
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)
July 25, 2013

Lattice Semiconductor Corporation
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

000-18032
(Commission File Number)

93-0835214
(IRS Employer
Identification No.)

5555 N. E. Moore Court
Hillsboro, Oregon 97124-6421
(Address of principal executive offices, including zip code)

(503) 268-8000
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On July 25, 2013, Lattice Semiconductor Corporation (the “Company”) issued a press release announcing the Company’s financial results for the second quarter ended June 29, 2013. A copy of the press release is furnished (not filed) as Exhibit 99.1 to this Current Report on Form 8-K. The information in Exhibit 99.1 shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

The following exhibit is being furnished herewith:

| <u>Exhibit No.</u> | <u>Description</u> |
|---------------------------|--|
| 99.1 | Press Release, dated July 25, 2013 (furnished herewith). |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

LATTICE SEMICONDUCTOR CORPORATION

By: /s/ Joe Bedewi

Joe Bedewi

Corporate Vice President and Chief Financial Officer

Date: July 25, 2013

EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--|
| 99.1 | Press Release dated July 25, 2013 (furnished herewith) |



NEWS RELEASE

For more information contact:

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**LATTICE SEMICONDUCTOR REPORTS SECOND QUARTER 2013 RESULTS;
 19% SALES INCREASE PRODUCES RECORD REVENUE QUARTER**

Financial Highlights:

- Revenue of \$84.7 million, an increase of 19.0% from \$71.2 million in 1Q13 and an increase of 19.6% from \$70.8 million in 2Q12.
- Net income of \$0.04 per basic and diluted share, compared to net income of \$0.02 per basic and diluted share in 1Q13 and a net loss of \$0.11 per diluted share in 2Q12.
 - Gross margin of 53.3%, compared to 53.6% in 1Q13 and 52.3% in 2Q12.
 - 2Q13 operating expenses of \$38.1 million, compared to operating expenses of \$35.5 million in 1Q13 and \$39.8 million in 2Q12. 2Q13 operating expenses included \$1.4 million in R&D variable cost related to program timing, \$0.7 million in variable spending primarily related to sales increases. 2Q13 financial results included a \$1.9 million (\$0.02 per basic and diluted share) income tax expense and \$0.7 million of amortization expense from acquired intangibles.

HILLSBORO, OR - July 25, 2013 - Lattice Semiconductor Corporation (NASDAQ: LSCC) today announced financial results for the fiscal second quarter ended June 29, 2013.

For the second quarter, revenue was \$84.7 million, an increase of 19.0% from \$71.2 million reported in the prior quarter, and an increase of 19.6% from the \$70.8 million reported in the same quarter a year ago. FPGA revenue for the second quarter was \$26.0 million, compared to \$22.9 million in the prior quarter, and \$24.9 million in the same quarter a year ago. PLD revenue for the second quarter was \$58.7 million, compared to \$48.3 million reported in the prior quarter, and \$45.9 million in the same quarter a year ago.

Net income for the second quarter was \$5.0 million (\$0.04 per basic and diluted share), compared to the prior quarter net income of \$1.9 million (\$0.02 per basic and diluted share) and net loss of \$12.5 million (\$0.11 per basic and diluted share) reported in the same quarter a year ago. The second quarter of 2013 included tax expense of \$1.9 and amortization expense from acquired intangibles of \$0.7 million, compared with the first quarter of 2013 tax expense of \$0.7 million, amortization expense from acquired intangibles of \$0.7 million and restructuring charges of \$0.2 million. Second quarter of 2012 results included approximately \$1.0 million of acquisition related costs, \$0.1 million of restructuring related charges, and \$10.5 million income tax expense.

Darin G. Billerbeck, President and Chief Executive Officer, said, "We achieved the Company's highest quarterly revenue level in over a decade, while maintaining a healthy gross margin and doubling our net income per share compared to the prior quarter. Growth was driven by our consumer end market and increased new product category sales. The broader communications market in Asia continues to rebound, while computing and industrial are lagging. Overall, we are confident and encouraged by the successful execution of our business strategy, along with our customer and market diversification efforts."

Joe Bedewi, Corporate Vice President and Chief Financial Officer, added, "Gross margin for Q2 was 53.3%, which is above the high end of our guidance. We were able to achieve this quarterly improvement through effective supply chain management and ongoing cost controls, while continuing to support ramping customer products. Our operating expenses came in \$600 thousand above our guidance of \$37.5 million, primarily due to higher variable spending related to our increased sales and higher R&D variable cost in support of new business opportunities. Specifically, Q2 operating expenses included \$1.4 million in program related R&D variable cost and \$0.7 million in variable spending primarily related to higher sales. We continue to focus on aggressive operating expense control; quarterly fluctuations will continue to be dependent on variable expenses related to revenue levels and the timing of R&D spending as we opportunistically support new products and new capabilities."

