SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C 20549

FORM 10-K

COMMISSION FILE NUMBER: 0-18032

/X/ Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended March 28, 1998 or

/ / Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to

LATTICE SEMICONDUCTOR CORPORATION

(Exact name of Registrant as specified in its Charter)

DELAWARE	93-0835214
(State of Incorporation)	(I.R.S Employer Identification No.)
5555 NE MOORE COURT, HILLSBORO, OREGON	97124-6421
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (503) 681-0118

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

Title of Class	Name of Exchange
Common Stock, $.01 par value	NASDAQ
Preferred Share Purchase Rights	None

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 X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Yes X No

As of June 18, 1998, the aggregate market value of the shares of voting stock of the Registrant held by non-affiliates was approximately $349 million. Shares of Common Stock held by each officer and director and by each person who owns 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of June 18, 1998, 23,557,979 shares of the Registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of the Annual Report to Stockholders for the fiscal year ended March 28, 1998 are incorporated by reference in Part II hereof.

2. Portions of the definitive proxy statement of the Registrant to be filed pursuant to Regulation 14A for the 1998 Annual Meeting of Stockholders to be held on August 10, 1998 are incorporated by reference in Part III hereof.

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ITEM 1. BUSINESS

This Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Actual results could differ materially from those projected in the forward-looking statements as a result of the factors set forth in "Factors Affecting Future Results" and elsewhere in this Report.

GENERAL

Lattice Semiconductor Corporation (the "Company") designs, develops and markets high performance programmable logic devices ("PLDs") and related development system software. The Company is the inventor and world's leading supplier of in-system programmable ("ISP-TM-") PLDs. PLDs are standard semiconductor components that can be configured by the end customer as specific logic functions, enabling shorter design cycle times and reduced development costs. Lattice products are sold worldwide through an extensive network of independent sales representatives and distributors, primarily to original equipment manufacturers ("OEMs") of communications, computing, industrial controls and military systems. Lattice was founded in 1983 and is based in Hillsboro, Oregon.

PLD MARKET BACKGROUND

Three principal types of digital integrated circuits are used in most electronic systems: microprocessors, memory and logic. Microprocessors are used for control and computing tasks, memory is used to store programming instructions and data, and logic is employed to manage the interchange and manipulation of digital signals within a system. Logic contains interconnected groupings of simple logical "AND" and logical "OR" functions, commonly described as "gates". Typically, complex combinations of individual gates are required to implement the specialized logic functions required for systems applications. While system designers use a relatively small number of standard architectures to meet their microprocessor and memory needs, they require a wide variety of logic circuits in order to achieve end product differentiation.

Logic circuits are found in a wide range of today's electronic systems including communications equipment, computers, peripherals, instrumentation, industrial controls and military systems. According to Integrated Circuit Engineering Corporation, a semiconductor market research firm, logic accounted for approximately 35 % of the estimated $108 billion worldwide digital integrated circuit market in 1997. The logic market encompasses, among other segments, standard logic, custom-designed application specific integrated circuits ("ASICs", which include conventional gate-arrays, standard cells and full custom logic circuits), and PLDs.

Manufacturers of electronic systems are increasingly challenged to bring differentiated products to market quickly. These competitive pressures often preclude the use of custom-designed ASICs, which generally entail significant design risks and time delay. Standard logic products, an alternative to custom-designed ASICs, limit a manufacturer's flexibility to adequately customize an end system. Programmable logic addresses this inherent dilemma. PLDs are standard products, purchased by systems manufacturers in a "blank" state, that can be custom configured into a virtually unlimited number of specific logic functions by programming the device with electrical signals. PLDs give system designers the ability to quickly create their own custom logic functions to provide product differentiation without sacrificing rapid time to market. Certain PLD products, including the Company's, are reprogrammable, meaning that the logic configuration can be modified, if needed, after the initial programming. In-system programmable PLDs, first pioneered by the Company, extend the flexibility of standard reprogrammable PLDs by allowing the system designer to configure and reconfigure the logic functions of the PLD with standard 5-volt or 3.3-volt power supplies without removing the PLD from the system board.

Several common PLD market segments currently exist. These include low-density PLDs (less than 1,000 logic gates) and high-density PLDs (greater than 1,000 logic gates). High-density PLD devices include devices based on both complex PLD ("CPLD") architectures and field programmable gate array ("FPGA") architectures.

Products in each high-density PLD architecture are generally optimal for different types of logic functions, although many logic functions can be implemented using either type of architecture. CPLDs are characterized by a regular building block structure of wide-input logic cells, termed macrocells, and use of a centralized logic interconnect scheme. CPLDs are optimal for control logic applications, such as state machines, bus arbitration, encoders, decoders and sequencers. FPGAs are characterized by a narrow-input logic cell and use a distributed interconnect scheme. FPGAs are optimal for register intensive and data path logic applications such as interface logic and arithmetic functions. The Company believes that a substantial portion of high-density PLD customers utilize both CPLD and FPGA architectures within a single system design, partitioning logic functions across multiple devices to optimize overall system performance and cost.

TECHNOLOGY

The Company believes that electrically erasable CMOS (Lattice's "E2CMOS-Registered Trademark-") is the preferred process technology for PLD products due to its inherent performance, reprogrammability and testability benefits. E2CMOS technology, through its fundamental ability to be programmed and erased electronically, serves as the foundation for the Company's ISP products.

IN-SYSTEM PROGRAMMABLE (ISP) PRODUCTS AND TECHNOLOGY

The Company has pioneered the development of ISP products, based on a proprietary technology, which affords it a competitive advantage in the PLD market. In contrast to standard PLDs, ISP devices can be configured and reconfigured by the system designer without being removed from the printed circuit board. Standard E2CMOS programmable logic devices require 12-volt electrical signals for programming and therefore must be removed from the printed circuit board and programmed using stand alone, specialized hardware, while ISP devices can be programmed with standard 5-volt or 3.3-volt electrical signals. ISP devices offer enhanced flexibility versus standard PLDs, providing a number of important benefits to a system manufacturer across the full spectrum of an electronic system product cycle. ISP devices can allow customers to reduce design cycle times, accelerate time to market, reduce prototyping costs, reduce manufacturing costs and lower inventory requirements. ISP devices can also provide customers the opportunity to perform simplified and cost-effective field reconfiguration through a data file transferred by computer disk or serial data signal.

E2CMOS PROCESS TECHNOLOGY

The Company's current silicon product offerings, including its ISP products, are based on the Company's proprietary E2CMOS manufacturing process technology, termed UltraMOS-Registered Trademark-. The Company's current production processes, UltraMOS IV, UltraMOS V and UltraMOS VI are sub-micron CMOS technologies.

In comparison to bipolar technology, at one time the dominant technology for PLDs, E2CMOS technology consumes less power and generates less heat while operating at comparable speed. Additionally, in contrast to one-time-programmable bipolar PLDs, E2CMOS PLDs are fully erasable and reprogrammable, providing greater end customer design flexibility and allowing the PLD manufacturer to fully test all programmable elements in a device prior to shipment. An alternative CMOS technology, Erasable Programmable Read Only Memory ("EPROM"), provides the same low power consumption benefits as E2CMOS, but requires ultraviolet light exposure for erasure, necessitating expensive quartz windowed packages and limiting testability. Antifuse and Static Random Access Memory ("SRAM") technologies, used primarily in the manufacture of high-density FPGAs, offer certain advantages for very dense logic devices, but also have significant drawbacks when compared with E2CMOS. Antifuse technology is non-erasable, non-reprogrammable and subject to lengthy initial programming times that can hinder usage in volume production applications. SRAM technology is volatile (erases when electrical power is removed), and as such programmable SRAM FPGAs require additional non-volatile memory, typically on a separate device, to store programming code. This adds cost and printed circuit board area to a design, and results in the devices not being completely functional at initial system power-up.

PRODUCTS

ISP PRODUCTS

SILICON. The Company first entered the ISP market in fiscal 1993 and currently offers six distinct families of ISP products, each consisting of multiple devices. The Company is currently shipping over 200 speed, package and temperature range combinations of its ISP products.

ISPLSI-Registered Trademark- 1000/E: The Company's original ISP family utilizes an innovative, proprietary CPLD architecture incorporating familiar GAL-Registered Trademark- ("Generic Array Logic") based logic building blocks. This family provides performance of up to 125 MHz (7.5 nanosecond propagation delay), densities of 2,000 to 8,000 gates and is available in 44- to 128-pin standard surface mount packages.

ISPLSI 2000/V: The ispLSI 2000 family utilizes a CPLD architecture designed for input/output ("I/O") intensive applications and offers industry leading performance. This family provides performance of up to 180 MHz (5.0 nanosecond propagation delay), densities of 1,000 to 6,000 gates and is available in 44- to 176-pin standard surface mount packages. The ispLSI 2000V family, an extension of the ispLSI 2000 family, operates using the emerging 3.3-volt power supply standard. Offered with a range of density, performance and package specifications, the ispLSI 2000V family is targeted towards low-voltage system applications in the computing and communication markets.

ISPLSI 3000/E: The ispLSI 3000 family incorporates an enhanced CPLD architecture to target higher density applications while retaining high performance. This family provides densities of 7,000 to 22,000 gates, performance of up to 125 MHz (7.5 nanosecond propagation delay), and is available in 160- to 432-pin surface mount packages.

ISPLSI 6000: The ispLSI 6000 family extends the Company's high-density CPLD density range to 25,000 gates. This family utilizes an innovative cell-based architecture that combines a general purpose high-density CPLD with memory and other function specific circuit blocks. Offered with performance of up to 77 MHz (15.0 nanosecond propagation delay), the ispLSI 6000 family allows integration of complete logic subsystems in the communications, computing and multimedia markets.

ISPGAL-Registered Trademark-: The ispGAL, a proprietary product family, combines in-system programmability with the industry standard 22V10 low-density architecture. Offered with performance of up to 200 MHz, (5.0 nanosecond propagation delay), the ispGAL family is available in both 5-volt and 3.3-volt operating supply versions.

ISPGDX-TM-: The ispGDX family, introduced in fiscal 1998, extends in-system programmability to the circuit board level using an innovative, new digital cross-point switch architecture. Offered with propagation delays as low as 5.0 nanoseconds, up to 160 I/O and complete pin-to-pin signal routing, the ispGDX is targeted towards digital signal interconnect and interface applications.

The Company plans to continue to introduce new families of ISP products, as well as improve the performance of existing product families based on market needs.

SOFTWARE DEVELOPMENT TOOLS. All of the Company's ISP products are supported by the Company's ispDS-Registered Trademark- software development tools and ispDS+-TM- software development tools (referred to as "fitters"). Designed to be a low cost, fully integrated development tool, ispDS runs under the Microsoft Windows operating system on a personal computer. ispDS software allows a customer to enter and verify a logic design, perform logic minimization, assign I/O pins and critical speed paths, simulate timing, execute automatic place and route tasks and download a program to an ISP device. Designed to provide a seamless integration of the Company's development tools with standard design environments, ispDS+ software leverages customers' existing investments in third-party CAE tools. Optimized for HDL synthesis, ispDS+ software supports all popular third party CAE development tool environments running on IBM compatible personal computers as well as workstations from Sun Microsystems and Hewlett-Packard. The Company offers ispDS+ products supporting common third party CAE design tool environments, including ABEL, Cadence, Data I/O, Exemplar, Logical Devices, Mentor Graphics, OrCAD, Synario, Synopsys, Synplicity and ViewLogic. ispDS+ software allows a customer to compile a design developed in a third party environment, assign I/O pins and critical speed paths, simulate and analyze timing, execute automatic place and route tasks and download a program to an ISP device. In fiscal 1998, the Company released new versions of its existing ispDS and ispDS+ software development tools to enhance performance, functionality and ease of use.

The Company also provides several software algorithms that support in-system programming of the Company's ISP devices. These software products include ispCODE-TM-, Turbo ispDOWNLOAD-TM-, ispREMOTE-TM- and ispATE-TM-. ispATE enables ISP product programming to be integrated into automatic test equipment ("ATE") on the manufacturing floor.

During fiscal 1998, the number of installed seats of the Company's software development tools, as measured by the Company, grew from over 17,000 to approximately 25,000. The Company plans to continue to enhance and expand its development tool offerings.

NON-ISP PRODUCTS

The Company offers the industry's broadest line of low-density CMOS PLDs based on its 16 families of GAL products offered in over 180 speed, power, package and temperature range combinations. GAL devices range in complexity from approximately 200 to 1,000 logic gates and are typically assembled in 20-, 24-and 28-pin standard dual in-line packages and in 20- and 28-pin standard plastic leaded chip carrier packages. The Company offers the industry standard GAL16V8, GAL20V8, GAL22V10, GAL20RA10 and GAL20XV10 architectures in a variety of speed grades, with propagation delays as low as 3.5 nanoseconds, the highest performance in the industry. The Company also offers several proprietary extension architectures, the GAL26CV12, GAL18V10, GAL16VP8, GAL20VP8, GAL6001/2, GAL16V8Z and GAL20V8Z, each of which is optimized for specific applications. The Company also offers a full range of 3.3-volt industry standard architectures, the GAL16LV8, GAL20LV8, GAL22LV10 and GAL26CLV12 in a variety of speed grades, with propagation delays as low as 3.5 nanoseconds, the highest performance in the industry.

The Company's non-ISP products are supported by industry standard software and hardware development tools marketed by independent manufacturers specifically for PLD applications.

PRODUCT DEVELOPMENT

The Company places great emphasis on product development and believes that continued investment in the development of new products that exploit market trends is required to maintain its competitive position. The Company's product development activities emphasize new proprietary ISP products, performance enhancement and cost reduction of existing products, improvements of its E2CMOS processes technologies and extension and enhancement of its software development tools. Product development activities occur in the Company's Hillsboro, Oregon headquarters, its Milpitas, California product development center, and its Shanghai, China design center.

Research and development expenses were $26.8 million, $27.8 million and $32.0 million in fiscal years 1996, 1997 and 1998, respectively. The Company expects to continue to make significant investments in research and development in the future.

OPERATIONS

The Company does not manufacture its silicon wafers. The Company has historically maintained strategic relationships with large semiconductor manufacturers in order to source its finished silicon wafers, allowing the Company to focus its internal resources on product, process and market development. In addition, assembly is performed for the Company by outside suppliers. The Company performs certain test operations and reliability and quality assurance processes internally, as the Company believes it can add significant customer value in these areas. The Company has achieved ISO 9001 quality certification, an indication of the Company's high internal operational standards.

WAFER FABRICATION

The majority of the Company's silicon wafer requirements are currently supplied by Seiko Epson Corporation ("Seiko Epson") in Japan pursuant to an agreement with S MOS Systems, Inc. ("S MOS"), an affiliated U.S. distributor of Seiko Epson. See "Licenses and Agreements - Seiko Epson/S MOS." The Company negotiates wafer volumes, prices and terms with Seiko Epson and S MOS on a periodic basis. In addition, the Company receives silicon wafers from United Microelectronics Corporation ("UMC") in Taiwan pursuant to a series of agreements entered into in 1995. Wafer prices and other purchase terms related to this commitment are subject to periodic adjustment. See " Licenses and Agreements - UMC." A significant interruption in supply from Seiko Epson through S MOS or from UMC would have a material adverse effect on the Company's business. See "Factors Affecting Future Results."

ASSEMBLY

After wafer fabrication and initial testing, the Company ships wafers to independent subcontractors for assembly. During assembly, wafers are separated into individual die and encapsulated in plastic or ceramic packages. Presently, the Company has qualified long-term assembly partners in Hong Kong, Malaysia, the Philippines, South Korea, Taiwan and the United States.

TESTING

The Company electrically tests the die on each wafer prior to shipment for assembly. Following assembly, prior to customer shipment, each product undergoes final testing using test equipment, techniques and quality assurance procedures. Final testing on certain products is performed at independent contractors in Malaysia, the Philippines, South Korea and the United States.

MARKETING, SALES AND CUSTOMERS

The Company sells its products directly to end customers through a network of independent sales representatives and indirectly through a network of distributors. The Company utilizes a direct sales management and field applications engineering organization in combination with manufacturers' representatives and distributors to reach a broad base of potential end customers. The Company's end customers are primarily original equipment manufacturers in the fields of communications, computing, industrial controls and military systems. The Company believes its distribution channel is a cost-effective means of reaching end customers.

At March 28, 1998, the Company had 20 sales representatives and five distributors in the United States and Canada. In North America, Arrow Electronics, Inc., Hamilton Hallmark, Insight Electronics, Inc. and Marshall Industries provide nationwide distribution, while Future Electronics provides regional distribution coverage in Canada. The Company has established sales channels in over 30 foreign countries through a network of over 30 sales representatives and distributors. Approximately one-half of the Company's North American sales and most of its foreign sales are made through distributors.

The Company protects each of its North American distributors and some of its foreign distributors against reductions in published prices, and expects to continue this policy in the foreseeable future. The Company also allows returns from these distributors of unsold products under certain conditions. For these reasons, the Company does not recognize revenue until products are resold by these distributors.

