering period generally includes two six-month purchase periods. The purchase price at which shares are sold under the ESPP is 85% of the lower of the fair market value of a share of our

common stock on (1) the first day of the offering period, or (2) the last trading day of the purchase period. If the fair market value at the end of any purchase period is less than the fair market value at the beginning of the offering period, each participant is automatically withdrawn from the current offering period following the purchase of shares on the purchase date and is automatically re-enrolled in the immediately following offering period.

We sold 402,913 shares of common stock under the ESPP at a price of \$22.40 during the nine months ended September 30,

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2011, and 595,861 shares of common stock under the ESPP at a price of \$13.81 during the nine months ended October 1, 2010. On May 10, 2011, our stockholders approved an amendment to the ESPP to increase the shares reserved for future issuance by 1 million. As of September 30, 2011, 2.8 million shares were available for future issuance under the ESPP.

VALUATION AND EXPENSE INFORMATION

The assumptions used to estimate the fair value of ESPP, RSUs and PRSUs were as follows:

	Three Months Ended		Nine Months Ended			
	September 30, 2011	October 1, 2010	September 30, 2011	October 1, 2010		
ESPP purchase rights:						
Expected term (in years)	—	—	0.8	0.7		
Expected stock price volatility	—	—	34.5	31.2	%	%
Risk-free interest rate	—	—	0.2	0.3	%	%
Dividend yield	—	—	0.5	0.8	%	%
Weighted-average estimated fair value	—	—	\$12.88	\$6.56		
RSUs and PRSUs:						
Risk-free interest rate	0.5	0.7	0.6	0.8	%	%
Dividend yield	0.8	0.9	0.7	0.9	%	%
Weighted-average estimated fair value	\$41.50	\$27.33	\$41.71	\$26.32		

In addition, we apply an expected forfeiture rate when amortizing stock-based compensation expense. Our stock-based compensation expense included in the consolidated statements of income for the three and nine months ended September 30, 2011 and October 1, 2010 was as follows:

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2011	October 1, 2010	September 30, 2011	October 1, 2010
Cost of sales	\$450	\$303	\$1,200	\$897
Research and development	9,923	6,666	26,393	19,721
Selling, general, and administrative	12,178	8,180	32,390	24,280
Pre-tax stock-based compensation expense	22,551	15,149	59,983	44,898
Less: income tax benefit	(5,907)	(4,330)	(16,210)	(13,045)
Net stock-based compensation expense	\$16,644	\$10,819	\$43,773	\$31,853

No stock-based compensation was capitalized during any period presented above. As of September 30, 2011, unrecognized stock-based compensation cost related to outstanding unvested stock options, RSUs, PRSUs and ESPP shares that are expected to vest was approximately \$192.2 million. This unrecognized stock-based compensation cost is expected to be recognized over a weighted average period of approximately 2.7 years. To the extent the actual forfeiture rate is different from what we have anticipated, stock-based compensation related to these awards will be different from that presented.

Note 13 — Income Taxes

Our effective tax rate reflects the impact of a significant amount of our earnings being taxed in foreign jurisdictions at rates below the U.S. statutory tax rate.

Our effective tax rate for the three months ended September 30, 2011 was 9.7%, compared with 8.7% for the three months ended October 1, 2010. During the three months ended October 1, 2010, our tax rate was favorably affected by adjustments to our liabilities for uncertain tax positions due primarily to the expiration of the statutes of limitations for certain foreign jurisdictions. The impact of similar adjustments during the three months ended September 30, 2011 was less significant, thereby causing an increase in our effective tax rate in 2011. The 2011 increase in our effective tax rate due to the

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above referenced factors was partially offset by the impact of proportionately higher 2011 earnings in foreign jurisdictions taxed at rates below the U.S. statutory tax rate and lower California tax liabilities due to a California law change effective in 2011.

Our effective tax rate for the nine months ended September 30, 2011 was 9.4%, compared with 8.7% for the nine months ended October 1, 2010. During the nine months ended October 1, 2010, our tax rate was favorably affected by adjustments to our liabilities for uncertain tax positions due primarily to the expiration of the statutes of limitations for certain foreign jurisdictions. The impact of similar adjustments during the nine months ended September 30, 2011 was less significant, thereby causing an increase in our effective tax rate in 2011. In addition, in 2010 we reversed \$11.7 million of liabilities for uncertain tax positions as a result of a 2010 U.S. court ruling which held that stock based compensation was not required to be included in certain transfer pricing arrangements between a U.S. company and its foreign subsidiary. The 2011 increase in our effective tax rate due to the above referenced factors was partially offset by the impact of proportionately higher 2011 earnings in foreign jurisdictions taxed at rates below the U.S. statutory tax rate and lower California tax liabilities due to a California law change effective in 2011.