Recent Business Highlights:

- **Signed Global Distribution Agreement with Future Electronics:** Lattice and Future jointly announced the companies have entered into an agreement whereby Future Electronics is now authorized to sell Lattice's complete portfolio of innovative low power, low cost FPGA, CPLD and programmable power management design solutions worldwide. This partnership will allow Lattice to expand its technically focused, global distribution network with Future's demand creation expertise and vast global footprint.
- **Introduced New Automotive Grade FPGAs to Accelerate Affordable Innovation:** Lattice introduced AEC-Q100-certified "Lattice Automotive (LA)" devices in its award-winning LatticeECP3™ FPGA family. The six new devices leverage Lattice's expertise in low power, small size, and cost optimized FPGAs to deliver programmable technology that can be used for all classes of automobile, as well as automotive aftermarket products. The world's smallest automotive qualified FPGA with SERDES enables designers to rethink the automobile to improve fuel efficiency, safety, and access to entertainment.

Business Outlook - Third Quarter 2013:

- Revenue is expected to be flat plus or minus 2% on a sequential basis.
- Gross margin percentage is expected to be approximately 52% plus or minus 2%.

- Total operating expenses are expected to be approximately \$36.9 million, including approximately \$0.8 million of expenses associated with our Q3 San Jose office move.

Investor Conference Call / Webcast Details:

Lattice Semiconductor will review the Company's financial results for the second quarter of 2013 and business outlook for the third quarter of 2013 on Thursday, July 25, 2013 at 5:00 p.m. Eastern Time. The conference call-in number is 1-888-286-6281 or 1-706-643-3761 with conference identification number 13777011. A live webcast of the conference call will also be available on Lattice's website at www.latticesemi.com. The Company's financial guidance will be limited to the comments on its public quarterly earnings call and the public business outlook statements contained in this press release.

A replay of the call will be available approximately two hours after the conclusion of the live call through 11:59 p.m. Eastern Time on August 1, 2013, by telephone at 1-404-537-3406. To access the replay, use conference identification number 13777011. A webcast replay will also be available on Lattice's investor relations website at www.latticesemi.com.

Forward-Looking Statements Notice:

The foregoing paragraphs contain forward-looking statements that involve estimates, assumptions, risks and uncertainties. Such forward-looking statements include statements relating to: rebounding of the broader communications market in Asia and the lagging of computing and industrial markets; execution of our business strategy and our customer and market diversification efforts; our aggressive control of operating expenses and quarterly operating expense fluctuations being dependent on variable expenses related to revenue levels and the timing of R&D spending as we opportunistically support new products and new capabilities; and those statements under the heading "Business Outlook - Third Quarter 2013" relating to expected revenue, gross margin, total operating expenses, and projected charges associated with the Company's move to a new facility in San Jose, California. Other forward-looking statements may be indicated by words such as "will," "could," "should," "would," "expect," "plan," "anticipate," "intend," "forecast," "believe," "estimate," "predict," "propose," "potential," "continue" or the negative of these terms or other comparable terminology. Lattice believes the factors identified below could cause actual results to differ materially from the forward-looking statements.

Estimates of future revenue are inherently uncertain due to, among other things, the high percentage of quarterly "turns" business. In addition, revenue is affected by such factors as global economic conditions, which may affect customer demand, pricing pressures, competitive actions, the demand for our Mature, Mainstream and New products, and in particular our iCE™, MachXO™ and LatticeECP3™ devices, the ability to supply products to customers in a timely manner, changes in our distribution relationships, or the volatility of our consumer business. Actual gross margin percentage and operating expenses could vary from the estimates on the basis of, among other things, changes in revenue levels, changes in product pricing and mix, changes in wafer, assembly, test and other costs, including commodity costs, variations in manufacturing yields, the failure to sustain operational improvements, the actual amount of compensation charges due to stock price changes. Any unanticipated declines in revenue or gross margin, any unanticipated increases in our operating expenses or unanticipated charges could adversely affect our profitability.

In addition to the foregoing, other factors that may cause actual results to differ materially from the forward-looking statements in this press release include global economic uncertainty, overall semiconductor market conditions, market acceptance and demand for our new products, the Company's dependencies on its silicon wafer suppliers, the impact of competitive products and pricing, technological and product development risks, and the other risks that are described in this press release and that are otherwise described from time to time in our filings with the Securities and Exchange Commission. The Company does not intend to update or revise any forward-looking statements, whether as a result of events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

About Lattice Semiconductor:

Lattice is a service-driven developer of innovative low cost, low power programmable design solutions. For more information about how our [FPGA](#), [CPLD](#) and programmable power management devices help our customers unlock their innovation, visit www.latticesemi.com. You can also follow us via [Twitter](#), [Facebook](#), or [RSS](#).

