Item 6. Selected Financial Data.

	Years Ended				Nine months Ended
	December 31, 2003	December 31, 2002	December 31, 2001	December 31, 2000	December 31, 1999
	(In thousands, except per share data)				
STATEMENT OF OPERATIONS DATA:					
Revenue	$209,662	$ 229,126	$ 295,326	$ 567,759	$269,699
Costs and expenses:					
Cost of products sold	89,266	91,546	111,498	217,830	108,687
Research and development	87,092	85,776	71,679	77,057	45,903
Selling, general and administrative	50,773	48,099	53,027	81,082	50,676
In-process research and development	—	29,853	—	—	89,003
Amortization of intangible assets(1)	77,127	73,415	84,349	81,873	45,780
	304,258	328,689	320,553	457,842	340,049
(Loss) income from operations	(94,596)	(99,563)	(25,227)	109,917	(70,350)
(Loss) gain on foundry investments	—	—	(152,795)	149,960	—
Interest and other (expense) income, net	(3,064)	6,194	4,056	2,194	(6,787)
(Loss) income before (benefit) provision for income taxes	(97,660)	(93,369)	(173,966)	262,071	(77,137)
(Benefit) provision for income taxes	(5,854)	81,866	(64,447)	94,184	(28,991)
Net (loss) income	$(91,806)	$(175,235)	$ (109,519)	$ 167,887	$(48,146)
Basic net (loss) income per share	$ (0.82)	$ (1.59)	$ (1.01)	$ 1.65	$ (0.50)
Diluted net (loss) income per share	$ (0.82)	$ (1.59)	$ (1.01)	$ 1.47	$ (0.50)
Shares used in per share calculations:					
Basic	111,794	110,193	108,814	101,716	95,428
Diluted	111,794	110,193	108,814	120,321	95,428
BALANCE SHEET DATA:					
Cash and short-term investments	$277,750	$ 276,880	$ 531,566	$ 535,408	$214,140
Total assets	$851,628	$ 941,263	$1,185,982	$1,295,884	$916,155
Convertible notes	$184,000	$ 208,061	$ 260,000	$ 260,000	$260,000
Stockholders' equity	$606,112	$ 661,135	$ 839,770	$ 855,655	$482,773

(1) Includes $5,745, $2,962 and $397 of amortization of deferred stock compensation expense for the years ended December 31, 2003, December 31, 2002 and December 31, 2001, respectively, attributable to research and development activities.

All share and per share amounts have been adjusted retroactively to reflect two-for-one stock splits effected in the form of stock dividends and paid on October 11, 2000 and September 16, 1999.

Unaudited Quarterly Data

	2003				2002			
	Dec.	Sept.(1)	June(1)	Mar.(1)	Dec.	Sept.	June	Mar.
		(Restated)	(Restated)	(Restated)				
	(In thousands, except per share data)							
Revenue	$ 52,757	$ 43,033	$ 56,575	$ 57,297	$ 57,710	$ 56,072	$56,466	$ 58,878
Gross profit	$ 28,943	$ 23,602	$ 33,582	$ 34,269	$ 34,691	$ 33,643	$33,974	$ 35,272
Net loss	$(25,244)	$(28,661)	$(18,232)	$(19,669)	$(127,100)	$(14,371)	$ (8,147)	$(25,617)
Basic net loss per share	$ (0.22)	$ (0.26)	$ (0.16)	$ (0.18)	$ (1.14)	$ (0.13)	$ (0.07)	$ (0.23)
Diluted net loss per share	$ (0.22)	$ (0.26)	$ (0.16)	$ (0.18)	$ (1.14)	$ (0.13)	$ (0.07)	$ (0.23)