We file income tax returns with the Internal Revenue Service (“IRS”) and in various states and foreign jurisdictions. The IRS has completed field examinations of our tax returns for 2002 through 2004 and has issued a notice of proposed adjustment seeking additional taxes of approximately \$34.5 million (excluding interest) for those years. We paid \$18.0 million to the IRS in 2008, representing a payment on bond for items associated with the IRS field examinations for 2002 through 2004. We are contesting through the administrative process the IRS claims regarding our 2002 through 2004 tax years. In addition, the IRS has completed field examinations of our tax returns for 2005 through 2007 and has issued a notice of proposed adjustment seeking additional taxes of approximately \$34.2 million (excluding interest) for those years. We are contesting through the administrative process the IRS claims regarding our 2005 through 2007 tax years. Other significant jurisdictions in which we are or may be subject to examination for fiscal years 2003 forward include China (including Hong Kong), Ireland, Malaysia, Japan, United Kingdom, and the state of California. As mentioned below, we believe we have made adequate tax payments and/or accrued adequate amounts such that the outcome of these audits will have no material adverse effect on our consolidated operating results. Due to the potential resolution of federal, state and foreign examinations, and the expiration of various statutes of limitations, it is possible that our gross unrecognized tax benefits may change within the next twelve months. However, given the number of years remaining subject to examination and the number of matters being examined, we are unable to estimate the full range of possible adjustments to the balance of gross unrecognized tax benefits. As of September 30, 2011 we had \$276.1 million of unrecognized tax benefits, that if recognized, would impact our effective tax rate. On December 31, 2010, we had \$243.3 million of unrecognized tax benefits. We are unable to make a reasonable estimate as to when cash settlements with the relevant taxing authorities will occur. We recognize interest and penalties related to uncertain tax positions in our income tax provision. We had accrued approximately \$53.1 million and \$50.0 million for the payment of interest and penalties related to uncertain tax positions as of September 30, 2011 and December 31, 2010, respectively.

Note 14 — Non-Qualified Deferred Compensation Plan

We allow our U.S.-based officers and director-level employees to defer a portion of their compensation under the Altera Corporation Non-Qualified Deferred Compensation Plan (“NQDC Plan”). Our Retirement Plans Committee administers the NQDC Plan. As of September 30, 2011, there were 123 participants in the NQDC Plan who self-direct their investments, subject to certain limitations. In the event we become insolvent, the NQDC Plan assets are subject to the claims of our general creditors. Since the inception of the NQDC Plan, we have not made any contributions to the NQDC Plan and we have no commitments to do so in the future. There are no NQDC Plan provisions that provide for any guarantees or minimum return on investments. NQDC Plan participants are prohibited from investing NQDC Plan contributions in Altera common stock. The balance of the NQDC Plan assets and related obligations was \$69.0 million and \$74.2 million as of September 30, 2011 and December 31, 2010, respectively.

Investment income or loss earned by the NQDC Plan is recorded as Loss (Gain) on deferred compensation plan securities in our consolidated statements of income. The investment loss (gain) also represents a decrease (increase) in the future payout to participants and is recorded as Compensation (benefit) expense — deferred compensation plan in our consolidated statements of income. Compensation (benefit) expense associated with our NQDC Plan obligations is offset by loss (gain) from related securities. The net effect of investment income or loss and related compensation expense or benefit has no impact on our income before income taxes, net income, or cash balances.

Note 15 — Fair Value of Financial Instruments

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The following tables summarize the valuation of our financial instruments as of September 30, 2011 and December 31, 2010:

(In thousands)	Total	Fair Value Measurements as of September 30, 2011	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Assets:			
Cash and cash equivalents:			
Money market funds	\$3,051,951	\$3,051,951	\$—
U.S. agency securities	19,320	—	19,320
Non-U.S. government securities	1,016	—	1,016
Corporate securities	28,939	13,998	14,941
Total ⁽¹⁾	\$3,101,226	\$3,065,949	\$35,277
Short-term marketable securities:			
U.S treasury securities	6,749	6,749	—
U.S agency securities	30,845	—	30,845
Non-US government securities	5,394	—	5,394
Corporate securities	18,411	—	18,411
Total	\$61,399	\$6,749	\$54,650
Long-term marketable securities:			
U.S agency securities	7,496	—	7,496
Non-US government securities	2,516	—	2,516
Municipal bond	752	—	752
Corporate securities	56,016	—	56,016
Total	\$66,780	\$—	\$66,780
Deferred compensation plan assets: ⁽²⁾			
Restricted cash equivalents	18,157	18,157	—
Equity securities	21,589	21,589	—
Fixed income securities	4,010	—	4,010
Mutual funds	25,210	25,210	—
Total	\$68,966	\$64,956	\$4,010
Total	\$3,298,371	\$3,137,654	\$160,717