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Lattice Semiconductor Corporation, Lattice (& design), L (& design), iCE40 and specific product designations are either registered trademarks or trademarks of Lattice Semiconductor Corporation or its subsidiaries in the United States and/or other countries.

GENERAL NOTICE: Other product names used in this publication are for identification purposes only and may be trademarks of their respective holders.

Lattice Semiconductor Corporation
Consolidated Statements of Operations
(in thousands, except per share data)
(unaudited)

| | Three Months Ended | | | Six Months Ended | |
|---|--------------------|-----------------|--------------------|------------------|--------------------|
| | June 29, 2013 | March 30, 2013 | June 30, 2012 | June 29, 2013 | June 30, 2012 |
| Revenue | \$ 84,694 | \$ 71,158 | \$ 70,792 | \$ 155,852 | \$ 142,492 |
| Costs and expenses: | | | | | |
| Cost of products sold | 39,584 | 33,003 | 33,741 | 72,587 | 65,956 |
| Research and development | 20,267 | 18,114 | 19,363 | 38,381 | 38,509 |
| Selling, general and administrative | 17,072 | 16,498 | 19,405 | 33,570 | 37,328 |
| Acquisition related charges (1) | 737 | 749 | 982 | 1,486 | 2,689 |
| Restructuring (2) | 19 | 153 | 87 | 172 | 643 |
| | <u>77,679</u> | <u>68,517</u> | <u>73,578</u> | <u>146,196</u> | <u>145,125</u> |
| Income (loss) from operations | 7,015 | 2,641 | (2,786) | 9,656 | (2,633) |
| Other (expense) income, net | (54) | (52) | 694 | (106) | 758 |
| Income (loss) before provision for income taxes | 6,961 | 2,589 | (2,092) | 9,550 | (1,875) |
| Provision for income taxes (3) | 1,921 | 699 | 10,450 | 2,620 | 18,381 |
| Net Income (loss) | <u>\$ 5,040</u> | <u>\$ 1,890</u> | <u>\$ (12,542)</u> | <u>\$ 6,930</u> | <u>\$ (20,256)</u> |
| Net Income (loss) per share (4): | | | | | |
| Basic | <u>\$ 0.04</u> | <u>\$ 0.02</u> | <u>\$ (0.11)</u> | <u>\$ 0.06</u> | <u>\$ (0.17)</u> |
| Diluted | <u>\$ 0.04</u> | <u>\$ 0.02</u> | <u>\$ (0.11)</u> | <u>\$ 0.06</u> | <u>\$ (0.17)</u> |
| Shares used in per share calculations (4): | | | | | |
| Basic | <u>115,733</u> | <u>115,391</u> | <u>117,874</u> | <u>115,562</u> | <u>118,024</u> |
| Diluted | <u>117,109</u> | <u>116,714</u> | <u>117,874</u> | <u>116,935</u> | <u>118,024</u> |

Notes:

- (1) During the first six months of fiscal 2012, the Company recorded consulting, legal costs, severance related integration costs and amortization of intangible assets associated with the acquisition of SiliconBlue. During the first six months of 2013, Acquisition related charges consist of amortization of acquired intangible assets.
- (2) Represents costs and adjustments incurred primarily related to the corporate restructuring plans announced on October 12, 2012 and April 21, 2011.
- (3) The tax provision for the three and six months ended June 30, 2012 reflects our new global tax structure and the resulting intercompany sale of inventory and fixed assets.
- (4) For the three and six month periods in fiscal 2012, the computation of diluted earnings per share excludes the effects of stock options, restricted stock units and ESPP shares as they are antidilutive. For the three and six month periods in fiscal 2013, the computation of diluted earnings per share includes the effects of stock options and restricted stock units as they are dilutive. ESPP shares are included if dilutive.