(1) In January 2004, management learned of certain incorrect accounting entries relating to our deferred income accounting for sales to distributors in the quarters ended June 30, 2003 and September 30, 2003. Pursuant to our accounting principles for revenue recognition, we defer reporting revenue from sales to distributors until the period in which the distributors resell our product to their customers. The Audit Committee of our Board of Directors undertook an investigation of this matter with the assistance of our independent auditor and outside legal counsel. That investigation is complete and the Audit Committee has recommended the adoption of certain internal control and system enhancements. We are currently implementing these Audit Committee directives. As a result of the investigation, we have determined that entries made in the second and third quarters of 2003 which reduced Accrued Expenses in the amount of $1.3 million and $4.2 million, respectively, were inappropriate. We also determined that our systems, procedures and controls surrounding (1) our estimation of resales by our distributors and (2) our determination of deferred revenue related to distributor inventories needed to be improved. During the investigation, we carried out additional procedures to (1) refine our estimate of the amount of distributor resale revenue and (2) refine our method for estimating deferred revenue related to distributor inventories. As a result of those additional procedures, we believe our Consolidated Balance Sheet Deferred Income account was understated at March 31, 2003, June 30, 2003 and September 30, 2003 by amounts requiring an adjustment of approximately $1.0 million, $1.6 million and $8.0 million, respectively to reduce Revenues previously recognized and approximately $0.2 million, $0.3 million and $1.3 million, respectively, to reduce Cost of Products Sold previously recognized. As previously noted, approximately $1.3 million and $4.2 million of the resulting adjustments to the Deferred Income account were incorrectly restored to the Deferred Income account in our June 30, 2003 and September 30, 2003 balance sheet, respectively, through an entry to Accrued Expenses instead of the Consolidated Statement of Operations. The Deferred Income account balance fell below the minimum required level to support inventory on distributors shelves primarily due to (1) non recurring transactions in the September 30, 2003 quarter related to distributor price adjustments and incorrect distributor reporting of resales in previously reported quarterly financial statements, and (2) over-estimates of revenue related to resales occurring in the current fiscal year. We have already implemented certain of the internal control and systems enhancements recommended by the Audit Committee and are currently implementing other Audit Committee directives that resulted from its investigation.

LATTICE SEMICONDUCTOR CORPORATION
CONSOLIDATED BALANCE SHEET
(In thousands, except share and par value amounts)

	Dec. 31, 2003	Dec. 31, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 35,276	$169,475
Short-term investments	242,474	107,405
Accounts receivable, net	26,796	26,374
Inventories (note 2)	46,630	56,241
Prepaid expenses and other current assets (notes 7 and 10)	16,173	35,033
Equity securities available for sale (notes 7 and 17)	35,364	—
Total current assets	402,713	394,528
Foundry investments, advances and other assets (note 7)	86,883	104,507
Property and equipment, less accumulated depreciation (note 3)	53,800	62,786
Intangible assets, less accumulated amortization of $271,000 and $129,311 (notes 4, 5 and 6)	84,627	155,953
Goodwill (notes 5 and 6)	223,605	223,489
	$851,628	$941,263
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 15,376	$ 18,860
Accrued payroll obligations	13,124	14,737
Income taxes payable (note 10)	37	142
Deferred income	10,564	11,983
Total current liabilities	39,101	45,722
4¾% Convertible Subordinated Notes due in 2006 (note 11)	—	208,061
Zero Coupon Convertible Subordinated Notes due in 2010 (note 11)	184,000	—
Other long-term liabilities (note 13)	22,415	26,345
Commitments and contingencies (notes 7, 9, 13 and 14)	—	—
Stockholders' equity (note 12):		
Preferred stock, $.01 par value, 10,000,000 shares authorized; none issued and outstanding	—	—
Common stock, $.01 par value, 300,000,000 shares authorized; 113,040,000 and 112,358,043 shares issued and outstanding	1,130	1,124
Paid-in capital	586,834	580,987
Deferred stock compensation	(5,444)	(11,540)
Other comprehensive income (loss)	20,203	(4,631)
Retained earnings	3,389	95,195
	606,112	661,135
	$851,628	$941,263

The accompanying notes are an integral part of this statement

LATTICE SEMICONDUCTOR CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands, except per share amounts)