The Company provides technical and marketing assistance to its end customers and sales force with engineering staff based in the Company's headquarters, design centers and selected field sales offices. The Company maintains 22 domestic and international sales offices where the Company's field sales managers and applications engineers are based. These offices are located in the metropolitan areas of Atlanta, Austin, Boston, Chicago, Dallas, Los Angeles, Minneapolis, Orlando, Portland, Raleigh, San Diego, San Jose, Hong Kong, London, Milan, Munich, Paris, Seoul, Shanghai, Stockholm, Taipei and Tokyo.

International revenues, including those from Canada, accounted for 48%, 49% and 51% of the Company's revenues in fiscal 1996, 1997 and 1998, respectively. Revenues from Europe were $37.9 million, $39.9 million and $61.2 million, and from Asia were $52.4 million, $52.6 million and $ 55.9 million, in fiscal 1996, 1997 and 1998, respectively. Both international and domestic revenues are generally invoiced in U.S. dollars, with the exception of sales in Japan, which are invoiced in yen.

The Company's products are sold to a large and diverse group of customers. No individual OEM customer accounted for more than 6% of revenue in either fiscal 1996, 1997 or 1998. One distributor accounted for approximately 11% of revenue in fiscal 1996. No distributor accounted for more than 10% of revenue in either fiscal 1997 or fiscal 1998.

The Company's sales are primarily executed against purchase orders for standard products. Customers frequently revise quantities and delivery schedules, without penalty. The Company therefore does not believe that backlog as of any given date is indicative of future revenue.

COMPETITION

The semiconductor industry overall is intensely competitive and is characterized by rapid technological change, rapid rates of product obsolescence and price erosion. The Company's current and potential competitors include a broad range of semiconductor companies, ranging from very large, established companies to emerging companies, many of which have greater financial, technical, manufacturing, marketing and sales resources than the Company.

The principal competitive factors in the PLD market include silicon product features, price, customer support, and sales, marketing and distribution strength. The availability of competitive software development tools is also critical. In addition to product features such as speed, power consumption, reprogrammability, design flexibility and reliability, competition in the PLD market occurs on the basis of price and market acceptance of specific products and technology. The Company believes that it competes favorably with respect to each of these factors. The Company intends to continue to address these competitive factors by working to continually introduce product enhancements and new products, by seeking to establish its products as industry standards in their respective markets, and by working to reduce the manufacturing cost of its products over their respective life cycles.

In the ISP PLD market, the Company primarily competes directly with Altera, Advanced Micro Devices ("AMD") and Xilinx, all of which offer competing products. The Company also competes indirectly with other PLD suppliers as well as other semiconductor companies providing non-PLD based logic solutions. As the Company and these other companies seek to expand their markets, competition may increase.

In the non-ISP, low-density, PLD market, the Company competes primarily with AMD, a licensee of the Company's GAL patents, which offers a full line of E2CMOS GAL-compatible PLDs. Atmel and Cypress Semiconductor offer products based on similar and competing CMOS technologies and architectures; however, these companies do not offer full product lines.

Although to date the Company has not experienced significant competition from companies located outside the United States, such companies may become a more significant competitive factor in the future. As the Company and its current competitors seek to expand their markets, competition may increase. Any such increases in competition could have a material adverse effect on the Company's operating results.

PATENTS

The Company seeks to protect its products and wafer fabrication process technologies primarily through patents, trade secrecy measures, copyrights, mask work protection, trademark registrations, licensing restrictions, confidentiality agreements and other approaches designed to protect proprietary information. There can be no assurance that others may not independently develop competitive technology not covered by the Company's intellectual property rights or that measures taken by the Company to protect its technology will be effective.

The Company holds domestic, European and Japanese patents on its PLD products and has patent applications pending in the United States, Japan and Europe. There can be no assurance that pending patent applications or other applications that may be filed will result in issued patents, or that any issued patents will survive challenges to their validity. Although the Company believes that its patents have value, there can be no assurance that the Company's patents, or any additional patents that may be issued in the future, will provide meaningful protection from competition. The Company believes its success will depend primarily upon the technical expertise, experience, creativity and the sales and marketing abilities of its personnel.

Patent and other proprietary rights infringement claims are common in the semiconductor industry. There can be no assurance that, with respect to claims made against the Company, the Company could obtain a license on terms or under conditions that would not have a material adverse effect on the Company.

LICENSES AND AGREEMENTS

SEIKO EPSON/S MOS

S MOS, an affiliated U.S. distributor of Seiko Epson, has agreed to provide manufactured wafers to the Company in quantities based on six-month rolling forecasts provided by the Company. The Company has committed to buy certain minimum quantities of wafers per month. Wafers for the Company's products are manufactured in Japan at Seiko Epson's wafer fabrication facilities and are delivered to the Company by S MOS. Prices for the wafers obtained from S MOS are reviewed and adjusted periodically and may be adjusted to reflect prevailing currency exchange rates. See "Factors Affecting Future Results." Daniel S. Hauer, a member of the Company's Board of Directors, is Chairman of the Board of Directors of S MOS.

In July 1994, the Company entered into an advance production payment agreement with Seiko Epson and S MOS, under which it advanced to Seiko Epson $42 million during fiscal 1995 to be used by Seiko Epson to finance additional sub-micron semiconductor wafer manufacturing capacity. Under the terms of the agreement, the advance is to be repaid in the form of advanced technology sub-micron semiconductor wafers. In conjunction with the advance production payment agreement, the Company also paid $2 million during fiscal 1995 for the development of sub-micron process technology and the fabrication of engineering wafers. These agreements call for wafers to be supplied by Seiko Epson through S MOS pursuant to a purchase agreement concluded with S MOS. As of March 28, 1998, substantially all wafers pursuant to these agreements had been received by the Company.

In March 1997, the Company entered into a second advance production payment agreement with Seiko Epson and SMOS under which it agreed to advance approximately $86 million, payable over two years, to Seiko Epson to finance construction of an eight-inch sub-micron semiconductor wafer manufacturing facility. The timing of the payments is related to certain milestones in the development of the facility. Under the terms of the agreement, the advance is to be repaid with semiconductor wafers over a multi-year period. The agreement calls for wafers to be supplied by Seiko Epson through S MOS pursuant to purchase agreements concluded with S MOS. The Company also has an option under the agreement to advance Seiko Epson an additional $60 million for additional wafer supply under similar terms. The first payment under this agreement, approximately $17.0 million, was made during fiscal 1997. During fiscal 1998, the Company made two additional payments aggregating approximately $34.2 million.

UMC

The Company entered into a series of agreements with UMC in September 1995 pursuant to which the Company agreed to join UMC and several other companies to form a separate Taiwanese company, UICC, for the purpose of building and operating an advanced semiconductor manufacturing facility in Taiwan, Republic of China. Under the terms of the agreement, the Company invested approximately $49.7 million, paid in three installments, for an approximate 10% equity interest in UICC and the right to receive a percentage of the facility's wafer production at market prices.

In October 1997, the UICC foundry was substantially destroyed by fire. UMC, the majority owner of UICC, has informed the Company that this loss is insured and has begun the process of rebuilding the foundry. Further, alternative capacity arrangements have been made available to the Company by UMC. Based on these assurances from UMC, management believes the Company will not be materially adversely affected by this event.

AMD

In November 1987, as part of the settlement of a patent infringement suit against the Company, the Company and Monolithic Memories Inc. ("MMI", subsequently merged with AMD) entered into an agreement cross-licensing each other's patents covering programmable and reprogrammable logic devices based on patent applications having a first filing date prior to November 1989. The agreement was subsequently amended in May 1989 by the Company and AMD, the successor to the rights and obligations of MMI in the original agreement. The amendment covers those patents relating to PLD products which are based on patent applications originally filed by the Company, MMI and AMD prior to December 31, 1991. The license, with respect to certain patents asserted by AMD, ceases to cover the Company's current principal products if the Company is acquired by a semiconductor manufacturer with sales in excess of a stated amount or by certain types of companies headquartered in designated Asian countries. No license has been granted to either party for any copyright work, trademark or process technology and, therefore, AMD has not been licensed to use the GAL trademark on its products.

FACTORS AFFECTING FUTURE RESULTS

The Company believes that its future operating results will be subject to quarterly variations based upon a wide variety of factors, including the cyclical nature of both the semiconductor industry and the end markets addressed by the Company's products, general economic conditions in countries where the Company's products are sold, price erosion, timing of new product introductions, product obsolescence, scheduling, rescheduling and cancellation of large orders, competitive factors, ability to develop and implement new process technologies, fluctuations in manufacturing yields, ability to achieve volume production at Seiko Epson's and UICC's new eight-inch wafer fabs, substantial adverse currency exchange rate movements, availability of manufacturing capacity and wafer supply and potential litigation expenses. Due to these and other factors, the Company's past results are a less useful predictor of future results than is the case in more mature and stable industries. The Company has increased its level of operating expenses and investment in manufacturing capacity in anticipation of future growth in revenues, primarily from increased sales of its ISP products. To the extent that this revenue growth does not materialize, the Company's operating results would be adversely affected.

The market price of the Company's common stock could be subject to significant fluctuations in response to variations in quarterly operating results, shortfalls in revenues or earnings from levels expected by securities analysts, other factors such as announcements of technological innovations or new products by the Company or by the Company's competitors, government regulations, developments in patent or other proprietary rights, and developments in the Company's relationships with parties to collaborative agreements. In addition, the stock market can experience significant price fluctuations. These fluctuations often are unrelated to the operating performance of the specific companies whose stocks are traded. Broad market fluctuations, as well as economic conditions generally and in the semiconductor industry specifically, could adversely affect the market price of the Company's common stock.

The semiconductor industry is highly cyclical and has been subject to significant downturns at various times that have been characterized by diminished product demand, production overcapacity and accelerated erosion of average selling prices. The Company's rate of growth in recent periods has been positively and negatively impacted by trends in the semiconductor industry. Any material imbalance in industry-wide production capacity relative to demand, shift in industry capacity toward products competitive with the Company's products, reduced demand or reduced growth in demand or other factors could result in a decline in the demand for or the prices of the Company's products and could have a material adverse effect on the Company's operating results.

Because of the rapid rate of technological change in the semiconductor industry, the Company's success will ultimately depend in large part on its ability to introduce new products on a timely basis that meet a market need at a competitive price with acceptable margins as well as enhancing the performance of its existing products. The success of new products, including the Company's ISP product families, depends on a variety of factors, including product selection, timely and efficient completion of product design, timely and efficient implementation of manufacturing and assembly processes, product performance, quality and reliability in the field and effective sales and marketing. Because new product development commitments must be made well in advance of sales, new product decisions must anticipate both future demand and the technology that will be available to supply that demand. New and enhanced products are continually being introduced into the Company's markets by others, and these products can be expected to affect the competitive environment in the markets in which they are introduced. There is no assurance that the Company will be successful in enhancing its existing products or in selecting, developing, manufacturing, marketing and selling new products.

Future revenue growth will be largely dependent on market acceptance of the Company's new and proprietary products, including its ISP product families, and market acceptance of the Company's proprietary software development tools. There can be no assurance that the Company's product and process development efforts will be successful or that new products, including the Company's ISP products, will continue to achieve market acceptance. If the Company were unable to successfully define, develop and introduce competitive new products in a timely manner, its future operating results would be adversely affected.

The semiconductor industry is intensely competitive and is characterized by rapid technological change, sudden price fluctuations, general price erosion, rapid rates of product obsolescence, periodic shortages of materials and manufacturing capacity and variations in manufacturing costs and yields. The Company's competitive position is impacted by all of these factors and by industry competition for effective sales and distribution channels. The Company's existing and potential competitors range from established major domestic and international semiconductor companies to emerging companies. Many of the Company's competitors have substantially greater financial, technological, manufacturing, marketing and sales resources than the Company. The Company faces direct competition from companies that have developed or licensed similar technology and from licensees of the Company's products and technology. The Company also faces indirect competition from a wide variety of semiconductor companies offering products and solutions based on alternative technologies. Although to date the Company has not experienced significant competition from companies located outside the United States, such companies may become a more significant competitive factor in the future. As the Company and its current competitors seek to expand their markets, competition may increase, which could have an adverse effect on the Company's operating results. Competitors' development of new technologies that have price/performance characteristics superior to the Company's technologies could adversely effect the Company's results of operations. There can be no assurance that the Company will be able to develop and market new products successfully or that the products introduced by others will not render the Company's products or technologies non-competitive or obsolete. The Company expects that its markets will become more competitive in the future.

The future success of the Company is dependent, in part, on its ability to attract and retain highly qualified technical and management personnel, particularly highly skilled engineers involved in development of new products, both silicon and software, and process technology. Competition for such personnel is intense. There can be no assurance that the Company will be able to retain its existing key technical and management personnel or attract additional qualified employees in the future. The loss of key technical or management personnel could delay product development cycles or otherwise have a material adverse effect on the Company's business.

The Company does not manufacture finished silicon wafers; however, its products require wafers manufactured with state-of-the-art fabrication equipment and techniques. Accordingly, the Company's strategy has been to maintain relationships with large semiconductor manufacturers for the production of its wafers. Currently all of its silicon wafers are manufactured by either Seiko Epson in Japan or UMC in Taiwan. A significant interruption in supply from Seiko Epson, through S MOS, Seiko Epson's affiliated U.S. distributor, or from UMC would have a material adverse effect on the Company's business.

The Company's finished silicon wafers are assembled and packaged by independent subcontractors located in Hong Kong, Malaysia, the Philippines, South Korea, Taiwan, and the United States. Although the Company has not yet experienced significant problems or interruptions in supply from its assembly contractors, any prolonged work stoppages or other failure of these contractors to supply finished products could have a material adverse effect on the Company's operating results.

International revenues accounted for 48%, 49% and 51% of the Company's revenues for fiscal 1996, 1997 and 1998, respectively. The Company believes that international revenues will continue to represent a significant percentage of revenues. International revenues and operations may be adversely affected by regional economic conditions, the imposition of governmental controls, export license requirements, restrictions on the export of technology, political instability, trade restrictions, changes in tariffs and difficulties in staffing and managing international operations.

The Company currently depends on foreign manufacturers -- Seiko Epson, a Japanese company, and UMC, a Taiwanese company -- for the manufacture of all of its finished silicon wafers, and anticipates depending on UICC, a Taiwanese company, for the manufacture of a portion of its finished silicon wafers. In addition, after wafer manufacturing is completed and each wafer is tested, products are assembled by subcontractors in Hong Kong, Malaysia, the Philippines, South Korea and Taiwan. Although the Company has yet not experienced significant problems or interruption in supply from its subcontractors, the social, economic and political situations in these countries can be volatile, and any prolonged work stoppages or other disruptions in the Company's ability to manufacture and assemble its products would have a material adverse effect on the Company's results of operations. Furthermore, economic risks, such as recession, exchange rate volatility, changes in tax laws, tariffs, or freight rates, or interruptions in air transportation, could have a material adverse effect on the Company's results of operations.

The Company depends upon wafer suppliers to produce wafers with acceptable yields and to deliver them to the Company in a timely manner. Substantially all of the Company's revenues are derived from products based on E2CMOS process technology. Successful implementation of the Company's proprietary E2CMOS process technology, UltraMOS, requires a high degree of coordination between the Company and its wafer supplier. Therefore, significant lead time is required to reach volume production at a new wafer supply location such as Seiko Epson's or UICC's new eight-inch wafer fabs. Accordingly, there can be no assurance that volume production at Seiko Epson's or UICC's new eight-inch wafer fabs will be achieved in the near term or at all. The manufacture of high performance E2CMOS semiconductor wafers is a complex process that requires a high degree of technical skill, state-of-the-art equipment and effective cooperation between the wafer supplier and the circuit designer to produce acceptable yields. Minute impurities, errors in any step of the fabrication process, defects in the masks used to print circuits on a wafer and other factors can cause a substantial percentage of wafers to be rejected or numerous die on each wafer to be non-functional. As is common in the semiconductor industry, the Company has from time to time experienced in the past, and expects that it will experience in the future, production yield problems and delivery delays. Any prolonged inability to obtain adequate yields or deliveries could adversely affect the Company's operating results.

The Company expects that, as is customary in the semiconductor business, it will in the future seek to convert its fabrication process technology to larger wafer sizes, to smaller device geometries or to new or additional suppliers in order to maintain or enhance its competitive position. Such conversions entail inherent technological risks that could adversely affect yields and delivery times and could have a material adverse impact on the Company's operating results. To a considerable extent, the Company's ability to execute its strategies will depend upon its ability to maintain and enhance its advanced process technologies. As the Company does not presently operate its own wafer fabrication or process development facility, the Company depends upon silicon wafer manufacturers to provide the facilities and support for its process development. In light of this dependency and the intensely competitive nature of the semiconductor industry, there is no assurance that either process technology development or timely product introduction can be sustained in the future.

In addition, other unanticipated changes in or disruptions of the Company's wafer supply arrangements could reduce product availability, increase cost or impair product quality and reliability. Many of the factors that could result in such changes are beyond the Company's control. For example, a disruption of operations at Seiko Epson's or UMC's manufacturing facilities as a result of a work stoppage, fire, earthquake or other natural disaster, would cause delays in shipments of the Company's products and would have a material adverse effect on the Company's operating results.