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(In thousands)	Total	Fair Value Measurements as of December 31, 2010	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Assets:			
Cash and cash equivalents ⁽¹⁾			
Money market funds	\$2,690,752	\$2,690,752	\$—
Deferred compensation plan assets ⁽²⁾			
Restricted cash equivalents	19,817	19,817	—
Equity securities	22,235	22,235	—
Fixed income securities	5,062	—	5,062
Mutual funds	27,122	27,122	—
Total	\$2,764,988	\$2,759,926	\$5,062

(1) Included in Cash and cash equivalents in our consolidated balance sheet

(2) Included in Deferred compensation plan — marketable securities and Deferred compensation plan — restricted cash equivalents in our consolidated balance sheets.

Note 16 — Subsequent Event

On October 17, 2011, our board of directors declared a quarterly cash dividend of \$0.08 per common share, payable on December 1, 2011 to stockholders of record on November 10, 2011.

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ITEM 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as information contained in the risk factors described in Item 1A of this report and elsewhere in this report, contains forward-looking statements, which are provided under the "safe harbor" protection 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 "will," "may," "should," "could," "expect," "suggest," "believe," "anticipate," "intend," "plan," or other similar. Examples of forward-looking statements include statements regarding (1) our gross margins and factors that affect gross margins; (2) trends in our future sales; (3) our research and development expenditures and efforts; (4) our capital expenditures; (5) our provision for tax liabilities and other critical accounting estimates; and (6) our exposure to market risks related to changes in interest rates, equity prices and foreign currency exchange rates.

Forward-looking statements are not guarantees of future performance and involve risks and uncertainties. The forward-looking statements contained in this report are based on information that is currently available to us and expectations and assumptions that we deemed reasonable at the time the statements were made. We do not undertake any obligation to update any forward-looking statements in this report or in any of our other communications, except as required by law. All such forward-looking statements should be read as of the time the statements were made and with the recognition that these forward-looking statements may not be complete or accurate at a later date.

Many factors may cause actual results to differ materially from those expressed or implied by the forward-looking statements contained in this report. These factors include, but are not limited to, those risks described in Part II Item 1A of this report and those risks described under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2010.

CRITICAL ACCOUNTING ESTIMATES

The preparation of our consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires our management to make judgments and estimates that affect the amounts reported in our consolidated financial statements and accompanying notes. Our management believes that we consistently apply these judgments and estimates and the consolidated financial statements and accompanying notes fairly represent all periods presented. However, any differences between these judgments and estimates and actual results could have a material impact on our consolidated statements of income and financial position. Critical accounting estimates, as defined by the Securities and Exchange Commission ("SEC"), are those that are most important to the portrayal of our consolidated financial condition and results of operations and require our management's most difficult and subjective judgments and estimates of matters that are inherently uncertain. Our critical accounting estimates include those regarding (1) revenue recognition, (2) valuation of inventories, and (3) income taxes. For a discussion of our critical accounting estimates, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Estimates" in our Annual Report on Form 10-K for the year ended December 31, 2010.

RESULTS OF OPERATIONS

Sales Overview

We design, manufacture, and market high-performance, high-density programmable logic devices, or PLDs; HardCopy® ASIC devices; pre-defined software design building blocks known as intellectual property cores, or IP cores; and associated development tools.

Our net sales of \$522.5 million for the three months ended September 30, 2011 decreased by \$5.0 million, or 1%, from our net sales of \$527.5 million for the three months ended October 1, 2010. The decrease was primarily due to customer reaction to the changing global macroeconomic conditions, which reduced demand across the industry. Our net sales of \$1,606.7 million for the nine months ended September 30, 2011 increased by \$207.7 million, or 15%, from our net sales of \$1,399.0 million for the nine months ended October 1, 2010. The increase was driven by a strong growth in sales, primarily during the first half of 2011, of our New and Mainstream Products. We continue to see evidence of a “tipping point” with respect to our opportunity to displace ASICs and ASSPs, as our newest products are several process generations ahead of mainstream ASICs and ASSPs, and the resulting FPGA cost advantage is accelerating ASIC and ASSP displacement.

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Sales by Product Category

We classify our products into three categories: New, Mainstream, and Mature and Other Products. The composition of each product category is as follows:

• New Products include the Stratix® V, Stratix IV (including E, GX and GT), Arria® II (including GX and GZ), Cyclone® IV (including E and GX), MAX® V, and HardCopy IV devices.

• Mainstream Products include the Stratix III, Cyclone III, MAX II, and HardCopy III devices.