	Years Ended Dec. 31,		
	2003	2002	2001
Revenue (note 16)	$209,662	$ 229,126	$ 295,326
Costs and expenses:			
Cost of products sold	89,266	91,546	111,498
Research and development	87,092	85,776	71,679
Selling, general and administrative (note 15)	50,773	48,099	53,027
In-process research and development (notes 4 and 5)	—	29,853	—
Amortization of intangible assets(1) (notes 4, 5 and 6)	77,127	73,415	84,349
	304,258	328,689	320,553
Loss from operations	(94,596)	(99,563)	(25,227)
Other income (expense), net:			
Interest income	3,635	5,362	17,733
Interest expense (note 11)	(7,140)	(12,611)	(13,962)
Loss on foundry investments (note 7)	—	—	(152,795)
Other income, net (notes 7 and 11)	441	13,443	285
	(3,064)	6,194	(148,739)
Loss before (benefit) provision for income taxes	(97,660)	(93,369)	(173,966)
(Benefit) provision for income taxes (note 10)	(5,854)	81,866	(64,447)
Net loss	$(91,806)	$(175,235)	$(109,519)
Basic net loss per share	$ (0.82)	$ (1.59)	$ (1.01)
Diluted net loss per share	$ (0.82)	$ (1.59)	$ (1.01)
Shares used in per share calculations:			
Basic	111,794	110,193	108,814
Diluted	111,794	110,193	108,814

(1) Includes $5,745, $2,962 and $397 of amortization of deferred stock compensation expense for the years ended December 31, 2003, December 31, 2002 and December 31, 2001, respectively attributable to research and development activities.

The accompanying notes are an integral part of this statement

LATTICE SEMICONDUCTOR CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands, except par value)

	Common stock ($.01 par value)		Paid-in capital	Deferred Stock comp.	Accumulated other comprehensive (loss) income	Retained earnings	Total
	Shares	Amount					
Balances, Dec. 31, 2000	107,533	$1,075	$522,492	$ —	$(47,861)	$379,949	$855,655
Common stock issued	2,491	25	20,491	—	—	—	20,516
Repurchase of common stock	(596)	(6)	(10,608)	—	—	—	(10,614)
Tax benefit of option exercises	—	—	12,542	—	—	—	12,542
Recognized loss on foundry investment	—	—	—	—	47,861	—	—
Unrealized gain on foundry investments (net of tax of $13.3 million—note 7)	—	—	—	—	24,106	—	—
Deferred stock compensation	—	—	3,136	(3,136)	—	—	—
Amortization of deferred stock compensation	—	—	—	397	—	—	397
Translation adjustments	—	—	—	—	(1,174)	—	—
Net loss for 2001	—	—	—	—	—	(109,519)	—
Total comprehensive loss	—	—	—	—	—	—	(38,726)
Balances, Dec. 31, 2001	109,428	1,094	548,053	(2,739)	22,932	270,430	839,770
Common stock issued	2,930	30	20,287	—	—	—	20,317
Tax benefit of option exercises	—	—	884	—	—	—	884
Unrealized loss on foundry investments (note 7)	—	—	—	—	(24,878)	—	—
Recognized gain on sale of foundry investments previously unrealized (note 7)	—	—	—	—	(3,398)	—	—
Deferred stock compensation	—	—	11,763	(11,763)	—	—	—
Amortization of deferred stock compensation	—	—	—	2,962	—	—	2,962
Translation adjustments	—	—	—	—	713	—	—
Net loss for 2002	—	—	—	—	—	(175,235)	—
Total comprehensive loss	—	—	—	—	—	—	(202,798)
Balances, Dec. 31, 2002	112,358	1,124	580,987	(11,540)	(4,631)	95,195	661,135
Common stock issued	682	6	6,198	—	—	—	6,204
Unrealized gain on foundry investments (note 7)	—	—	—	—	24,583	—	—
Unrealized gain on other investments	—	—	—	—	49	—	—
Deferred stock compensation	—	—	(351)	351	—	—	—
Amortization of deferred stock compensation	—	—	—	5,745	—	—	5,745
Translation adjustments	—	—	—	—	202	—	—
Net loss for 2003	—	—	—	—	—	(91,806)	—
Total comprehensive loss	—	—	—	—	—	—	(66,972)
Balances, Dec. 31, 2003	113,040	$1,130	$586,834	$ (5,444)	$ 20,203	$ 3,389	$606,112