The Company's wafer purchases from Seiko Epson are denominated in Japanese yen. In the past, the dollar has lost substantial value with respect to the yen. There is no assurance that the value of the dollar with respect to the yen will not again experience substantial deterioration. Any substantial continued deterioration of dollar-yen exchange rates could have a material adverse effect on the Company's results of operations.

Worldwide manufacturing capacity for silicon wafers is limited and inelastic. Therefore, significant increases in demand or interruptions in supply could adversely affect the Company. Through fiscal 1998, the Company has been successful in obtaining adequate wafer capacity commitments; however, it has in the past experienced delays in obtaining wafers. Although current commitments are anticipated to be adequate through fiscal 1999, there can be no assurance that existing capacity commitments will be sufficient to permit the Company to satisfy all of its customers' demand in future periods. The Company negotiates wafer prices and certain wafer supply commitments with Seiko Epson, S MOS and UMC on an annual basis, and, in some cases, as frequently as semiannually. Moreover, wafer prices and commitments are subject to continuing review and revision by the parties. There can be no assurance that Seiko Epson, S MOS or UMC will not reduce their allocations of wafers or increase prices to the Company in future periods or that any such reduction in supply could be offset pursuant to arrangements with alternate sources of supply. If any substantial reduction of supply or substantial price increase were to occur, the Company's operating results could be materially adversely affected.

In an effort to secure additional wafer supply, the Company may from time to time consider various arrangements, including joint ventures, equity investments, advanced purchase payments, loans, or similar arrangements with independent wafer manufacturers in exchange for committed production capacity. Such arrangements have become common within the industry as independent wafer manufacturers increasingly seek to require their customers to share a portion of the cost of capital intensive wafer fabrication facilities. In 1994, the Company entered into an advanced production payment agreement with Seiko Epson pursuant to which it advanced a total of $42 million to Seiko Epson. In September 1995, the Company entered into an agreement with UMC under which it invested a total of $49.7 million for an approximate 10% equity interest in a separate Taiwanese company, UICC. In March 1997, the Company entered into a second advanced production payment agreement with Seiko Epson pursuant to which it plans to advance up to $150 million to Seiko Epson. To the extent the Company pursues any other such transactions with Seiko Epson, UMC or any other wafer manufacturers, such transactions could entail even greater levels of investment requiring the Company to seek additional equity or debt financing to fund such activities. There can be no assurance that any such additional funding could be obtained when needed or, if available, on terms acceptable to the Company.

The Company's success depends in part on its proprietary technology. While the Company attempts to protect its proprietary technology through patents, copyrights and trade secrets, it believes that its success will depend more upon technological expertise, continued development of new products, and successful market penetration of its silicon and software products. There can be no assurance that the Company will be able to protect its technology or that competitors will not be able to develop similar technology independently. The Company currently has a number of United States and foreign patents and patent applications. There can be no assurance that the claims allowed on any patents held by the Company will be sufficiently broad to protect the Company's technology, or that any patents will issue from any application pending or filed by the Company. In addition, there can be no assurance that any patents issued to the Company will not be challenged, invalidated or circumvented or that the rights granted thereunder will provide competitive advantages to the Company.

The semiconductor industry is generally characterized by vigorous protection and pursuit of intellectual property rights and positions, which have on occasion resulted in protracted litigation that utilizes cash and management resources, which can have a significant adverse effect on operating results. There can be no assurance that intellectual property claims will not be made against the Company in the future or that in the event of such a claim, the Company will be able to obtain a license on terms or under conditions that would not have a material adverse impact on the Company.

The Company is currently working to address the potential impact of the Year 2000 on the processing of date-sensitive information by the Company's internal computer systems, including its electronic interfaces to distributor, customer and supplier systems. At present, the Company has completed an initial assessment of its potential exposure. Based on this assessment, the Company does not anticipate that resolution of potential internal Year 2000 issues will have a material adverse impact on the Company's operating results. However, there can be no assurance that the Company's computer systems or the systems of the Company's major distributors, suppliers, customers or financial service providers will completely address all internal Year 2000 issues in a timely manner. In the event that Year 2000 issues create significant disruption in the operations of the Company or any of the Company's major distributors, suppliers, customers or financial service providers, the Company's operating results could be materially adversely affected.

EMPLOYEES

As of March 28, 1998, the Company had 569 full-time employees. The Company believes that its future success will depend, in part, on its ability to continue to attract and retain highly skilled technical, marketing and management personnel.

None of the Company's employees is subject to a collective bargaining agreement. The Company has never experienced a work stoppage and considers its employee relations good.

ITEM 2. PROPERTIES

The Company's corporate offices, testing and principal research and design facilities are located in two adjacent buildings owned by the Company in Hillsboro, Oregon comprising a total of 90,000 square feet. The Company's executive, administrative, marketing and production activities are also located at these facilities. The Company leases a 41,000 square foot research and design facility in Milpitas, California. This lease expires in February, 2001.

The Company leases space in various locations in the United States for its domestic sales offices, and also leases space in Hong Kong, London, Munich, Paris, Seoul, Stockholm, Taipei and Tokyo for its international sales offices. The Company owns a 13,000 square foot research and development facility and approximately 6,000 square feet of dormitory facilities in Shanghai.

ITEM 3. LEGAL PROCEEDINGS.

There are no material pending legal proceedings to which the Company is a party or to which any of its property is subject.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

ITEM 4(a). EXECUTIVE OFFICERS OF THE REGISTRANT.

As of June 25, 1998, the executive officers of the Company are as set forth below.

Name	Age	Position
Cyrus Y. Tsui	52	President, Chief Executive Officer and Chairman of the Board
Steven A. Laub	39	Senior Vice President and Chief Operating Officer
Stephen A. Skaggs	35	Senior Vice President, Chief Financial Officer and Secretary
Stephen M. Donovan	47	Corporate Vice President, Sales
Jonathan K. Yu	57	Corporate Vice President, Business Development
Martin R. Baker	42	Vice President and General Counsel
Randy D. Baker	39	Vice President, Manufacturing
Albert L. Chan	48	Vice President and General Manager, Lattice Silicon Valley
Thomas J. Kingzett	51	Vice President, Reliability and Quality Assurance
Stanley J. Kopec	47	Vice President, Corporate Marketing
Rodney F. Sloss	54	Vice President, Finance
Kenneth K. Yu	50	Vice President and Managing Director, Lattice Asia

Executive officers of the Company are appointed by the Board of Directors to serve at the discretion of the Board and hold office until the officers' successors are appointed.

Cyrus Y. Tsui joined the Company in September 1988 as President, Chief Executive Officer and Director, and in March 1991 was named Chairman of the Board. From 1987 until he joined the Company, Mr. Tsui was Corporate Vice President and General Manager of the Programmable Logic Division of AMD. He was Vice President and General Manager of the Commercial Products Division of Monolithic Memories Incorporated from 1983 until the merger with AMD in 1987. Mr. Tsui has held technical and managerial positions in the semiconductor industry for over 25 years. He has worked in the programmable logic industry since its inception.

Steven A. Laub joined the Company in June 1990 as Vice President and General Manager. He was elected Senior Vice President and Chief Operating Officer in August 1996.

Stephen A. Skaggs joined the Company in December 1992 as Director, Corporate Development. He was elected Senior Vice President, Chief Financial Officer and Secretary in August 1996.

Stephen M. Donovan joined the Company in October 1989 and has served as Director of Marketing and Director of International Sales. He was elected Vice President, International Sales in August 1993. He was elected Corporate Vice President, Sales, in May 1998. Mr. Donovan has worked in the programmable logic industry since 1982.

Jonathan K. Yu joined the Company in February 1992 as Vice President, Operations. He was elected Corporate Vice President, Business Development in August 1996. Mr. Yu has held technical and managerial positions in the semiconductor industry for over 30 years.

Martin R. Baker joined the Company in January 1997 as Vice President and General Counsel. From 1991 until he joined the Company, Mr. Baker held legal positions with Altera Corporation.

Randy D. Baker joined the Company in April 1985 as Manager, Manufacturing and was promoted in 1988 to Director, Manufacturing. He was elected Vice President, Manufacturing in August 1996. Mr. Baker has worked in the semiconductor industry for over 15 years.

Albert L. Chan joined the Company in May 1989 as California Design Center Manager and was promoted in 1991 to Director, California Product Development Center. He was elected Vice President, California Product Development in August 1993. He was elected Vice President and General Manager, Lattice Silicon Valley, in August 1997. Mr. Chan has worked in the programmable logic industry since 1983.

Thomas J. Kingzett joined the Company in July 1992 as Director, Reliability and Quality Assurance. He was elected Vice President, Reliability and Quality Assurance in May 1998. Mr. Kingzett has worked in the semiconductor industry for over 25 years.

Stanley J. Kopec joined the Company in August 1992 as Director, Marketing. He was elected Vice President, Corporate Marketing in May 1998. Mr. Kopec has worked in the programmable logic industry since 1985.

Rodney F. Sloss joined the Company in May 1994 as Vice President, Finance. From 1992 to 1994, Mr. Sloss served as Chief Financial Officer of The Alexander Haagen Company, a real estate developer.

Kenneth K. Yu joined the Company in January 1991 as Director of Process Technology. He has served as Managing Director, Lattice Asia since November 1992 and was elected Vice President, Lattice Asia in August 1993. Mr. Yu has held technical and managerial positions in the semiconductor industry for over 20 years.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS.

The Company's common stock is traded on the over-the-counter market and prices are quoted on the Nasdaq National Market under the symbol "LSCC". The following table sets forth the high and low sale prices for the common stock for the last two fiscal years and for the period since March 28, 1998. On June 18, 1998, the last reported sale price of the common stock was $27 5/8. As of June 18, 1998, the Company had approximately 343 stockholders of record.

	High	Low
Fiscal 1997:		
First Quarter	$36 1/4	$21 5/8
Second Quarter.	31 1/2	19 3/4
Third Quarter	47	27 1/2
Fourth Quarter.	54 7/8	39 3/4
Fiscal 1998:		
First Quarter	$62 5/8	$41 1/2
Second Quarter.	74 1/2	54 7/8
Third Quarter	67 1/2	45
Fourth Quarter.	57	39 3/4
Fiscal 1999:		
First Quarter (through June 18, 1998) .	$54 5/8	$25 5/8

The payment of dividends on the common stock is within the discretion of the Company's Board of Directors. The Company intends to retain earnings to finance the growth of its business. The Company has not paid cash dividends on its common stock and the Board of Directors does not expect to declare cash dividends on the common stock in the near future.

ITEM 6. SELECTED FINANCIAL DATA.

The information required by this Item is set forth in the Company's 1998 Annual Report to Stockholders at page 11 under the caption "Selected Financial Data", which information is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The information required by this Item is set forth in the Company's 1998 Annual Report to Stockholders at pages 8 through 10 under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations", which information is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

FINANCIAL STATEMENTS

The information required by this Item is set forth in the Company's 1998 Annual Report to Stockholders, at pages 12 through 23, which information is incorporated herein by reference.

	PAGE
FINANCIAL STATEMENT SCHEDULES	
Report of Independent Accountants on Financial Statement Schedule . .	S-1
Schedule VIII - Valuation and qualifying accounts	S-2

No other schedules are included because the required information is inapplicable, not required or is presented in the financial statements or related notes thereto.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

With the exception of the information expressly incorporated by reference from the Annual Report to Stockholders into Parts II and IV of this Form 10-K, the Company's Annual Report to Stockholders is not to be deemed filed as part of this Report.

PART III

Certain information required by Part III is omitted from this Report in that the Company will file its definitive proxy statement for the Annual Meeting of Stockholders to be held on August 10, 1998, pursuant to Regulation 14A of the Securities Exchange Act of 1934 (the "Proxy Statement"), not later than 120 days after the end of the fiscal year covered by this Report, and certain information included in the Proxy Statement is incorporated herein by reference. With the exception of the information expressly incorporated by reference from the Proxy Statement, the Company's Proxy Statement is not to be deemed filed as a part of this report.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information required by this Item with respect to directors of the Company is included under "Proposal 1: Election of Directors" in the Company's Proxy Statement, which information is incorporated herein by reference. Information with respect to executive officers of the Company is included under Item 4(a) of Part I of this Report and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item with respect to executive compensation is included under "Proposal 1: Election of Directors-Directors," "Executive Compensation" and "Comparison of Total Cumulative Stockholder Return" in the Company's Proxy Statement, which information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this Item is included in the Company's Proxy Statement under the caption "Security Ownership of Certain Beneficial Owners and Management", which information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this Item is included under "Proposal 1: Election of Directors - Transactions with Management" in the Company's Proxy Statement, which information is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a)(1) and (2) FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES.

The information required by this Item is included under Item 8 of this Report.

(a)(3) EXHIBITS.

3.1 The Company's Certificate of Incorporation, as amended (including (i) the Company's Certificate Eliminating Matters set forth in Certificates of Designation with respect to Series A, Series B, Series D and Series E, dated February 15, 1990 (ii) the Company's Restated Certificate of Incorporation, as amended, incorporated by reference to Exhibit 3.1 filed with the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1990; (iii) the Company's Certificate of Designation of Rights, Preferences and Privileges of Series A Participating Preferred Stock incorporated by reference to Exhibit 1 filed with the Company's Registration Statement on Form 8-A on September 13, 1991; and (iv) the Certificate of Amendment, dated September 8, 1993, of the Company's Certificate of Incorporation, filed as an exhibit hereto).

3.2 The Company's Bylaws, as amended (including (i) the Company's Amended Bylaws, incorporated by reference to Exhibit 3.2 filed with the Company's Annual Report on Form 10-K for the fiscal year ended March 30, 1991; (ii) Amendment to the Company's Bylaws authorized by the Board of Directors on May 24, 1991, filed as an exhibit hereto; (iii) Amendment to the Company's Bylaws authorized by the Board of Directors on May 16, 1995, filed as an exhibit hereto; and (iv) Amendment to the Company's Bylaws authorized by the Board of Directors on February 4, 1997, filed as an exhibit hereto).

4.1 Preferred Shares Rights Agreement dated as of September 11, 1991 between Lattice Semiconductor Corporation and First Interstate Bank of Oregon, N.A., as Rights Agent (Incorporated by reference to Exhibit 1 filed with the Company's Registration Statement on Form 8-A on September 13, 1991).

10.3 Patent License Agreement dated November 10, 1989 between Monolithic Memories, Inc. and Lattice Semiconductor Corporation, as amended (Incorporated by reference to Exhibit 10.3, File No. 33-31231).(1)

10.7 Form of Distributor Agreement (Incorporated by reference to Exhibit 10.6, File No. 33-31231).

10.9 * Lattice Semiconductor Corporation 1988 Stock Incentive Plan, as amended (Incorporated by reference to Exhibit 10.9 filed with the Company's Annual Report on Form 10-K for the fiscal year ended March 28, 1992).

10.10 * Form of Stock Option Agreement (Incorporated by reference to Exhibit 10.9, File No. 33-31231).

10.11 * Employment Letter dated September 2, 1988 from Lattice Semiconductor Corporation to Cyrus Y. Tsui (Incorporated by reference to Exhibit 10.10, File No. 33-31231).

10.12 Form of Proprietary Rights Agreement (Incorporated by reference Exhibit 10.11, File No. 33-31231).

10.13 * Outside Directors Compensation Plan (Incorporated by reference to Exhibit 10.12, File No. 33-31231).

10.14 * Amended Outside Directors Stock Option Plan (Incorporated by reference to Exhibit 10.13, File No. 33-35427).

10.15 * 1993 Outside Directors Stock Option Plan (Incorporated by reference to Exhibit 10.15 filed with the Company's Annual Report on Form 10-K for the fiscal year ended April 3, 1993).

10.16 * Employee Stock Purchase Plan, as amended (Incorporated by reference to Exhibit 10.16 filed with the Company's Annual Report on Form 10-K for the fiscal year ended April 3, 1993).

10.17 Advance Production Payment Agreement dated July 5, 1994 among Lattice Semiconductor Corporation and Seiko Epson Corporation and S MOS Systems, Inc. (Incorporated by reference to Exhibit 10.17 filed with the Company's Annual Report on Form 10-K for the fiscal year ended April 1, 1995). (1)

10.18 Engineering Payment Agreement dated July 5, 1994 among Lattice Semiconductor Corporation and Seiko Epson Corporation and S MOS Systems, Inc. (Incorporated by reference to Exhibit 10.18 filed with the Company's Annual Report on Form 10-K for the fiscal year ended April 1, 1995).

10.19 Bridge Capacity Letter dated September 12, 1995 between Lattice Semiconductor Corporation and United Microelectronics Corporation. (Incorporated by reference to Exhibit 10.1 filed with the Company's Current Report on Form 8-K dated September 28, 1995)(1).