• Mature and Other Products include the Stratix II (and GX), Stratix (and GX), Arria GX, Cyclone II, Cyclone, Classic™, MAX 3000A, MAX 7000, MAX 7000A, MAX 7000B, MAX 7000S, MAX 9000, HardCopy II, HardCopy, FLEX® series, APEX™ series, Mercury™, and Excalibur™ devices, configuration and other devices, intellectual property cores, and software and other tools.

The product categories above have been constructed to approximate the relative life cycle stages of our products. During the three months ended April 1, 2011, we adjusted product categories to move certain products from New Products to Mainstream Products and certain products from Mainstream Products to Mature and Other Products. All prior period data has been adjusted to conform to the current classification. New Products are primarily comprised of our most advanced products. Customers typically select these products for their latest generation of electronic systems. Demand is generally driven by prototyping and production needs. Mainstream Products are somewhat older products that are generally no longer design-win vehicles. Demand is driven by customers' later stage production-based needs. Mature Products are yet older products with demand generated by the oldest customer systems still in production. This category also includes sales of software, intellectual property, and other miscellaneous devices.

Net sales by product category were as follows:

	Three Months Ended			Year-Over-Year Change	Sequential Change	Nine Months Ended		Year-Over-Year Change
	September 30, 2011	October 1, 2010	July 1, 2011			September 30, 2011	October 1, 2010	
New	27	% 13	% 18	% 112	% 43	% 20	% 10	% 148
Mainstream	32	% 31	% 36	% 3	% (15))% 34	% 30	% 30
Mature and Other	41	% 56	% 46	% (29))% (16))% 46	% 60	% (14)
Net Sales	100	% 100	% 100	% (1))% (5))% 100	% 100	% 15

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Sales by Vertical Market

The following vertical market data is derived from data that is provided to us by our distributors and end customers. With a broad base of customers, who in some cases manufacture end products spanning multiple market segments, the assignment of net sales to a vertical market requires the use of estimates, judgment, and extrapolation. As such, actual results may differ from those reported.

	Three Months Ended			Year-Over-Year Change	Sequential Change	Nine Months Ended		Year-Over-Year Change	
	September 30, 2011	October 1, 2010	July 1, 2011			September 30, 2011	October 1, 2010		
Telecom & Wireless	42	% 45	% 46	% (7)	)% (13)	% 43	% 42	% 17	%
Industrial Automation, Military & Automotive	22	% 22	% 22	% (2)	)% (7)	% 22	% 23	% 14	%
Networking, Computer & Storage	20	% 13	% 15	% 50	% 31	% 17	% 13	% 44	%
Other	16	% 20	% 17	% (21)	)% (11)	% 18	% 22	% (7))%
Net Sales	100	% 100	% 100	% (1)	)% (5)	% 100	% 100	% 15	%

Sales of FPGAs and CPLDs

Our PLDs consist of field-programmable gate arrays, or FPGAs, and complex programmable logic devices, or CPLDs. FPGAs consist of our Stratix, Cyclone, Arria, APEX, FLEX, and ACEX 1K, as well as our Excalibur and Mercury families. CPLDs consist of our MAX, MAX II, and Classic families. Other Products consist of our HardCopy series and other masked programmed logic devices, configuration devices, software and other tools and IP cores (collectively, "Other Products").

Our net sales of FPGAs and CPLDs, and Other Products were as follows:

	Three Months Ended			Year-Over-Year Change	Sequential Change	Nine Months Ended		Year-Over-Year Change	
	September 30, 2011	October 1, 2010	July 1, 2011			September 30, 2011	October 1, 2010		
FPGA	82	% 82	% 80	% (1)	)% (3)	% 81	% 81	% 15	%
CPLD	9	% 11	% 10	% (20))% (16)	% 10	% 12	% (5))%
Other Products	9	% 7	% 10	% 35	% (10)	% 9	% 7	% 54	%
Net Sales	100	% 100	% 100	% (1))% (5)	% 100	% 100	% 15	%

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Sales by Geography

The following table is based on the geographic location of the original equipment manufacturers or the distributors who purchased our products. The geographic location of distributors may be different from the geographic location of the ultimate end users.

Net sales by geography were as follows:

	Three Months Ended			Year-Over-Year Change	Sequential Change	Nine Months Ended		Year-Over-Year Change	
	September 30, 2011	October 1, 2010	July 1, 2011			September 30, 2011	October 1, 2010		
Americas	16	% 20	% 19	% (19)	% (16)	% 19	% 20	% 8	%
Asia Pacific	44	% 44	% 40	% (1)	% 3	% 41	% 42	% 12	%
EMEA	25	% 21	% 27	% 17	% (10)	% 26	% 23	% 30	%