The accompanying notes are an integral part of this statement

LATTICE SEMICONDUCTOR CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands)

	Years Ended Dec. 31,		
	2003	2002	2001
Cash flow from operating activities:			
Net loss	$ (91,806)	$(175,235)	$(109,519)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	99,902	94,375	106,539
(Gain) loss on value of foundry investments	—	(4,017)	152,795
Gain on sale of equity securities	(271)		
Loss (gain) on extinguishment of convertible notes	1,381	(9,341)	—
Tax benefit of option exercises	—	884	12,542
In process research and development	—	29,853	—
Changes in assets and liabilities (net of purchase accounting adjustments)			
Accounts receivable	(422)	(6,922)	30,236
Inventories	9,609	12,157	(5,433)
Prepaid expenses and other current assets	25,062	4,730	(7,327)
Deferred income taxes	—	110,792	(55,369)
Equity securities available for sale, foundry investments, advances and other assets	1,101	3,562	(11,478)
Accounts payable and accrued expenses	(3,211)	(3,497)	(53,959)
Accrued payroll obligations	(519)	(2,099)	(4,822)
Income taxes payable	124	(2,609)	(6,733)
Deferred income	(1,419)	(6,120)	(40,081)
Other liabilities	(4,753)	(515)	(424)
Net cash provided by operating activities	34,778	45,998	6,967
Cash flow from investing activities:			
Proceeds from maturities of short-term investments	420,543	306,923	336,973
Purchase of short-term investments	(555,612)	(132,965)	(318,828)
Acquisition of Agere FPGA	—	(254,232)	(2,233)
Other acquisition costs	—	(2,530)	—
Decrease in intangible assets	—	—	(5,189)
Proceeds from sale of equity securities	745	9,930	—
Purchase of equity securities	(474)	—	—
Capital expenditures	(9,793)	(17,451)	(13,751)
Net cash used by investing activities	(144,591)	(90,325)	(3,028)
Cash flow from financing activities:			
Extinguishment of 4¾% Convertible Subordinated Notes	(223,684)	(42,077)	—
Issuance of Zero Coupon Convertible Subordinated Notes	194,597	—	—
Repurchase of common stock	—	—	(10,614)
Net proceeds from issuance of common stock	4,701	5,676	20,978
Net cash (used) provided by financing activities	(24,386)	(36,401)	10,364
Net (decrease) increase in cash and cash equivalents	(134,199)	(80,728)	14,303
Beginning cash and cash equivalents	169,475	250,203	235,900
Ending cash and cash equivalents	$ 35,276	$ 169,475	$ 250,203
Supplemental disclosure of non-cash investing and financing activities:			
Unrealized gain (loss) on appreciation (depreciation) of foundry investments included in other comprehensive (loss) income	$ 24,583	$ (24,878)	$ 24,106
Stock and options issued in conjunction with acquisition of Cerdelinx	$ —	$ 21,703	$ —

The accompanying notes are an integral part of this statement

LATTICE SEMICONDUCTOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1)—Nature of Operations and Significant Accounting Policies:

Nature of Operations

Lattice Semiconductor Corporation designs, develops and markets high performance programmable logic devices, or PLDs, and related software. Programmable logic devices are widely-used semiconductor components that can be configured by the end customer as specific logic circuits, and enable the end customer to shorten design cycle times and reduce development costs. Our end customers are primarily original equipment manufacturers in communications, computing, industrial, automotive, medical, consumer and military end markets.

We do not manufacture our own silicon wafers. We maintain strategic relationships with large semiconductor foundries to source our finished silicon wafers in Asia. In addition, all of our assembly operations and most of our test operations are performed by outside suppliers in Asia. We perform certain test operations and reliability and quality assurance processes internally. We have achieved an ISO 9001 quality certification, which is an indication of our high internal operational standards.