10.20 Foundry Venture Side Letter dated September 13, 1995 among Lattice Semiconductor Corporation, United Microelectronics Corporation and FabVen (Incorporated by reference to Exhibit 10.2 filed with the Company's Current Report on Form 8-K dated September 28, 1995)(1).

10.21 FabVen Foundry Capacity Agreement dated as of August ___, 1995 among FabVen, United Microelectronics Corporation and Lattice Semiconductor Corporation (Incorporated by reference to Exhibit 10.3 filed with the Company's Current Report on Form 8-K dated September 28, 1995)(1).

10.22 Foundry Venture Agreement dated as of August ___, 1995, between Lattice Semiconductor Corporation and United Microelectronics Corporation (Incorporated by reference to Exhibit 10.4 filed with the Company's Current Report on Form 8-K dated September 28, 1995)(1).

10.23	Advance Production Payment Agreement dated March 17, 1997 among Lattice Semiconductor Corporation and Seiko Epson Corporation and S MOS Systems, Inc. (Incorporated by reference to Exhibit 10.23 filed with the Company's Annual Report on Form 10-K for the fiscal year ended March 29, 1997)(1).
10.24	* Lattice Semiconductor Corporation 1996 Stock Incentive Plan (Incorporated by reference to Exhibit 4.1 filed on Form S-8 dated November 7, 1996).
10.25	Form of North American Sales Representative Agreement
11.1	Computation of Net Income Per Share (2)
13.1	1998 Annual Report to Stockholders.
21.1	Subsidiaries of the Registrant.
23.1	Consent of Independent Accountants.
24.1	Power of Attorney (see pages 26-27).
27.1	Financial Data Schedule for Year Ended March 28, 1998.
27.2	Financial Data Schedules for the Years Ended March 29, 1997 and March 30, 1996, respectively, restated for the effect of the adoption of Statement of Financial Accounting Standard No. 128, ("SFAS 128"), "Earnings Per Share".
27.3	Financial Data Schedules for the Quarters Ended December 28, 1996, September 28, 1996 and June 29, 1996, restated for the effect of the adoption of SFAS 128.
27.4	Financial Data Schedules for the Quarters Ended December 27, 1997, September 27, 1997 and June 28, 1997, restated for the effect of the adoption of SFAS 128.

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(1) Pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, confidential treatment has been granted to portions of this exhibit, which portions have been deleted and filed separately with the Securities and Exchange Commission.

(2) Incorporated by reference to Note 1 to the Consolidated Financial Statements in the Company's Annual Report to Stockholders for the fiscal year ended March 28, 1998.

* Management contract or compensatory plan or arrangement required to be filed as an Exhibit to this Annual Report on Form 10-K pursuant to Item 14(c) thereof.

(b) No reports on Form 8-K were filed during the last quarter of fiscal 1998.

(c) See (a)(3) above.

(d) See (a)(1) and (2) above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Hillsboro, State of Oregon, on the 25th of June, 1998.

LATTICE SEMICONDUCTOR CORPORATION

By: /s/Stephen A. Skaggs
Stephen A. Skaggs, Senior Vice President,
Chief Financial Officer and Secretary

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Cyrus Y. Tsui and Stephen A. Skaggs, jointly and severally, his attorneys-in-fact, each with the power of substitution, for him in any and all capacities, to sign any amendments to this Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on the 25th day of June, 1998 on behalf of the Registrant and in the capacities indicated:

Signature	Title
/s/Cyrus Y. Tsui Cyrus Y. Tsui	President, Chief Executive Officer and Chairman of the Board (Principal Executive Officer)
/s/Stephen A. Skaggs Stephen A. Skaggs	Senior Vice President, Chief Financial Officer and Secretary (Principal Financial Officer)
/s/Mark O. Hatfield Mark O. Hatfield	Director
/s/Daniel S. Hauer Daniel S. Hauer	Director

Signature	Title
/s/Harry A. Merlo --------------------- Harry A. Merlo	Director
/s/Larry W. Sonsini --------------------- Larry W. Sonsini	Director
/s/Douglas C. Strain --------------------- Douglas C. Strain	Director

REPORT OF INDEPENDENT ACCOUNTANTS
ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors
of Lattice Semiconductor Corporation

Our audits of the consolidated financial statements referred to in our report dated April 15, 1998 appearing in the 1998 Annual Report to Stockholders of Lattice Semiconductor Corporation (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule listed in Item 14(a)(2) of this Form 10-K. In our opinion, this Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PRICE WATERHOUSE LLP

Portland, Oregon
April 15, 1998

Schedule VIII

LATTICE SEMICONDUCTOR CORPORATION

VALUATION AND QUALIFYING ACCOUNTS

(IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
CLASSIFICATION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS (DESCRIBE)	WRITE-OFFS NET OF RECOVERIES	BALANCE AT END OF PERIOD
Year ended March 30, 1996:					
Allowance for deferred tax asset...	$2,819	$(483)	--	--	$2,336
Allowance for doubtful accounts....	743	70	--	(13)	800
	$3,562	$(413)	$ --	$(13)	$3,136
Year ended March 29, 1997:					
Allowance for deferred tax asset...	$2,336	$(340)	--	--	$1,996
Allowance for doubtful accounts....	800	70	--	4	874
	$3,136	$(270)	$ --	$ 4	$2,870
Year ended March 28, 1998:					
Allowance for deferred tax asset...	$1,996	$(205)	--	--	$1,791
Allowance for doubtful accounts....	874	3	--	(80)	797
	$2,870	$(202)	$ --	$(80)	$2,588

EXHIBIT 3.1

CERTIFICATE OF AMENDMENT

OF

CERTIFICATE OF INCORPORATION

OF

LATTICE SEMICONDUCTOR CORPORATION
A DELAWARE CORPORATION

Lattice Semiconductor Corporation, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify:

FIRST: That at a regular meeting of the Board of Directors of this Corporation, resolutions were duly adopted (in accordance with Section 242 of the General Corporation Law of the State of Delaware) setting forth the proposed amendment to the Certificate of Incorporation of this Corporation, declaring said amendment to be advisable, and calling for the approval by the stockholders of this Corporation upon consideration thereof. The resolutions setting forth the proposed amendment are as follows:

RESOLVED: That the first paragraph of Article IV of the Certificate of Incorporation of the Company be amended in its entirety to read as follows:

"ARTICLE IV

The total number of shares of all classes of stock which the Corporation shall have authority to issue is One Hundred Ten Million (110,000,000) shares, par value One Cent ($0.01) each, consisting of One Hundred Million (100,000,000) shares of Common Stock, par value One Cent ($0.01) each ("Common Stock") and Ten Million (10,000,000) shares of Preferred Stock, par value One Cent ($0.01) each ("Preferred Stock")."

SECOND: That thereafter, pursuant to a resolution of its Board of Directors, the Board directed that the amendment be considered at the next annual meeting of the stockholders of this

Corporation, and at such meeting, the holders of the necessary number of shares as required by statute voted in favor of said amendment.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, Lattice Semiconductor Corporation has duly caused this Certificate of Amendment of Certificate of Incorporation to be signed by Cyrus Y. Tsui, its Chairman, Chief Executive Officer and President, and attested to by Frances J. Dishman, its Assistant Secretary, this 8th day of September, 1993.

LATTICE SEMICONDUCTOR CORPORATION
A Delaware Corporation

By: /s/ Cyrus Y. Tsui

Cyrus Y. Tsui,
Chairman, Chief Executive Officer
and President

ATTEST:

By: /s/ Frances J. Dishman

Frances J. Dishman,
Assistant Secretary

EXHIBIT 3.2

AMENDMENT TO THE COMPANY'S BYLAWS AUTHORIZED BY THE BOARD OF DIRECTORS ON MAY 24, 1991:

"RESOLVED: That the number of directors of the Company be, and it hereby is, reduced pursuant to Section 3.2 of the Company's Bylaws from seven to six."

AMENDMENT TO THE COMPANY'S BYLAWS AUTHORIZED BY THE BOARD OF DIRECTORS ON MAY 16, 1995:

"RESOLVED: That the number of directors of the Company be, and hereby is, reduced pursuant to Section 3.2 of the Company's Bylaws from six to five."

AMENDMENT TO THE COMPANY'S BYLAWS AUTHORIZED BY THE BOARD OF DIRECTORS ON FEBRUARY 4, 1997:

"RESOLVED: That the second sentence of Article III, Section 3.2 of the Company's Bylaws is hereby amended to read as follows: 'The exact number of Directors shall be six (6) until changed within the limits specified above by a bylaw amending this Section 3.2, duly adopted by the Board of Directors or the shareholders.'"

EXHIBIT 10.25

NORTH AMERICA SALES REPRESENTATIVE AGREEMENT

THIS AGREEMENT is entered into in Hillsboro, Oregon, as of ______________("Effective Date"), between Lattice Semiconductor Corporation, a Delaware corporation with principal offices at 5555 N.E. Moore Court, Hillsboro, Oregon, 97124 ("Lattice"), and _______, a corporation with principal offices at _________ ("Representative").

IN CONSIDERATION OF THE MUTUAL PROMISES CONTAINED HEREIN, THE PARTIES AGREE AS FOLLOWS:

1. DEFINITIONS

1.1 "Product(s)" means Lattice's hardware and software products identified in Lattice's current price list. Products may be changed, reclassified, abandoned or added by Lattice, in its sole discretion. Lattice shall be under no obligation to continue the production or sale of any Product.

1.2 "Territory" shall initially mean those geographical areas set forth in Exhibit A attached hereto. Lattice retains the sole authority and right to redefine the Territory at any time and for any or no reason, and to resolve as it sees fit any and all conflicts between its sales representatives in the event of conflicting, overlapping, or changing Territories and Territory boundaries.

2. APPOINTMENT AND AUTHORITY OF REPRESENTATIVE

2.1 APPOINTMENT. Subject to the terms and conditions of this Agreement, Lattice hereby appoints Representative as Lattice's exclusive sales representative for the Products in the Territory, and Representative hereby accepts such appointment. Representative's sole authority is to solicit orders for the Products in the Territory in accordance with the terms of this Agreement. Representative shall not have the authority to make any commitments whatsoever on behalf of Lattice.

2.2 RESERVED RIGHTS. Notwithstanding the provisions of Section 2.1 above, Lattice reserves the right to (a) solicit orders directly from and sell Products directly to any customer within the Territory, and (b) authorize third party distributors to solicit orders and sell Products in the Territory.

2.3 TERRITORIAL LIMITATION. Representative shall not advertise, sell or solicit orders for the Products from outside the Territory without the prior written consent of Lattice.

2.4 CONFLICT OF INTEREST. The parties acknowledge that any efforts by Representative to market or sell competing products in the Territory would constitute a conflict of interest with respect to Representative's obligations to market the Products. Representative warrants that it does not currently represent or sell any Products which compete with Lattice's Products. If Representative intends to market, promote or distribute products that compete with the Products, Representative shall notify Lattice of its intent at least sixty (60) days prior to commencing such activity and Lattice shall have the right at such time and at any time thereafter to immediately terminate this Agreement upon written notice to Representative without obligation to pay post-termination commissions to Representative as provided for in Section 9 below. Failure to so notify Lattice will be deemed to be a material breach of this Agreement. A product will be deemed to compete with the Products if, in Lattice's sole discretion, such product provides substantial overlap of any of the functionality or features of the Products. If Lattice introduces a new Product which competes with a product marketed or distributed by Representative, Representative will have sixty (60) days to cease representing such competing product in order to remain in compliance with this provision.

2.5 INDEPENDENT CONTRACTORS. The relationship of Lattice and Representative established by this Agreement is that of independent contractors, and nothing in this Agreement may be construed to (a) give either party the power to direct and control the day-to-day activities of the other, (b) constitute the parties as partners, joint venturers, co-owners or otherwise as participants in a joint undertaking, or (c) allow Representative to create or assume any obligation on behalf of Lattice for any propose whatsoever. All financial and other obligations associated with Representative's business are the sole responsibility of Representative. Representative shall be solely responsible for, and shall indemnify and hold Lattice free and harmless from any and all claims, damages or lawsuits (including reasonable attorneys' fees) arising out of the willful or negligent acts or omissions of Representative, its employees or its agents.

3. COMPENSATION

3.1 SOLE COMPENSATION. Representative's sole compensation under the terms of this Agreement shall be commissions computed in accordance with commission schedules set by Lattice. Commission schedules are typically revised annually, but may be revised at any time, in Lattice's sole discretion. For convenience of reference only, the initial schedule is set forth in Exhibit B.

3.2 BASIS OF COMMISSION. The commission shall apply to all Product sales shipped to end users in the Territory by Lattice's authorized distributors or Lattice. Commissions shall be computed on the net amount received by Lattice from the customer for Products only, and no commission shall be paid with respect to charges for handling or freight, sales taxes, COD charges, start-up charges, Product manual charges, qualification or test data charges, and the like. In the case of sales by authorized distributors, the basis of the commission will be the cost of the Product paid by the authorized distributor, net of all discounts and adjustments. In the event that Lattice, in its sole discretion determines to use the gross amount of distributor resales to end customers (or any other measure which exceeds the net distributor cost) as the basis for computing commissions, Lattice shall have the right at any time on written notice effective immediately to revert to the net distributor cost basis of commission as provided herein. In addition, if Lattice does choose to use distributor resale cost as the basis for commission, Lattice shall have the right to compute resale cost on any basis it deems reasonable, including Lattice's estimate of average distributor margins, and to change such method at any time. With respect to software Products, "sales," "cost," and similar terms will be construed as "licenses," "sublicenses," "license fees" and other terms used with respect to intellectual property transactions as appropriate in context. For Products which are held on consignment in end-user warehouses, a sale will be recognized only when such Products are drawn out of consignment inventory by the end user. The parties may agree, in writing from time to time, on adjustments to the regular commission schedule for specific customers, Products, or circumstances.

3.3 TIME OF PAYMENT. For shipments made directly by Lattice to a customer, commissions shall be due and payable thirty (30) days after the end of the month in which Lattice invoices the customer for the Products sold in the Territory. Commissions on distributor resales to customers shall be due and payable thirty (30) days after the end of the month in which Lattice receives the distributor's resale information. Commission payments shall be subject to all applicable governmental regulations and rulings, including the withholding of any taxes required by law.

3.4 SPLIT COMMISSIONS. If more than one sales representative is involved in the solicitation of a particular order, Lattice, in its sole discretion, may split the total commission for the order between or among the sales representatives involved. In no event will the total commission for an order exceed the total commission calculated without splitting. Lattice will not make split commission adjustments on any sales more than ninety (90) days old, with such ninety (90) day period measured by the time from the shipment of the Product by Lattice to the customer (and the date of receipt of the authorized distributor's resale report for distributor's sales) to the date of Lattice's approval of the commission split.

3.5 COMMISSION ADJUSTMENTS. Lattice shall have the absolute right to set such discounts, to make such allowances and adjustments, to accept such returns from its customers, and to write off as bad debts such overdue customer accounts as it deems advisable. In each such case, Lattice shall have the right to retroactively reduce commissions paid on such revised, adjusted, or written off amounts against future commissions payable to Representative. Commissions with respect to sales to customers who fail to pay within sixty (60) days of the invoice date may in Lattice's sole discretion be deducted from current commissions until such customer payments are collected.

4. SALE OF PRODUCTS

4.1 SOLICITATION OF ORDERS. Representative shall use its best efforts to solicit customer order for the Products. All inquiries from potential customers will be followed up promptly and all prospective orders obtained will be promptly forwarded to Lattice for Lattice's response. All orders from end users must show Lattice, rather than Representative, as the manufacturer/seller and shall correctly indicate part numbers, specifications, quantities, shipping destination and method, desired shipping date, and other significant customer data. Lattice is not required to pay commissions on orders which show representative as the manufacturer or seller. Representative shall work closely with customers to ensure proper preparation of orders.

4.2 ACCEPTANCE. All prospective orders obtained by Representative are conditioned on acceptance by Lattice at its principal office currently located at the address listed for Lattice at the beginning of this Agreement. Representative shall have no authority to make any acceptance or delivery commitments to customers. Lattice specifically reserves the right to reject any order or any part thereof for any reason.

4.3 CREDIT APPROVAL. Lattice shall have the sole right of credit approval or credit refusal for customers in all cases.

4.4 INVOICES. Lattice shall render all invoices directly to the customers and shall send summary reports of commissionable invoices to the Representative. Customer payments will be made directly to Lattice.

4.5 COLLECTION. It is understood by Representative that responsibility for collection of invoices rests with Lattice, and Representative will not take any action toward collection of invoices absent express written authorization from Lattice.

4.6 INQUIRIES FROM OUTSIDE THE TERRITORY. Representative shall promptly submit to Lattice, for Lattice's attention and handling, the originals of all inquires received by Representative from customers outside the Territory.

4.7 POLICIES. Representative agrees to abide by Lattice's sales policies and procedures as may be modified by Lattice from time to time, including without limitation those provisions which may limit, delay, or restrict payment of commissions in the event of violations of such policies.

5. PRODUCT WARRANTY AND PRODUCT AVAILABILITY

5.1 PRODUCT WARRANTY. Any warranty for the Products shall run directly from Lattice to the customer, and pursuant to the warranty the customer shall return any allegedly defective Products to Lattice in compliance with Lattice's return procedures. Representative shall have no authority to accept any returned Products.