Lattice Semiconductor Corporation
Consolidated Balance Sheets
(in thousands)
(unaudited)

| | June 29, 2013 | December 29, 2012 |
|--|--------------------------|------------------------------|
| Assets | | |
| Current assets: | | |
| Cash, cash equivalents and short-term marketable securities | \$ 174,224 | 183,401 |
| Accounts receivable, net | 63,605 | 46,947 |
| Inventories | 49,654 | 44,194 |
| Other current assets (1) | 13,342 | 12,527 |
| Total current assets | 300,825 | 287,069 |
| Property and equipment, net | | |
| Property and equipment, net | 41,733 | 40,384 |
| Long-term marketable securities | 4,717 | 4,717 |
| Other long-term assets | 8,503 | 6,854 |
| Intangible assets, net of amortization | 13,957 | 15,430 |
| Goodwill | 44,808 | 44,808 |
| Deferred income taxes (1) | 13,757 | 15,357 |
| | \$ 428,300 | \$ 414,619 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable and other accrued liabilities | \$ 42,013 | 42,540 |
| Deferred income and allowances on sales to sell-through distributors | 13,890 | 10,553 |
| Total current liabilities | 55,903 | 53,093 |
| Other long-term liabilities (1) | | |
| Total liabilities | 5,222 | 3,976 |
| | 61,125 | 57,069 |
| Stockholders' equity | | |
| | 367,175 | 357,550 |
| | \$ 428,300 | \$ 414,619 |

Notes:

- (1) In June 2013 the company early adopted, with retrospective application, the requirements of ASU 2013-11 Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. Accordingly, previous periods have been revised to conform with current period presentation. This resulted in both long-term taxes payable and deferred tax assets declining by approximately \$14 million for all periods presented.

Lattice Semiconductor Corporation
- Supplemental Historical Financial Information -

| | 2Q13 | 1Q13 | 2Q12 |
|--|-------|-------|-------|
| Operations Information | | | |
| Percent of Revenue | | | |
| Gross Margin | 53.3% | 53.6% | 52.3% |
| R&D Expense | 23.9% | 25.5% | 27.4% |
| SG&A Expense | 20.2% | 23.2% | 27.4% |
| | | | |
| Depreciation and amortization (in thousands) | 4,894 | 5,066 | 5,243 |
| Capital expenditures (in thousands) | 3,783 | 3,054 | 4,632 |
| Stock compensation expense (in thousands) | 2,513 | 1,912 | 2,054 |
| Restructuring and severance related charges (in thousands) | 19 | 153 | 1,493 |
| Taxes paid (cash, in thousands) | 104 | 852 | 53 |
| | | | |
| Balance Sheet Information | | | |
| Current Ratio | 5.4 | 5.1 | 5.8 |
| A/R Days Revenue Outstanding | 68 | 71 | 77 |
| Inventory Months | 3.8 | 4.0 | 3.3 |
| | | | |
| Revenue% (by Product Family) | | | |
| PLD | 69% | 68% | 65% |
| FPGA | 31% | 32% | 35% |
| | | | |
| Revenue% (by Product Classification) (1) | | | |
| New | 46% | 39% | 20% |
| Mainstream | 42% | 47% | 60% |
| Mature | 12% | 14% | 20% |
| | | | |
| Revenue% (by Geography) | | | |
| Asia | 74% | 69% | 70% |
| Europe (incl. Africa) | 14% | 18% | 17% |
| Americas | 12% | 13% | 13% |
| | | | |
| Revenue% (by End Market) (2) | | | |
| Communications | 38% | 39% | 46% |
| Industrial & Other | 23% | 26% | 33% |
| Computing | 8% | 10% | 13% |
| Consumer | 31% | 25% | 8% |
| | | | |
| Revenue% (by Channel) | | | |
| Sell-through distribution | 44% | 49% | 56% |
| Direct | 56% | 51% | 44% |

(1) **New:** LatticeECP3, MachXO2, Power Manager II, and iCE40 **Mainstream:** ispMACH 4000ZE, ispMACH 4000/Z, LatticeSC, LatticeECP2/M, LatticeECP, LatticeXP2, LatticeXP, MachXO, ispClock A/D/S, Software and IP **Mature:** ispXPLD, ispXPGA, FPSC, ORCA 2, ORCA 3, ORCA 4, ispPAC, isplsi 8000V, ispMACH 5000B, ispMACH 2LV, ispMACH 5LV, ispLSI 2000V, ispLSI 5000V, ispMACH 5000VG, all 5-volt CPLDs, ispGDX2, GDX/V, ispMACH 4/LV, iCE65, ispClock, Power Manager I, all SPLDs

* Product categories are modified as appropriate relative to our portfolio of products and the generation within each major product family. New products consist of our latest generation of products, while Mainstream and Mature are older or based on unique late stage customer-based production needs. Generally, product categories are adjusted every two to three years, at which time prior periods are reclassified to conform to the new categorization. In the first fiscal quarter 2012 we reclassified our New, Mainstream and Mature product categories to better reflect our current product portfolio.

(2) During the first quarter of 2013, the Company refined its methodology for assigning revenue to End Market categories. All periods presented have been revised to conform to this methodology.