We place substantial emphasis on new product development. Our product development activities emphasize new proprietary products, enhancement of existing products and process technologies and improvement of software development tools. Product development activities occur in Hillsboro, Oregon; San Jose, California; Broomfield, Colorado; Naperville, Illinois; Bethlehem, Pennsylvania; Austin, Texas; Salt Lake City, Utah; Shanghai, China; and Corsham, England.

Fiscal Reporting Period

We report based on a 52 or 53 week year ending on the Saturday closest to December 31. For ease of presentation, we have adopted the convention of using March 31, June 30, September 30 and December 31 as period end dates for all financial statement captions. Our 2003 fiscal year was a 53-week year.

Principles of Consolidation

On August 26, 2002, we completed the stock for stock acquisition of Cerdelinx Technologies, Inc. ("Cerdelinx") for 2.6 million shares valued at $8.30 per share. This transaction was accounted for as an asset purchase, and accordingly, the results of operations for Cerdelinx and estimated fair value of assets acquired and liabilities assumed are included in our consolidated financial statements beginning August 26, 2002. This acquisition is discussed further in note 4.

On January 18, 2002, we completed the acquisition of the field-programmable gate array ("FPGA") business ("Agere FPGA") of Agere Systems Inc. ("Agere") for $250 million in cash. This transaction was accounted for as a purchase, and accordingly, the results of operations for Agere FPGA and estimated fair value of assets acquired and liabilities assumed are included in our consolidated financial statements beginning January 18, 2002. This acquisition is discussed further in note 5.

On June 15, 1999, we completed the acquisition of all of the outstanding capital stock of Vantis Corporation ("Vantis") from Advanced Micro Devices, Inc. ("AMD"). The transaction was accounted for as a purchase, and accordingly, the results of operations of Vantis and estimated fair value of assets acquired and liabilities assumed are included in our consolidated financial statements beginning June 16, 1999. This acquisition is discussed further in note 6.

The accompanying consolidated financial statements include the accounts of Lattice Semiconductor Corporation and its subsidiaries, all wholly-owned, after the elimination of all significant intercompany balances and transactions.

Cash Equivalents and Short-Term Investments

We consider 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 are relatively less liquid and have maturities of less than one year, were composed of corporate auction rate stocks ($81.6 million and $43.2 million), municipal and local government obligations ($139.2 million and $64.2 million) and corporate notes and paper ($21.7 million and $0) at December 31, 2003 and December 31, 2002, respectively.

We account for our short-term investments as held-to-maturity, and state them at amortized cost with corresponding premiums or discounts amortized over the life of the investment as interest income. Amortized cost approximated fair value at December 31, 2003.

Financial Instruments

The carrying value of our financial instruments approximates fair value. We estimate the fair value of 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. (See note 11 for discussion of the fair value of our convertible debt.)

Derivative Financial Instruments

As of December 31, 2003, 2002 and 2001 and for the years then ended, we had no outstanding derivatives, including foreign exchange contracts for the purchase or sale of foreign currencies. We do not enter into derivative financial instruments for trading purposes.

Foreign Exchange and Translation of Foreign Currencies

A portion of our silicon wafer purchases are denominated in Japanese yen. We maintain a yen-denominated bank account and we bill our Japanese customers in yen. 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 years presented. We translate accounts denominated in foreign currencies in accordance with SFAS 52, "Foreign Currency Translation." Translation adjustments related to the consolidation of foreign subsidiary financial statements are reflected in other comprehensive (loss) income in Stockholders' Equity.

Concentrations of Credit Risk

Financial instruments which potentially expose us to concentrations of credit risk consist primarily of short-term investments and trade receivables. We place our investments through several financial institutions and mitigate 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 our credit and collection process. Accounts receivable are shown net of allowances for doubtful accounts of $1.0 million and $1.1 million at December 31, 2003 and 2002, respectively. We perform credit evaluations for all

customers and secure transactions with letters of credit or advance payments where necessary. Write-offs for uncollected trade receivables have not been significant to date.