LATTICE MAKES AND REPRESENTATIVE RECEIVES NO WARRANTIES OR CONDITIONS OF ANY KIND ON THE PRODUCTS, WHETHER EXPRESS, IMPLIED, STATUTORY, OR IN ANY OTHER PROVISION OF THIS AGREEMENT OR COMMUNICATION WITH REPRESENTATIVE, AND LATTICE SPECIFICALLY DISCLAIMS ANY IMPLIED WARRANTY OF MERCHANTABILITY, NONINFRINGEMENT OR FITNESS FOR A PARTICULAR PURPOSE.

5.2 PRODUCT AVAILABILITY. Under no circumstances shall Lattice be responsible to Representative in any way for Lattice's failure to fill accepted orders, or for its delay in filling accepted orders, regardless of the reason therefor.

6. DEMONSTRATION PRODUCTS

Lattice may loan certain Products and examples of Product applications to Representative as sample or demonstration Products ("Demonstrators"). All such Demonstrators will remain the property of Lattice. All loans of software products shall be further subject to the terms and conditions of Lattice's standard software license agreement. Representative shall have full responsibility for keeping Demonstrators in proper operating condition during the entire time that the Demonstrators are in its possession and Representative shall be responsible for any damages to such Demonstrators except for damages or deterioration which result from normal wear and tear. Within fifteen (15) calendar days of a written request from Lattice, Representative shall return each Demonstrator to Lattice in good condition.

7. ADDITIONAL RESPONSIBILITIES OF REPRESENTATIVE

Representative shall have the following responsibilities:

(a) provide sales coverage of OEM accounts and distributor resale within the Territory in a competent, professional manner consistent with good business practice;

(b) achieve and maintain adequate personnel staffing levels and other resources, and adequate levels of technical competence with respect to the Products, all as determined by Lattice;

(c) provide business forecasts, reviews of business activity, reviews of sales processes in the Territory with Lattice and its authorized distributors, and all other information reasonably requested by Lattice, in writing or approved electronic form, in the format required by Lattice; all on a timely basis, and including all information required pursuant to Lattice's standard representative policies and procedures, as they may be modified by Lattice from time to time;

(d) cooperate with and assist Lattice in promotional and merchandising campaigns;

(e) maintain an office or answering service, which shall be open during normal business hours;

(f) pay all expenses of the operation of Representative's business including, but not limited to, salespersons' expenses, travel, and account visits; and

(g) attend all Lattice training and sales meetings as required.

8. ADDITIONAL RESPONSIBILITIES OF LATTICE

8.1 ASSISTANCE IN PROMOTION. Lattice shall, at its own expense, provide Representative with commercially reasonable sales and technical assistance concerning the Products as well as reasonable quantities of brochures, instructional materials, advertising literature and other Product data.

8.2 TRAINING. Lattice shall provide Representative with reasonable training regarding Lattice's Products, policies and services as reasonably required for Representative to understand and effectively market the Products.

9. TERM AND TERMINATION

9.1 TERM. This Agreement will commence upon the Effective Date and continue for a period of one (1) year unless terminated earlier as provided herein. This Agreement will renew automatically on each anniversary of the Effective Date for an additional one (1) year term unless written notice of non-renewal is provided by either party not less than thirty (30) days prior to the renewal date.

9.2 TERMINATION FOR CAUSE. This Agreement may be terminated immediately by either party upon notice, if the other party (a) is in breach of any material term or condition of this Agreement and does not cure such breach within thirty (30) days after being given written notice thereof, (b) becomes the subject of any voluntary or involuntary proceeding under the U.S. Bankruptcy Code or state insolvency proceeding and such proceeding is not terminated within sixty (60) days of its commencement, or (c) ceases to be actively engaged in business. Notwithstanding the foregoing, if Lattice becomes aware of a conflict of interest, or an impending conflict of interest, pursuant to paragraph 2.4, Lattice may terminate this Agreement immediately upon notice to Representative. Lattice may, in its sole discretion, delay such termination until any other time, but expressly reserves the right to revoke such delay in termination at any time and for any or no reason.

9.3 TERMINATION FOR CONVENIENCE. This Agreement may be terminated at any time by either party with or without cause upon thirty (30) days written notice to the other party prior to the date of termination.

9.4 TERMINATION OF COMMISSIONS.

(a) In the event that the Representative terminates this Agreement for convenience, Lattice will pay commissions to the Representative for Product shipments to OEM customers through the date of termination, and for distributor Product resales which occur through the date of termination and are reported to Lattice, in the report for the distributor's fiscal month in which the date of termination occurs..

(b) In the event that Lattice terminates this Agreement for cause as provided in Section 9.2, Lattice will pay commissions to the Representative for Product shipments to OEM customers through the date of termination, and for distributor Product resales which occur and are reported to Lattice, through the date of termination.

(c) In the event that Lattice terminates this Agreement as provided in Section 9.2 due to a conflict of interest by the Representative pursuant to Section 2.4, all Lattice obligations to pay commissions to the Representative will immediately terminate.

(d) In the event that Lattice terminates this Agreement for convenience, or the Representative terminates this Agreement due to Lattice's breach or insolvency, Lattice will pay commissions to the Representative for OEM customer Product orders booked before the termination date which are shipped through the date of termination. If the Representative has been a sales representative for Lattice for at least two (2) years as of the date of termination, then in the event of such termination Lattice will pay commissions for OEM customer Product orders booked before the termination date which are shipped within thirty (30) days after the date of termination. The thirty (30) days after termination shipment period will be extended an additional thirty (30) days if the Representative has been a sales representative for Lattice for at least three (3) years as of the date of termination, but in no event will be extended beyond a maximum of sixty (60) days after the date of termination. Lattice will also pay commissions on distributor Product resales which occur through the date of termination and are reported to Lattice in the report for the distributor's fiscal month in which the date of termination occurs.

9.5 RETURN OF MATERIALS. All confidential information, customer files, trademarks, trade names, patents, copyrights, designs, drawings, formulas or other data, photographs, literature, and sales aids of every kind shall remain the property of Lattice, and Representative shall promptly return or destroy, as Lattice may direct, all such materials upon termination of this Agreement.

9.6 LIMITATION OF LIABILITY. In the event of termination by either party in accordance with any of the provisions of this Agreement, neither party shall be liable to the other, because of such termination, for compensation, reimbursement of expenses, or damages on account of loss of prospective profits or anticipated sales or on account of any other expenditures, investments, leases or commitments made in connection with the business or goodwill of Lattice or Representative or made in connection with this Agreement or the anticipation of extended performance hereunder. Lattice's sole liability under the terms of this Agreement shall be for any unpaid commissions under Sections 3 and 9.4 above.

9.7 SURVIVAL OF CERTAIN TERMS. The provisions of Sections 1, 2.5, 3, 4.5, 5, 6, 9, 10, 11, 12 and 13 shall survive the termination of this Agreement for any reason. All other rights and obligations of the parties shall cease upon termination of this Agreement.

10. LIMITATION ON LIABILITY

IN NO EVENT SHALL LATTICE HAVE ANY LIABILITY FOR ANY LOST PROFITS OR COSTS OF PROCUREMENT OF SUBSTITUTE GOODS OR SERVICES, OR FOR ANY SPECIAL, INDIRECT, OR CONSEQUENTIAL DAMAGES ARISING OUT OF THIS AGREEMENT, UNDER ANY CAUSE OF ACTION INCLUDING, WITHOUT LIMITATION, THOSE RESULTING FROM THE USE OF THE PRODUCTS, OR THE FAILURE OF THE PRODUCTS TO PERFORM, OR FOR ANY OTHER REASON. THESE LIMITATIONS SHALL APPLY WHETHER OR NOT LATTICE HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH LOSS AND NOTWITHSTANDING THE FAILURE OF THE ESSENTIAL PURPOSE OF ANY LIMITED REMEDY. THE PARTIES ACKNOWLEDGE THAT THIS SECTION 10

REPRESENTS A REASONABLE ALLOCATION OF RISK AND FORMS THE BASIS FOR THE LEVEL OF COMMISSIONS PAYABLE TO REPRESENTATIVE HEREUNDER.

11. CONFIDENTIALITY

Representative acknowledges that by reason of its relationship to Lattice hereunder it will have access to certain information and materials concerning Lattice's business, plans, customers, technology, and products that are confidential and of substantial value to Lattice, which value would be impaired if such information were disclosed to third parties. Representative agrees that it will not use in any way for its own account or the account of any third party, nor disclose to any third party, any such confidential information revealed to it by Lattice. Representative shall take every reasonable precaution to protect the confidentiality of such information. Upon request by Representative, Lattice shall advise whether or not it considers any particular information or materials to be confidential. Representative shall not publish any technical description of the Products beyond any description which may be published by Lattice. In the event of termination of this Agreement, Representative will no longer use, and will not disclose to any third party, any confidential information of Lattice, and Representative will not manufacture or have manufactured or sell or distribute or represent any products utilizing any of Lattice's confidential information.

12. TRADEMARKS AND TRADE NAMES

12.1 USE. During the term of this Agreement, Representative shall have the right to indicate to the public that it is an authorized representative of Lattice's Products and to advertise within the Territory such Products under the trademarks, marks and trade names that Lattice may adopt from time to time ("Lattice's Trademarks"). Nothing herein grants Representative any right, title or interest in or to Lattice's Trademarks. At no time during or after the term of this Agreement shall Representative challenge or assist others to challenge the validity or ownership of Lattice's Trademarks or the registration thereof, or attempt to register any trademarks, marks or trade names confusingly similar to those of Lattice.

12.2 APPROVAL OF REPRESENTATIONS. All representations of Lattice's Trademarks that Representative intends to use must first be submitted to Lattice for approval (which shall not be unreasonably withheld) of design, color, and other details or shall be exact copies of those used by Lattice. If any of Lattice's Trademarks are to be used in conjunction with another trademark on or in relation to the Products, Lattice's Trademarks shall be equally legible, prominent and of equal or greater size than the other but nevertheless separated from the other so that each appears to be a mark in its own right, distinct from the other mark.

13. MISCELLANEOUS

This Agreement constitutes the entire agreement between the parties relating to the subject matter hereof and no waiver or modification of this Agreement will be valid unless in writing signed by each party. The waiver of a breach of any term hereof will in no way be construed as a waiver of any other term or breach hereof. If any provision of this Agreement is held by a court of competent jurisdiction to be contrary to law or otherwise unenforceable or of no effect, the remaining provisions of this Agreement shall remain in full force and effect. Lattice shall have no liability for its failure to perform its obligations hereunder when due to circumstances beyond Lattice's reasonable control. This Agreement shall inure to the benefit of and be binding upon each party's successors and assigns. This Agreement is governed by the laws of the State of Oregon without reference to conflict of laws principles. All disputes arising out of this Agreement shall be subject to the exclusive jurisdiction of the state and Federal courts located in Multnomah County, Oregon, and the parties agree and submit to the personal and exclusive jurisdiction and venue of such courts.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day and year first above written.

LATTICE SEMICONDUCTOR CORPORATION	-------------------------------------
By: --------------------------------	By: --------------------------------
Print Name: ------------------------	Print Name: ------------------------
Title: ------------------------------	Title: ------------------------------
Date: ------------------------------	Date: ------------------------------

EXHIBIT A

TERRITORY

Territory includes:

EXHIBIT B

COMMISSION SCHEDULE

EXHIBIT 13.1

FINANCIAL HIGHLIGHTS

(IN THOUSANDS, EXCEPT PER SHARE DATA)	YEAR ENDED MARCH 28, 1998	MARCH 29, 1997	MARCH 30, 1996
Revenue	$245,894	$204,089	$198,167
Net income	$56,567	$45,005	$41,784
Basic net income per share	$2.43	$2.00	$2.06
Diluted net income per share	$2.37	$1.96	$1.99
Cash and short-term investments	$267,110	$228,647	$215,170
Total assets	$489,066	$403,462	$342,935
Stockholders' equity	$434,686	$360,491	$298,768

CORPORATE PROFILE

Lattice Semiconductor Corporation designs, develops and markets high performance programmable logic devices ("PLDs") and related development system software. Lattice is the inventor and world's leading supplier of in-system programmable ("ISP(TM)") logic devices. PLDs are standard semiconductor components that can be configured by the end customer as specific logic functions, enabling shorter design cycle times and reduced development costs. Lattice's end customers are primarily original equipment manufacturers ("OEMs") of communications, computing, industrial controls and military systems. Approximately one-half of Lattice's revenue is derived from international sales, mainly in Europe and Asia. Lattice was founded in 1983 and is based in Hillsboro, Oregon.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Actual results could differ materially from those projected in the forward-looking statements as a result of the factors set forth in the section entitled "Factors Affecting Future Results" and elsewhere in this report.

Lattice Semiconductor Corporation (the "Company") designs, develops and markets high performance programmable logic devices ("PLDs") and related development system software. The Company is the inventor and world's leading supplier of in-system programmable ("ISP(TM)") logic devices. PLDs are standard semiconductor components that can be configured by the end customer as specific logic functions, enabling shorter design cycle times and reduced development costs. Lattice products are sold worldwide through an extensive network of independent sales representatives and distributors, primarily to original equipment manufacturers ("OEMs") of communications, computing, industrial controls and military systems. Approximately one-half of the Company's revenue is derived from international sales, mainly in Europe and Asia. The Company was founded in 1983 and is based in Hillsboro, Oregon.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, the percentage of revenue represented by selected items reflected in the Company's consolidated statement of operations.

	YEAR ENDED		
	MAR. 28, 1998	MAR. 29, 1997	MAR. 30, 1996
Revenue	100%	100%	100%
Costs and expenses:			
Cost of products sold	40	41	41
Research and development	13	14	14
Selling, general and administrative	16	16	16
	69	71	71
Income from operations	31	29	29
Interest and other income (net)	4	4	3
Income before provision for income taxes	35	33	32
Provision for income taxes	12	11	11
Net income	23%	22%	21%

REVENUE Revenue was $245.9 million in fiscal 1998, an increase of 20% over fiscal 1997. Fiscal 1997 revenue of $204.1 million represented an increase of 3% from the $198.2 million recorded in fiscal 1996. The majority of the Company's revenue in fiscal 1998 was derived from the sale of products that address the ISP segment of the programmable logic market. All of the Company's revenue growth for the periods presented resulted from sales of ISP products. Revenue from ISP products was approximately 65%, 48% and 28% of total revenue for fiscal 1998, 1997 and 1996, respectively.

Revenue from international sales was approximately 51%, 49% and 48% of total revenue for fiscal 1998, 1997 and 1996, respectively. The Company expects export sales to continue to represent a significant portion of revenue. See "Factors Affecting Future Results."

Overall average selling prices increased in all three fiscal years presented. This was due primarily to a higher proportion of ISP products in the revenue mix. Although selling prices of mature products generally decline over time, this decline is at times offset by higher selling prices of new products. The Company's ability to maintain its recent trend of revenue growth is in large part dependent on the continued development, introduction and market acceptance of new products.

GROSS MARGIN The Company's gross margin as a percentage of revenue was 60%, 59% and 59% for fiscal years 1998, 1997 and 1996, respectively. The gross margin improvement in fiscal 1998 was primarily due to changes in product mix and reductions in the Company's manufacturing costs. Profit margins on older products tend to decrease over time as selling prices decline, however the Company's strategy has been to offset these decreases by introducing new products with higher margins.

RESEARCH AND DEVELOPMENT Research and development expense was $32.0 million,

$27.8 million and $26.8 million in fiscal 1998, 1997 and 1996, respectively. Spending increases were related primarily to the development of new products, including the Company's ISP product families and related software development tools. The Company believes that a continued commitment to research and development is essential in order to maintain a competitive offering in existing products and to introduce innovative new products, and therefore expects to continue to make significant investments in research and development in the future.

SELLING, GENERAL AND ADMINISTRATIVE Selling, general and administrative expense was $39.9 million, $33.6 million and $31.3 million in fiscal 1998, 1997 and 1996, respectively. Spending increases were primarily due to expansion of the Company's sales force and increased sales commissions associated with higher revenue levels. Selling, general and administrative expense as a percentage of revenue was approximately 16% for all fiscal years presented.

INCOME FROM OPERATIONS Income from operations increased 27%, from $59.0 million to $75.1 million, from fiscal 1997 to fiscal 1998, and increased 2%, from $57.8 million, between fiscal 1996 and fiscal 1997. Income from operations increased as a percentage of revenue, from 29% in fiscal 1996 and fiscal 1997 to 31% in fiscal 1998.

INTEREST AND OTHER INCOME Interest and other income (net of expense) increased by approximately $1.9 million from fiscal 1997 to fiscal 1998, and by approximately $3.3 million from fiscal 1996 to fiscal 1997. The increase in both fiscal years was due to higher cash and investment balances resulting from the Company's follow-on public offering of common stock in November 1995, cash generated from operations and common stock issuances from employee stock option exercises.

PROVISION FOR INCOME TAXES The Company's effective tax rate was 34.0% for fiscal 1998 as compared to 33.5% and 33.9% recorded in fiscal 1997 and 1996, respectively. The fiscal 1998 and 1997 rate increase and decrease, respectively, was due primarily to variation in the benefit from tax-exempt investment income.

Deferred tax asset valuation allowances are recorded to offset deferred tax assets that can only be realized by earning taxable income in distant future years. Management established the valuation allowances because it cannot determine if it is more likely than not that such income will be earned.

NET INCOME Net income increased 26%, from $45.0 million to $56.6 million, from fiscal 1997 to fiscal 1998, and increased 8%, from $41.8 million, between fiscal 1996 and fiscal 1997. Net income increased as a percentage of revenue each fiscal year, from 21% in fiscal 1996 to 22% in fiscal 1997, and then to 23% in fiscal 1998.

FACTORS AFFECTING FUTURE RESULTS

Notwithstanding the objectives, projections, estimates and other forward-looking statements in this Annual Report, the Company's future operating results will continue to be subject to quarterly variations based on a wide variety of competitive factors, including, but not limited to, the following: timely introduction of new products that meet market needs at competitive prices with acceptable margins, market acceptance of the Company's new products and proprietary software development tools, scheduling, rescheduling and cancellation of large orders, successful protection of the Company's intellectual property rights, potential litigation relating to competitive patents and intellectual property and the Company's ability to attract and retain highly qualified technical and management personnel.

In addition, the Company's operating results are subject to variations based upon the following factors: the Company's continued ability to obtain adequate wafer capacity supply commitments under competitive pricing terms, successful development and implementation of future new advanced process technologies at its wafer manufacturers, attainment of acceptable wafer manufacturing yields, the ability to achieve volume production at Seiko Epson's and UICC's new eight-inch wafer fabs, and potential interruptions in supply from the Company's wafer manufacturers and assembly contractors as a result of work stoppages, political instability or natural or man-made disasters.

The Company's operating results also depend in large part on various factors outside the Company's control such as general economic conditions and specific conditions in countries where the Company's products are sold, the cyclical nature of both the semiconductor industry and the end markets served by the Company's products, sudden price fluctuations, general price erosion and substantial adverse currency change movements. The semiconductor industry is highly cyclical and has been subject to significant downturns at various times that have been characterized by diminished product demand, production overcapacity and accelerated erosion of average selling prices. The Company's rate of growth in recent periods has been positively and negatively impacted by trends in the semiconductor industry. Any material imbalance in industry-wide production capacity relative to demand, shift in industry capacity toward products competitive with the Company's products, reduced demand, reduced growth in demand or other factors could result in a decline in the demand for or the prices of the Company's products and have a material adverse effect on the Company's operating results. The Company's operating results are also dependent upon international revenues which may be adversely affected by the imposition of government controls, export license requirements, trade restrictions, financial and political instability, changes in tariffs and other factors outside the Company's control.

Due to these and other factors, the Company's past results are a less useful predictor of future results than is the case in more mature and stable industries. The market price of the Company's common stock could be subject to significant fluctuations due to the inherent volatility of the semiconductor industry combined with the aforementioned or other factors, including variations in the Company's quarterly operating results and shortfalls in revenues or earnings from levels expected by securities analysts. In addition, the stock market can experience significant price fluctuations, which often are unrelated to the operating performance of the specific companies whose stocks are traded. Broad market fluctuations, as well as economic conditions generally and in the semiconductor industry specifically, may adversely affect the market price of the Company's common stock.

The Company is currently working to address the potential impact of the Year 2000 on the processing of date-sensitive information by the Company's internal computer systems, including its electronic interfaces to distributor, customer and supplier systems. At present, the Company has completed an initial assessment of its potential exposure. Based on this assessment, the Company does not anticipate that resolution of potential internal Year 2000 issues will have a material adverse impact on the Company's operating results. However, there can be no assurance that the Company's computer systems or the systems of the company's major distributors, suppliers, customers or financial service providers will completely address all Year 2000 issues in a timely manner. In the event that Year 2000 issues create significant disruption in the operations of the

Company or any of the Company's major distributors, suppliers, customers or financial service providers, the Company's operating results could be materially adversely affected.

For further explanation of the factors set forth above, see "Factors Affecting Future Results" in Item 1 of the Company's Annual Report on Form 10-K for the fiscal year ended March 28, 1998.

LIQUIDITY AND CAPITAL RESOURCES

As of March 28, 1998, the Company's principal source of liquidity was $267.1 million of cash and short-term investments, an increase of $38.5 million from the balance of $228.6 million at March 29, 1997. This increase was primarily the result of cash generated from operations and common stock issuances in excess of cash required for foundry investments and wafer supply advances made in fiscal 1998. The Company also has available an unsecured $10 million demand bank credit facility with interest due on outstanding balances at a money market rate. This facility has not been used.

Accounts receivable and deferred income on sales to distributors increased $2.3 million and $2.5 million, or 9% and 14%, respectively, as compared to the balances at March 29, 1997. These increases were primarily due to higher revenue levels in the fiscal 1998 fourth quarter and the timing of billings to end customers and distributors. Inventories decreased by $5.2 million, or 19%, versus amounts recorded at March 29, 1997 in response to shorter lead time of supply, availability of manufacturing capacity and anticipated customer requirements. Prepaid expenses and other current assets decreased by $10.9 million, or 66%, as compared to the balance at March 29, 1997 due primarily to a decrease in the current portion of wafer supply advances. The $48.9 million increase in Foundry investments, advances and other assets resulted primarily from the payment of approximately $34.2 million to Seiko Epson in fiscal 1998 pursuant to an advance payment purchase agreement. Additionally, in fiscal 1998 the Company paid approximately $10.2 million, the last of three planned payments, to fund the Company's investment in United Integrated Circuits Corporation ("UICC"). See below and note 4 of notes to consolidated financial statements. Accounts payable and other accrued expenses increased by $3.9 million, or 27%, due primarily to increased cash payments for wafers. Accrued payroll obligations increased $1.6 million, or 16%, as compared to the balance at March 29, 1997 due to increased headcount and timing of payments. Income taxes payable increased $3.4 million, or 438%, as compared to the balance at March 29, 1997 due to the timing of tax deductions and payments.

Stockholders' equity increased by approximately $74.2 million, primarily due to net income of approximately $56.6 million for fiscal 1998 and net proceeds from common stock issuances.

Capital expenditures were approximately $18.8 million, $10.6 million and $12.6 million for fiscal years 1998, 1997 and 1996, respectively. These expenditures consisted primarily of manufacturing test equipment, engineering equipment, buildings and building improvements. The increase in fiscal 1998 capital expenditures as compared to fiscal 1997 and 1996 was associated with construction in progress of additional corporate facilities and increased investment in manufacturing test equipment to support the growth in revenue from ISP products.

The Company currently anticipates capital expenditures of approximately $20 million to $25 million for the fiscal year ending April 3, 1999.

The majority of the Company's silicon wafer purchases are denominated in Japanese yen. The Company maintains yen-denominated bank accounts and bills its Japanese customers in yen. The yen bank deposits are utilized to hedge yen-denominated wafer purchases and are accounted for as identifiable hedges against specific and firm wafer purchases.

The Company entered into a series of agreements with United Microelectronics Corporation ("UMC") in September 1995 pursuant to which the Company agreed to join UMC and several other companies to form a separate Taiwanese Company, UICC, for the purpose of building and operating an advanced semiconductor manufacturing facility in Taiwan, Republic of China. Under the terms of the agreements, the Company invested approximately $49.7 million, for an approximate 10% equity interest in UICC and the right to receive a percentage of the facility's wafer production at market prices.

In March 1997, the Company entered into an advance payment production agreement with Seiko Epson Corporation ("Seiko Epson") and its affiliated U.S. distributor, S MOS Systems Inc. ("S MOS") under which it agreed to advance approximately $86 million, payable over two years, to Seiko Epson to finance construction of an eight-inch sub-micron semiconductor wafer manufacturing facility. Under the terms of the agreement, the advance is to be repaid with semiconductor wafers over a multi-year period. The agreement calls for wafers to be supplied by Seiko Epson through S MOS pursuant to purchase agreements with S MOS. The Company also has an option under this agreement to advance Seiko Epson an additional $60 million for additional wafer supply under similar terms. The first payment pursuant to this agreement, approximately $17.0 million, was made during March 1997. During fiscal 1998, the Company made two additional payments aggregating approximately $34.2 million. As a result of future payments to Seiko Epson, the Company's working capital will be reduced by approximately $35 million during fiscal 1999.

On June 12, 1998, the Company's Board of Directors authorized management to repurchase up to 1.2 million shares of the Company's common stock. As of June 16, 1998, the Company had not repurchased any shares.

The Company believes that its existing sources of liquidity and expected cash generated from operations will be adequate to fund the Company's anticipated cash needs for the next fiscal year.

In an effort to secure additional wafer supply, the Company may from time to time consider various financial arrangements including joint ventures, equity investments, advance purchase payments, loans, or similar arrangements with independent wafer manufacturers in exchange for committed wafer capacity. To the extent that the Company pursues any such additional financial arrangements, additional debt or equity financing may be required. There can be no assurance that any such additional funding could be obtained when needed or, if available, on terms acceptable to the Company.

SELECTED FINANCIAL DATA

(IN THOUSANDS, EXCEPT PER SHARE DATA)	YEAR ENDED MARCH 28, 1998	MARCH 29, 1997	MARCH 30, 1996	APRIL 1, 1995	APRIL 2, 1994
STATEMENT OF OPERATIONS DATA:					
Revenue	$245,894	$204,089	$198,167	$144,083	$126,241
Costs and expenses:					
Cost of products sold	98,883	83,736	82,216	58,936	53,266
Research and development	32,012	27,829	26,825	22,859	20,636
Selling, general and administrative	39,934	33,558	31,323	25,020	22,299
	170,829	145,123	140,364	106,815	96,201
Income from operations	75,065	58,966	57,803	37,268	30,040
Interest and other income, net	10,643	8,712	5,442	3,349	2,566
Income before provision for income taxes	85,708	67,678	63,245	40,617	32,606
Provision for income taxes	29,141	22,673	21,461	13,651	10,116
Net income	$ 56,567	$ 45,005	$ 41,784	$ 26,966	$ 22,490
Basic net income per share	$ 2.43	$ 2.00	$ 2.06	$ 1.45	$ 1.24
Diluted net income per share	$ 2.37	$ 1.96	$ 1.99	$ 1.41	$ 1.19
Shares used in per share calculations:					
Basic net income	23,239	22,460	20,327	18,627	18,182
Diluted net income	23,894	22,973	20,979	19,164	18,946
BALANCE SHEET DATA:					
Working capital	$283,678	$267,669	$244,649	$106,021	$105,007
Total assets	489,066	403,462	342,935	192,917	146,093
Stockholders' equity	434,686	360,491	298,768	157,797	125,068

	YEAR ENDED MARCH 28, 1998				YEAR ENDED MARCH 29, 1997			
	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER
UNAUDITED QUARTERLY DATA:								
Revenue	$60,168	$60,038	$64,068	$61,620	$56,268	$51,015	$48,638	$48,168
Gross profit	$36,071	$36,183	$38,165	$36,592	$33,332	$30,048	$28,643	$28,330
Net income	$13,818	$13,651	$14,930	$14,168	$12,819	$11,278	$10,460	$10,448
Basic net income per share	$ 0.59	$ 0.58	$ 0.64	$ 0.62	$ 0.56	$ 0.50	$ 0.47	$ 0.47
Diluted net income per share	$ 0.58	$ 0.57	$ 0.62	$ 0.60	$ 0.55	$ 0.49	$ 0.46	$ 0.46

ALL SHARE AND PER SHARE AMOUNTS HAVE BEEN ADJUSTED TO REFLECT THE THREE-FOR-TWO STOCK SPLIT EFFECTED IN THE FORM OF A STOCK DIVIDEND WHICH WAS PAID ON JULY 6, 1993.

CONSOLIDATED BALANCE SHEET

(IN THOUSANDS, EXCEPT SHARE AND PAR VALUE AMOUNTS)	MARCH 28, 1998	MARCH 29, 1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 60,344	$ 53,949
Short-term investments	206,766	174,698
Accounts receivable, net	28,229	25,940
Inventories (note 2)	22,647	27,809
Prepaid expenses and other current assets	5,572	16,519
Deferred income taxes (note 7)	14,500	11,725
Total current assets	338,058	310,640
Foundry investments, advances and other assets (notes 4 and 9)	114,338	65,419
Property and equipment, less accumulated depreciation (note 3)	36,670	27,403
	$489,066	$403,462
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses (note 9)	$ 18,196	$ 14,276
Accrued payroll obligations	11,231	9,648
Income taxes payable (note 7)	4,210	782
Deferred income	20,743	18,265
Total current liabilities	54,380	42,971
Commitments and contingencies (notes 4, 6, 9, 10 and 11)	--	--
Stockholders' equity (note 8):		
Preferred stock, $.01 par value, 10,000,000 shares authorized; none issued and outstanding	--	--
Common stock, $.01 par value, 100,000,000 shares authorized; 23,428,072 and 22,877,724 shares issued and outstanding	234	229
Paid-in capital	216,290	198,667
Retained earnings	218,162	161,595
	434,686	360,491
	$489,066	$403,462

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

LATTICE SEMICONDUCTOR CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE DATA)	YEAR ENDED MARCH 28, 1998	MARCH 29, 1997	MARCH 30, 1996
Revenue	$245,894	$ 204,089	$ 198,167
Costs and expenses:			
Cost of products sold (note 9)	98,883	83,736	82,216
Research and development	32,012	27,829	26,825
Selling, general and administrative (note 12)	39,934	33,558	31,323
	170,829	145,123	140,364
Income from operations	75,065	58,966	57,803
Other income (expense):			
Interest income	10,277	8,886	5,570
Other income (expense), net	366	(174)	(128)
Income before provision for income taxes	85,708	67,678	63,245
Provision for income taxes (note 7)	29,141	22,673	21,461
Net income	$ 56,567	$ 45,005	$ 41,784
Basic net income per share	$ 2.43	$ 2.00	$ 2.06
Diluted net income per share	$ 2.37	$ 1.96	$ 1.99
Shares used in per share calculations:			
Basic net income	23,239	22,460	20,327
Diluted net income	23,894	22,973	20,979

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(IN THOUSANDS, EXCEPT PAR VALUE)	COMMON STOCK ($.01 PAR VALUE) SHARES	AMOUNT	PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL
Balances, April 1, 1995	18,890	$189	$ 82,802	$ 74,806	$ 157,797
Net proceeds from public offering	2,500	25	86,676	--	86,701
Other common stock issued	733	7	5,416	--	5,423
Tax benefit of option exercises	--	--	6,961	--	6,961
Other	--	--	102	--	102
Net income for fiscal 1996	--	--	--	41,784	41,784
Balances, March 30, 1996	22,123	221	181,957	116,590	298,768
Common stock issued	755	8	10,516	--	10,524
Tax benefit of option exercises	--	--	6,179	--	6,179
Other	--	--	15	--	15
Net income for fiscal 1997	--	--	--	45,005	45,005
Balances, March 29, 1997	22,878	229	198,667	161,595	360,491
Common stock issued	550	5	12,546	--	12,551
Tax benefit of option exercises	--	--	5,225	--	5,225
Other	--	--	(148)	--	(148)
Net income for fiscal 1998	--	--	--	56,567	56,567
Balances, March 28, 1998	23,428	$234	$ 216,290	$218,162	$ 434,686

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

CONSOLIDATED STATEMENT OF CASH FLOWS

(IN THOUSANDS)	YEAR ENDED MARCH 28, 1998	MARCH 29, 1997	MARCH 30, 1996
Cash flow from operating activities:			
Net income	$ 56,567	$ 45,005	$ 41,784
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Depreciation and amortization	9,558	8,629	7,137
Deferred income taxes	(2,775)	(2,025)	(2,398)
Changes in assets and liabilities:			
Accounts receivable	(2,289)	(3,056)	(4,737)
Inventories	5,162	(6,048)	(7,630)
Prepaid expenses and other current assets	(2,654)	(750)	(450)
Foundry investments, advances and other assets	(35,318)	(33,239)	(3,087)
Accounts payable and accrued expenses	3,920	(739)	2,241
Accrued payroll obligations	1,583	2,192	2,067
Income taxes payable	3,428	(4,018)	(406)
Deferred income	2,478	1,369	5,145
Net cash provided by operating activities	39,660	7,320	39,666
Cash flow from investing activities:			
Purchase of short-term investments, net	(32,068)	(14,128)	(79,457)
Proceeds from sale of property and equipment	--	--	98
Capital expenditures	(18,825)	(10,561)	(12,591)
Net cash used by investing activities	(50,893)	(24,689)	(91,950)
Cash flow from financing activities:			
Net proceeds from issuance of common stock	17,628	16,718	99,187
Net cash provided by financing activities	17,628	16,718	99,187
Net increase (decrease) in cash and cash equivalents	6,395	(651)	46,903
Beginning cash and cash equivalents	53,949	54,600	7,697
Ending cash and cash equivalents	$ 60,344	$ 53,949	$ 54,600

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

NOTE 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES:

NATURE OF OPERATIONS Lattice Semiconductor Corporation (the "Company") designs, develops and markets high performance programmable logic devices ("PLDs") and related development system software. The Company is the inventor and world's leading supplier of in-system programmable ("ISP(TM)") logic devices. PLDs are standard semiconductor components that can be configured by the end customer as specific logic functions, enabling shorter design cycle times and reduced development costs. The Company's end customers are primarily original equipment manufacturers ("OEMs") of communications, computing, industrial controls and military systems. Approximately one-half of the Company's revenue is derived from international sales, mainly in Europe and Asia. The Company was founded in 1983 and is based in Hillsboro, Oregon.

FISCAL REPORTING PERIOD AND PRINCIPLES OF CONSOLIDATION The Company reports on a 52 or 53 week fiscal year, which ends on the Saturday closest to March 31. The accompanying consolidated financial statements include the accounts of Lattice Semiconductor Corporation and its wholly-owned foreign subsidiaries, Lattice GmbH, Lattice Semiconducteurs SARL, Lattice Semiconductor KK, Lattice Semiconductor Shanghai Co., Ltd., Lattice Semiconductor Asia Ltd., Lattice Semiconductor International Ltd., Lattice Semiconductor UK Ltd. and Lattice Semiconductor AB. The assets, liabilities, and results of operations of these entities were not material for any of the years presented in the consolidated financial statements and all intercompany accounts and transactions have been eliminated.

CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS The Company considers all highly liquid investments, which are readily convertible into cash and have original maturities of three months or less, to be cash equivalents. Short-term investments, which have maturities greater than three months and less than one year, are composed of money market preferred stocks ($110.2 million), government obligations ($70.2 million), commercial paper ($6.9 million) and time deposits ($19.5 million) at March 28, 1998.

The Company categorizes its short-term investments as held-to-maturity, which are stated at amortized cost with corresponding premiums or discounts amortized over the life of the investment to interest income. Amortized cost approximates market value at March 28, 1998.

FINANCIAL INSTRUMENTS All of the Company's significant financial assets and liabilities are recognized in the Consolidated Balance Sheet as of March 28, 1998 and March 29, 1997. The carrying value of the Company's financial instruments approximate current market value except foundry equity investments in Taiwan which are either not readily marketable or where market prices are not necessarily indicative of realizable value. The Company estimates the fair value of its cash and cash equivalents, short-term investments, accounts receivable, other current assets and current liabilities based upon existing interest rates related to such assets and liabilities compared to the current market rates of interest for instruments of similar nature and degree of risk.

DERIVATIVE FINANCIAL INSTRUMENTS In order to minimize exposure to foreign exchange risk with respect to its long-term investments made with foreign currencies as further described in note 4 of notes to consolidated financial statements, the Company has at times entered into foreign forward exchange contracts in order to hedge these transactions. These contracts are accounted for as identifiable hedges against firm Company commitments. Realized gain or loss with respect to these contracts for the fiscal periods presented was not material. As of March 28, 1998, the Company had no open foreign exchange contracts for the purchase or sale of foreign currencies. The Company does not enter into derivative financial instruments for trading purposes.

FOREIGN EXCHANGE The majority of the Company's silicon wafer purchases are denominated in Japanese yen. The Company maintains yen-denominated bank accounts and bills its Japanese customers in yen. The yen bank deposits are utilized to hedge yen-denominated wafer purchases and are accounted for as identifiable hedges against specific and firm wafer purchases. Gains or losses from foreign exchange rate fluctuations on unhedged balances denominated in foreign currencies are reflected in Other income. Realized and unrealized gains or losses were not significant for the fiscal periods presented.

CONCENTRATIONS OF CREDIT RISK Financial instruments which potentially expose the Company to concentrations of credit risk consist primarily of short-term investments and trade receivables. The Company places its investments through several financial institutions and mitigates the concentration of credit risk by placing percentage limits on the maximum portion of the investment portfolio which may be invested in any one investment instrument. Investments consist primarily of A1 and P1 or better rated U.S. commercial paper, U.S. government agency obligations and other money market instruments, "AA" or better rated municipal obligations, money market preferred stocks and other time deposits. Concentrations of credit risk with respect to trade receivables are mitigated by a geographically diverse customer base and the Company's credit and collection process. The Company performs credit evaluations for all customers and secures transactions with letters of credit or advance payments where necessary. Write-offs for uncollected trade receivables have not been significant to date.

REVENUE RECOGNITION AND ACCOUNTS RECEIVABLE Revenue from sales to OEM customers is recognized upon shipment. Certain of the Company's sales are made to distributors under agreements providing price protection and right of return on unsold merchandise. Revenue and cost relating to such distributor sales are deferred until the product is sold by the distributor and related revenue and costs are then reflected in income. Accounts receivable are shown net of allowance for doubtful accounts of $797,000 and $874,000 at March 28, 1998 and March 29, 1997, respectively.

No individual customer or distributor accounted for more than 10% of revenue in fiscal 1998 or 1997. Revenue from one distributor was $21.1 million for fiscal 1996. Export revenue was approximately $125.6 million, $99.8 million and $95.1 million for fiscal 1998, 1997 and 1996, respectively. Sales to Europe were approximately $61.2 million, $39.9 million and $37.9 million, and to Asia $55.9 million, $52.6 million and $52.4 million in fiscal 1998, 1997 and 1996, respectively.

INVENTORIES Inventories are stated at the lower of first-in, first-out cost or market.

LONG-LIVED ASSETS During the fiscal year ended March 29, 1997, the Company adopted Statement of Financial Accounting Standards No. 121 (SFAS 121), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," which requires the Company to review the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The adoption of SFAS 121 did not have a material impact on the Company's financial condition or results of operations.

PROPERTY AND EQUIPMENT Property and equipment are stated at cost. Depreciation is computed using the straight-line method for financial reporting purposes over the estimated useful lives of the related assets, generally three to five years for equipment and thirty years for buildings. Accelerated methods of computing depreciation are generally used for income tax purposes.

TRANSLATION OF FOREIGN CURRENCIES The Company translates accounts denominated in foreign currencies in accordance with SFAS 52, "Foreign Currency Translation." Translation adjustments related to the consolidation of foreign subsidiary financial statements have not been significant to date.

RESEARCH AND DEVELOPMENT Research and development costs are expensed as incurred.

STOCK-BASED COMPENSATION The Company accounts for its employee and director stock options and employee stock purchase plan in accordance with provisions of Accounting Principles Board Opinion No. 25 ("APB 25"), "Accounting for Stock Issued to Employees." During 1995, the Financial Accounting Standards Board ("FASB") issued SFAS 123, "Accounting for Stock-Based Compensation." SFAS 123, effective for fiscal years beginning after December 31, 1995, provides an alternative to APB 25, but allows companies to account for employee and director stock-based compensation under the current intrinsic value method as prescribed by APB 25. The Company has continued to account for its employee and director stock plans in accordance with APB 25. Additional pro forma disclosures as required under SFAS 123 are presented in note 8 of notes to consolidated financial statements.

NET INCOME PER SHARE Net income per share is computed based on the weighted average number of shares of common stock and common stock equivalents assumed to be outstanding during the period (using the treasury stock method). Common stock equivalents consist of stock options and warrants to purchase common stock. All share and per share amounts presented in the accompanying consolidated financial statements and notes thereto have been adjusted to reflect the three-for-two stock split effected in the form of a stock dividend which was paid on July 6, 1993.

In February 1997, the FASB issued SFAS 128, "Earnings Per Share," which is effective for the Company for periods ending after December 15, 1997. Accordingly, the Company adopted this pronouncement in the quarter ended December 27, 1997. Primary net income per share as previously reported has been replaced by "basic net income per share" and "diluted net income per share." Prior period results have been restated to conform to the new presentation.

The most significant difference between basic and diluted net income per share is that basic net income per share does not treat potentially dilutive securities such as options and warrants as outstanding. For the Company, there is no difference between diluted net income per share and primary net income per share as previously reported. A reconciliation of the numerators and denominators of basic and diluted net income per share is presented below:

	YEAR ENDED		
	MARCH 28, 1998	MARCH 29, 1997	MARCH 30, 1996
Basic and diluted net income	$56,567	$45,005	$41,784
Shares used in basic net income per share calculations	23,239	22,460	20,327
Dilutive effect of stock options and warrants	655	513	652
Shares used in diluted net income per share calculations	23,894	22,973	20,979
Basic net income per share	$ 2.43	$ 2.00	$ 2.06
Diluted net income per share	$ 2.37	$ 1.96	$ 1.99

STATEMENT OF CASH FLOWS Income taxes paid approximated $23.1 million, $22.6 million and $17.3 million in fiscal 1998, 1997, and 1996, respectively. Interest paid does not differ materially from interest expense, which aggregated approximately $83,000, $152,000 and $42,000 in fiscal 1998, 1997 and 1996, respectively.

USE OF ESTIMATES The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the fiscal periods presented. Actual results could differ from those estimates.

NEW ACCOUNTING PRONOUNCEMENTS In June 1997, the FASB issued SFAS 130, "Reporting Comprehensive Net Income." Under SFAS 130, the Company is required to report comprehensive income and its components in its consolidated financial statements, in addition to net income.

Also in June 1997, the FASB issued SFAS 131, "Disclosures About Segments of an Enterprise and Related Information." This pronouncement establishes standards for the way companies report information about operating segments for the fiscal years beginning after December 15, 1997. It also establishes standards for related disclosures about products and services, geographic areas and major customers.

The Company will adopt these two new pronouncements in the fiscal year ending April 3, 1999. It is expected that adoption will not have a significant impact on the consolidated financial statements.

NOTE 2. INVENTORIES

(IN THOUSANDS)	MARCH 28, 1998	MARCH 29, 1997
Work in progress	$ 12,675	$ 20,286
Finished goods	9,972	7,523
	$ 22,647	$ 27,809

NOTE 3. PROPERTY AND EQUIPMENT

(IN THOUSANDS)	MARCH 28, 1998	MARCH 29, 1997
Land	$ 2,098	$ 2,098
Buildings	7,135	7,132
Construction in progress	6,750	--
Computer and test equipment	62,863	52,204
Office furniture and equipment	3,054	2,881
Leasehold and building improvements	2,547	2,501
	84,447	66,816
Accumulated depreciation and amortization	(47,777)	(39,413)
	$ 36,670	$ 27,403

NOTE 4. FOUNDRY INVESTMENTS, ADVANCES AND OTHER ASSETS

(IN THOUSANDS)	MARCH 28, 1998	MARCH 29, 1997
Foundry investments and other assets	$ 63,076	$ 48,399
Wafer supply advances	51,262	17,020
	$114,338	$ 65,419

The Company entered into a series of agreements with United Microelectronics Corporation ("UMC") in September 1995 pursuant to which the Company has agreed to join UMC and several other companies to form a separate Taiwanese corporation ("UICC") for the purpose of building and operating an advanced semiconductor manufacturing facility in Taiwan, Republic of China. Under the terms of the agreements, the Company invested approximately $49.7 million, paid in three installments, for an approximate 10% equity interest in the corporation and the right to receive a percentage of the facility's wafer production at market prices. This investment is accounted for at cost. The first payment, in the amount of approximately $13.7 million, was paid in January 1996, the second payment, in the amount of approximately $25.8 million, was paid during January 1997, and the final payment of approximately $10.2 million was made in December 1997.

In October 1997, the UICC foundry was substantially destroyed by fire. UMC, the majority owner of UICC, has informed the Company that this loss is insured and has begun the process of rebuilding the foundry. Further, alternative capacity arrangements have been made available to the Company. Based on these assurances from UMC, management believes the Company will not be materially adversely affected by this event.

In July 1994, the Company signed an agreement with Seiko Epson Corporation ("Seiko Epson") and its affiliated U.S. distributor, S MOS Systems Inc. ("S MOS"), under which it advanced $44 million to be used to finance additional sub-micron wafer manufacturing capacity and technological development. The advance is being repaid in the form of semiconductor wafers over a multi-year period. No interest income is recorded. Total wafer receipts under this agreement aggregated approximately $15,425,000, $18,042,000 and $10,713,000 during fiscal 1998, 1997 and 1996, respectively.

In March 1997, the Company entered into a second advance payment production agreement with Seiko Epson and S MOS under which it agreed to advance approximately $86 million, payable over two years, to Seiko Epson to finance construction of an eight-inch sub-micron semiconductor wafer manufacturing facility. Under the terms of the agreement, the advance is to be repaid with semiconductor wafers over a multi-year period. No interest income is recorded. The agreement calls for wafers to be supplied by Seiko Epson through S MOS pursuant to purchase agreements with S MOS. The Company also has an option under the agreement to advance Seiko Epson an additional $60 million for additional wafer supply under similar terms. The first payment under this agreement, approximately $17.0 million, was made during fiscal 1997. During fiscal 1998, the Company made two additional payments aggregating approximately $34.2 million.

NOTE 5. CREDIT FACILITIES

The Company has available an unsecured $10 million demand bank credit facility with interest due on outstanding balances at a money market rate. This facility has not been used.

NOTE 6. LEASE OBLIGATIONS

Certain facilities and equipment of the Company are leased under operating leases, which expire at various times through fiscal 2001. Rental expense under the operating leases was approximately $1,026,000, $984,000 and $993,000 for fiscal 1998, 1997 and 1996, respectively. Future minimum lease commitments at March 28, 1998 are as follows:

FISCAL YEAR	(IN THOUSANDS)
1999	$ 884
2000	892
2001	703
	$2,479

NOTE 7. INCOME TAXES

The components of the provision for income taxes for fiscal 1998, 1997 and 1996 are presented in the following table:

	YEAR ENDED		
(IN THOUSANDS)	MARCH 28, 1998	MARCH 29, 1997	MARCH 30, 1996
Current:			
Federal	$ 29,204	$ 22,308	$ 21,550
State	2,712	2,390	2,309
	31,916	24,698	23,859

Deferred:			
Federal	(2,539)	(1,829)	(2,166)
State	(236)	(196)	(232)
	(2,775)	(2,025)	(2,398)
	$ 29,141	$ 22,673	$ 21,461

Foreign income taxes were not significant for the fiscal years presented.

The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as a result of the following differences:

(IN THOUSANDS)	YEAR ENDED MARCH 28, 1998	MARCH 29, 1997	MARCH 30, 1996
Computed income tax expense at the statutory rate	$ 29,998	$ 23,687	$ 22,136
Adjustments for tax effects of:			
State taxes, net	2,402	2,048	1,636
Research and development credits	(154)	(62)	(196)
Nontaxable investment income	(3,009)	(2,579)	(1,506)
Other	(96)	(421)	(609)
	$ 29,141	$ 22,673	$ 21,461

The components of the Company's net deferred tax asset are as follows:

(IN THOUSANDS)	MARCH 28, 1998	MARCH 29, 1997
Deferred income	$ 7,934	$ 7,102
Expenses and allowances not currently deductible	8,357	6,619
Total deferred tax assets	16,291	13,721
Valuation allowance	(1,791)	(1,996)
	$ 14,500	$ 11,725

The valuation allowances are recorded to reduce deferred tax assets which can only be realized by earning taxable income in distant future years. Management established the valuation allowances because it cannot determine if it is more likely than not that such income will be earned.

NOTE 8. STOCKHOLDERS' EQUITY

COMMON STOCK In November 1995, the Company completed its third public offering, consisting of 2,500,000 shares of common stock at $36.63 per share. Net proceeds to the Company were approximately $86.7 million after underwriting discount and offering expenses.

STOCK WARRANTS As of March 28, 1998, the Company has issued to a vendor warrants to purchase 583,094 shares of common stock. Of this amount, 464,125 warrants were issued and 340,500 exercised prior to fiscal 1996. During fiscal 1997, 67,419 warrants were issued and none were exercised. During fiscal 1998, a warrant was issued to purchase 51,550 shares of common stock, earned ratably from March 1997 through February 1998. Additionally, the vendor exercised warrants for 123,625 shares at an average exercise price of $18.77 per share.

STOCK OPTION PLANS As of March 28, 1998, the Company had reserved 2,000,000 and 5,775,000 shares of common stock for issuance to officers and key employees under the 1996 Stock Incentive Plan and 1988 Stock Incentive Plan, respectively. The 1996 Plan options generally vest over four years in increments as determined by the Board of Directors and have terms up to ten years. The 1988 Plan options are exercisable immediately and have terms up to ten years. The transfer of certain shares of common stock acquired through the exercise of 1988 Plan stock options is restricted under stock vesting agreements that grant the Company the right to repurchase unvested shares at the exercise price if employment is terminated. Generally, the Company's repurchase rights lapse quarterly over four years.

The 1993 Directors' Stock Option Plan provides for the issuance of stock options to members of the Company's Board of Directors who are not employees of the Company; 225,000 shares of the Company's Common Stock have been reserved for issuance thereunder. These options are granted at fair market value at the date of grant and generally become exercisable quarterly over a four year period beginning on the date of grant and expire five years from the date of grant.

The following table summarizes the Company's stock option activity and related information for the past three years:

(NUMBER OF SHARES IN THOUSANDS)	YEAR ENDED MARCH 28, 1998 NUMBER OF SHARES UNDER OPTION	MARCH 28, 1998 WEIGHTED-AVERAGE EXERCISE PRICE	MARCH 29, 1997 NUMBER OF SHARES UNDER OPTION	MARCH 29, 1997 WEIGHTED-AVERAGE EXERCISE PRICE	MARCH 30, 1996 NUMBER OF SHARES UNDER OPTION	MARCH 30, 1996 WEIGHTED-AVERAGE EXERCISE PRICE
Options outstanding at beginning of fiscal year	2,290	$27.50	2,330	$22.20	2,340	$14.15
Options granted	983	63.13	827	30.82	807	33.37
Options canceled	(134)	39.78	(176)	28.31	(196)	14.90
Options exercised	(383)	21.76	(691)	13.31	(621)	8.79
Options outstanding at end of fiscal year	2,756	$40.38	2,290	$27.50	2,330	$22.20

The following table summarizes information about stock options outstanding at March 28, 1998:

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING NUMBER OF SHARES	OPTIONS OUTSTANDING WEIGHTED-AVERAGE REMAINING CONTRACT LIFE (IN YEARS)	OPTIONS OUTSTANDING WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS EXERCISABLE NUMBER OF SHARES	OPTIONS EXERCISABLE WEIGHTED-AVERAGE EXERCISE PRICE
$14.88 - $17.38	131	0.27	$17.02	118	$17.04
$17.83 - $28.13	989	1.52	25.26	574	23.77
$31.63 - $51.75	743	1.86	36.44	353	33.50
$51.88 - $66.25	893	3.36	63.76	105	63.44
	2,756	2.15	$40.38	1,150	$29.69

STOCK PURCHASE PLAN The Company's employee stock purchase plan was approved by the stockholders in August 1990, and became effective January 1, 1991. The plan permits eligible employees to purchase shares of common stock through payroll deductions, not to exceed 10% of the employee's compensation. The purchase price of the shares is the lower of 85% of the fair market value of the stock at the beginning of each six-month period or 85% of the fair market value at the end of such period, but in no event less than the book value per share at the mid-point of each offering period. Amounts accumulated through payroll deductions during the offering period are used to purchase shares on the last day of the offering period. Of the 700,000 shares authorized to be issued under the plan, 34,945, 57,421 and 54,239 shares were issued during fiscal 1998, 1997 and 1996, respectively, and 272,864 shares were available for issuance at March 28, 1998.

PRO FORMA DISCLOSURES The Company accounts for its stock options and employee stock purchase plan in conformity with APB 25 and has adopted the additional proforma disclosure provisions of SFAS 123.

The fair value, as defined by SFAS 123, for stock options and employee stock plan purchase rights was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	GRANTS FOR YEARS ENDED MARCH 28, 1998	MARCH 29, 1997	MARCH 30, 1996
Stock options:			
Expected volatility	48.6%	46.4%	46.4.%
Risk-free interest rate	5.6%	6.1%	5.9%
Expected life from vesting date	1.2 years	0.9 years	0.9 years
Dividend yield	0%	0%	0%
Stock purchase rights:			

Expected volatility	36.0%	36.7%	36.7%
Risk-free interest rate	5.9%	5.3%	6.2%
Expected life	6 months	6 months	6 months
Dividend yield	0%	0%	0%

The Black-Scholes option pricing model was developed for use in estimating the fair value of freely tradable, fully transferable options without vesting restrictions. The Company's stock options have characteristics which significantly differ from those of freely tradable, fully transferable options. The Black-Scholes option pricing model also requires highly subjective assumptions, including expected stock price volatility and expected stock option term which greatly affect the calculated fair value of an option. The Company's actual stock price volatility and option term may be materially different from the assumptions used herein.

The resultant grant date weighted-average fair values calculated using the Black-Scholes option pricing model and the noted assumptions for stock options granted was $25.20, $11.54 and $12.44, and for stock purchase rights $12.30, $6.80 and $5.49, for fiscal 1998, 1997 and 1996, respectively.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information is as follows:

	YEAR ENDED		
	MARCH 28, 1998	MARCH 29, 1997	MARCH 30, 1996
Pro forma net income	$ 48,777	$ 40,681	$ 38,836
Pro forma basic earnings per share	$ 2.10	$ 1.81	$ 1.91
Pro forma diluted earnings per share	$ 2.05	$ 1.78	$ 1.86

Because the SFAS 123 pro forma disclosure applies only to options granted subsequent to April 1, 1995, its pro forma effect will not be fully reflected until subsequent years. The effects on pro forma disclosures of applying SFAS 123 are not likely to be representative of the effects on pro forma disclosures in future years.

SHAREHOLDER RIGHTS PLAN A shareholder rights plan approved on September 11, 1991 provides for the issuance of one right for each share of outstanding common stock. With certain exceptions, the rights will become exercisable only in the event that an acquiring party accumulates beneficial ownership of 20% or more of the Company's outstanding common stock or announces a tender or exchange offer, the consummation of which would result in ownership by that party of 20% or more of the Company's outstanding common stock. The rights expire on September 11, 2001 if not previously redeemed or exercised. Each right entitles the holder to purchase, for $60.00, a fraction of a share of the Company's Series A Participating Preferred Stock with economic terms similar to that of one share of the Company's common stock. The Company will generally be entitled to redeem the rights at $0.01 per right at any time on or prior to the tenth day after an acquiring person has acquired beneficial ownership of 20% or more of the Company's common stock. If, prior to the redemption or expiration of the rights, an acquiring person or group acquires beneficial ownership of 20% or more of the Company's outstanding common stock, each right not beneficially owned by the acquiring person or group will entitle its holder to purchase, at the rights' then current exercise price, that number of shares of common stock having a value equal to two times the exercise price.

NOTE 9. TRANSACTIONS WITH PRINCIPAL SUPPLIERS

The majority of the Company's silicon wafers are currently manufactured by Seiko Epson in Japan and are sold to the Company through Seiko Epson's affiliated U.S. distributor, S MOS. The Chairman of the Board of S MOS is a member of the Company's Board of Directors. The Company also receives wafers in connection with the series of agreements entered into with UMC as described in note 4 of notes to consolidated financial statements. A significant interruption in supply from Seiko Epson through S MOS, or from UMC, would have a material adverse effect on the Company's business.

The Company has signed two advance payment production agreements with Seiko Epson and S MOS, in July 1994 and March 1997, respectively, under which it has advanced or will advance cash to be used in conjunction with the construction of additional wafer capacity, with the advances being repaid in the form of semiconductor wafers over a multi-year period. These transactions are more fully described in note 4 of notes to consolidated financial statements.

The Company continues to purchase a portion of its wafer supply from Seiko Epson for cash using commercial terms. Wafer purchases totaled $20.9 million, $22.8 million and $34.7 million for fiscal 1998, 1997 and 1996, respectively. Accounts payable and accrued expenses at March 28, 1998 and March 29, 1997 include $4.5 and $1.9 million, respectively, due this vendor. Open purchase commitments to this vendor approximated $6.8 million at March 28, 1998.

NOTE 10. EMPLOYEE BENEFIT PLANS

Profit Sharing Plan The Company initiated a profit sharing plan effective April 1, 1990. Under the provisions of this plan, as approved by the Board of Directors, a percentage of the operating income of the Company, as defined and calculated at the end of the second and fourth quarter of each fiscal year for each respective six-month period, is paid equally to qualified employees. In fiscal 1998, 1997 and 1996, approximately $3.0 million, $2.4 million and $2.3 million, respectively, were charged against operations in connection with the plan.

QUALIFIED INVESTMENT PLAN In 1990, the Company adopted a 401(k) plan, which provides participants with an opportunity to accumulate funds for retirement. Under the terms of the plan, eligible participants may contribute up to 15% of their eligible earnings to the plan Trust. The plan allows for discretionary matching contributions by the Company; no such contributions occurred through fiscal 1996. Beginning in fiscal 1997, the Company matched eligible employee contributions of up to 5% of base pay. Company contributions are discretionary and vest over four years.

NOTE 11. COMMITMENTS AND CONTINGENCIES

The Company is exposed to certain asserted and unasserted potential claims. Patent and other proprietary rights infringement claims are common in the semiconductor industry. There can be no assurance that, with respect to any such claims made against the Company, the Company could obtain a license on terms or under conditions that would not have a material adverse effect on the Company.

NOTE 12. RELATED PARTY

Larry W. Sonsini is a member of the Company's Board of Directors and is presently the Chairman of the Executive Committee of Wilson, Sonsini, Goodrich & Rosati, a law firm that provides corporate legal services to the Company. Legal services billed to the Company aggregated approximately $51,000, $61,000 and $177,000, respectively, for fiscal 1998, 1997 and 1996. Amounts payable to the law firm were not significant at March 28, 1998 or March 29, 1997.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of Lattice Semiconductor Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, of changes in stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Lattice Semiconductor Corporation and its subsidiaries at March 28, 1998 and March 29, 1997, and the results of their operations and their cash flows for each of the three years in the period ended March 28, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP

Portland, Oregon
April 15, 1998

- ---

CORPORATE DIRECTORY

- ---

BOARD OF DIRECTORS

Cyrus Y. Tsui
Chairman of the Board, President and
Chief Executive Officer

Mark O. Hatfield
Former U.S. Senator

Daniel S. Hauer(1)
Chairman of the Board,
S MOS Systems Inc.

Harry A. Merlo(1), (2)
President,
Merlo Corporation

Douglas C. Strain(2)
Vice Chairman and Founder,
Electro Scientific Industries, Inc.

Larry W. Sonsini
Partner and Chairman of the
Executive Committee,
Wilson, Sonsini, Goodrich & Rosati

OFFICERS

Cyrus Y. Tsui
Chairman of the Board, President and
Chief Executive Officer

Steven A. Laub
Senior Vice President and
Chief Operating Officer

Stephen A. Skaggs
Senior Vice President,
Chief Financial Officer and Secretary

Stephen M. Donovan
Corporate Vice President, Sales

Jonathan K. Yu
Corporate Vice President,
Business Development

Martin R. Baker
Vice President and General Counsel

Randy D. Baker
Vice President, Manufacturing

Albert L. Chan
Vice President and General Manager
Lattice Silicon Valley

Thomas J. Kingzett
Vice President, Reliability and
Quality Assurance

Stanley J. Kopec
Vice President, Corporate Marketing

Rodney F. Sloss
Vice President, Finance

Kenneth K. Yu
Vice President and Managing Director,
Lattice Asia
Technology Advisor to the
Office of the President

CORPORATE HEADQUARTERS

Lattice Semiconductor Corporation
5555 N.E. Moore Court
Hillsboro, Oregon 97124-6421
Telephone: 503/681-0118
Facsimile: 503/681-0347

LEGAL COUNSEL
Wilson, Sonsini, Goodrich & Rosati
Palo Alto, California

INDEPENDENT ACCOUNTANTS
Price Waterhouse LLP
Portland, Oregon

REGISTRAR AND TRANSFER AGENT
ChaseMellon Shareholder Services
520 Pike St., Suite 1220
Seattle, Washington 98101
800/522-6645

ANNUAL MEETING

The annual meeting of stockholders for Lattice Semiconductor Corporation will be held at The Greenwood Inn, 10700 S.W. Allen Blvd., Beaverton, Oregon 97005 on Monday, August 10, 1998, at 1:00 pm, Pacific Time.

FORM 10-K
Financial information, including the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission, and quarterly operating results, is available by accessing http://www.lscc.com or by written or telephone request to the Lattice Semiconductor shareholder relations department.

COMMON STOCK
Lattice Semiconductor Corporation's common stock is traded on the Nasdaq National Market System under the symbol "LSCC."

STOCK PRICE HISTORY
The following table sets forth the low and high sale prices of the Company's common stock for the last two fiscal years.

	Low	High
Fiscal 1997:		
First Quarter	21 5/8	36 1/4
Second Quarter	19 3/4	31 1/2
Third Quarter	27 1/2	47
Fourth Quarter	39 3/4	54 7/8
Fiscal 1998:		
First Quarter	41 1/2	62 5/8
Second Quarter	54 7/8	74 1/2
Third Quarter	45	67 1/2
Fourth Quarter	39 3/4	57

(1) MEMBER OF THE AUDIT COMMITTEE
(2) MEMBER OF THE COMPENSATION COMMITTEE

EXHIBIT 21.1

LATTICE SEMICONDUCTOR CORPORATION

SUBSIDIARIES OF THE REGISTRANT

	Name	Jurisdiction of Incorporation
1.	Lattice GmbH	Germany
2.	Lattice Semiconducteurs SARL	France
3.	Lattice Semiconductor AB	Sweden
4.	Lattice Semiconductor Asia Limited	Hong Kong
5.	Lattice Semiconductor International Limited	Jamaica
6.	Lattice Semiconductor KK	Japan
7.	Lattice Semiconductor (Shanghai) Co. Ltd.	China
8.	Lattice UK Limited	United Kingdom

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 33-33933, No. 33-35259, No. 33-38521, No. 33-76358, No. 33-51232, No. 33-69496, No. 333-15737 and No. 333-40031) and the Registration Statements on Form S-3 (No. 33-57512, No. 333-15741 and No. 333-40043) of Lattice Semiconductor Corporation of our report dated April 15, 1998 appearing in the Annual Report to Stockholders which is incorporated by reference in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedule.

PRICE WATERHOUSE LLP

Portland, Oregon
June 22, 1998

5
1,000
U.S. DOLLARS

YEAR
MAR-28-1998
MAR-30-1997
MAR-28-1998
1
60,344
206,766
28,229
(797)
22,647
338,058
84,447
(47,777)
489,066
54,380
0
0
0
234
434,452
489,066
245,894
245,894
98,883
170,829
(366)
70
(10,277)
85,708
29,141
29,141
0
0
0
56,567
2.43
2.37

5

1,000
U.S. DOLLARS

YEAR YEAR
MAR-29-1997 MAR-30-1996
MAR-31-1996 APR-02-1995
MAR-29-1997 MAR-30-1996
1 1
53,949 54,600
174,698 160,570
25,940 22,884
(874) (800)
27,809 21,761
310,640 288,816
66,816 56,857
(39,413) (31,386)
403,462 342,935
42,971 44,167
0 0
0 0
0 0
229 221
360,262 298,547
403,462 342,935
204,089 198,167
204,089 198,167
83,736 82,216
145,123 140,364
174 128
18 0
(8,886) (5,570)
67,678 63,245
22,673 21,461
45,005 41,784
0 0
0 0
0 0
45,005 41,784
2.00 2.06
1.96 1.99

5

1,000
U.S. DOLLAR

9-MOS	6-MOS	3-MOS
MAR-29-1997	MAR-29-1997	MAR-29-1997
MAR-31-1996	MAR-31-1996	MAR-31-1996
DEC-28-1996	SEP-28-1996	JUN-29-1996
1	1	1
59,756	45,350	47,738
183,506	187,252	180,397
22,850	20,294	16,238
(856)	(839)	(827)
28,748	28,359	27,008
329,168	314,863	303,410
65,556	64,498	61,100
(37,648)	(35,403)	(27,839)
379,561	360,617	354,160
37,303	37,127	42,543
0	0	0
0	0	0
0	0	0
227	223	223
342,031	323,267	311,394
379,561	360,617	354,160
147,821	96,806	48,168
147,821	96,806	48,168
60,800	39,833	19,838
105,925	69,566	34,489
0	0	0
0	0	0
(6,502)	(4,198)	(2,030)
48,398	31,438	15,709
16,212	10,530	5,261
32,186	20,908	10,448
0	0	0
0	0	0
0	0	0
32,186	20,908	10,448
1.44	0.94	0.47
1.41	0.92	0.46

5

1,000
U.S. DOLLARS

9-MOS	6-MOS	3-MOS
MAR-28-1998	MAR-28-1998	MAR-28-1998
MAR-30-1997	MAR-30-1997	MAR-30-1997
DEC-27-1997	SEP-27-1997	JUN-28-1997
1	1	1
65,366	83,703	81,105
199,239	179,915	171,578
27,517	25,752	25,917
(858)	(840)	(824)
23,017	23,166	24,679
334,127	335,866	329,127
79,920	73,394	70,270
(46,277)	(43,879)	(41,619)
464,982	448,241	423,197
46,071	44,733	43,083
0	0	0
0	0	0
0	0	0
234	233	231
418,677	403,275	379,883
464,982	448,241	423,197
185,726	125,688	61,620
185,726	125,688	61,620
74,786	50,931	25,028
128,868	86,846	42,677
0	0	0
0	0	0
(7,913)	(5,246)	(2,524)
64,771	44,088	21,467
22,022	14,990	7,299
42,749	29,098	14,168
0	0	0
0	0	0
0	0	0
42,749	29,098	14,168
1.84	1.26	.62
1.79	1.22	.60