Revenue Recognition

Revenue from sales to OEM customers is recognized upon shipment provided that persuasive evidence of an arrangement exists, the price is fixed and determinable, title has transferred, collection of resulting receivables is probable, there are no customer acceptance requirements and no remaining significant obligations. Certain of our 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 either until the product is sold by the distributor or return privileges and price protection rights terminate, and related estimated revenue and estimated costs are then reflected in income. Revenue from software sales was not material for the years presented.

Inventories

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

Long-Lived Assets

We account for our long-lived assets, primarily property and equipment and amortizable intangible assets, in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 144, “Accounting for the Disposal of Long-Lived Assets,” which requires us 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. Impairment is measured by comparing the estimated undiscounted cash flows to the carrying amount. A loss is recorded if the carrying amount of the asset exceeds the estimated undiscounted cash flows. Intangible assets are generally being amortized over five years, and fifteen years for income tax purposes, on a straight-line basis.

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 software and thirty years for buildings. Accelerated methods of computing depreciation are generally used for income tax purposes.

Goodwill

We measure the carrying value of goodwill recorded in connection with our acquisitions (see notes 4, 5 and 6) for potential impairment in accordance with SFAS No. 142, “Goodwill and Other Intangible Assets.” To apply SFAS 142, a company is divided into separate “reporting units,” each representing groups of products that are separately managed. For this purpose, we have one reporting unit. To determine whether or not goodwill may be impaired, a test is required comparing the book value of the “reporting unit” to its trading price. Similar tests are required in the future, at least annually, and more often where there is a change in circumstances that could result in an impairment of goodwill. If the trading price of our common stock is below the book value for a sustained period, a goodwill impairment test will be performed by comparing book value to estimated market value (trading price plus a control premium). The excess of book value over estimated market value will then be subtracted from the goodwill account with a resulting charge to operations. Subsequent unrealized recoveries in market value, if any, will not be recorded. We completed an initial goodwill impairment assessment as of January 1, 2002 to determine if a transition impairment charge should be recognized under SFAS 142. Upon assessment, no transition impairment charge was recorded. We also completed our

annual goodwill impairment assessment in December 2003, upon which no impairment charge was recorded.

The following table presents the impact of SFAS 142 on our net income and our net income per share had the new standard been in effect for the year ended December 31, 2001 (in thousands, except per share data):

	Year Ended Dec. 31, 2001
Net loss—as reported	$(109,519)
Adjustments:	
Amortization of goodwill	32,949
Income tax effect	(12,206)
Net adjustments	20,743
Net loss—as adjusted	$ (88,776)
Basic net loss per share—as reported	$ (1.01)
Basic net loss per share—as adjusted	$ (0.82)
Diluted net loss per share—as reported	$ (1.01)
Diluted net loss per share—as adjusted	$ (0.82)

Research and Development

Research and development costs are expensed as incurred.

Stock-Based Compensation

We account for our 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." Pro forma disclosures as required under SFAS 123, "Accounting for Stock-Based Compensation" and as amended by SFAS 148, "Accounting for Stock-Based Compensation—Transition and Disclosure," are presented below (also see note 11). Pursuant to FASB Interpretation No. 44 "Accounting for Certain Transactions Involving Stock Based Compensation—an interpretation of APB Opinion No. 25," effective July 1, 2000, the "in the money" portion of stock options granted to employees in connection with acquisitions is accounted for as Deferred stock compensation in Stockholders' Equity and amortized to operations as part of Amortization of Intangible Assets over the vesting periods of the options.

Our pro forma information is as follows (in thousands, except per share data):

	Years Ended Dec. 31,		
	2003	2002	2001
Net loss, as reported	$ (91,806)	$(175,235)	$(109,519)
Add: Stock based employee compensation expense included in reported net loss, net of related tax effects	5,745	2,962	397
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(28,205)	(34,068)	(23,011)
Pro forma net loss	$(114,266)	$(206,341)	$(132,133)
Earnings per share:			
Basic—as reported	$ (0.82)	$ (1.59)	$ (1.01)
Basic—pro forma	$ (1.02)	$ (1.87)	$ (1.22)
Diluted—as reported	$ (0.82)	$ (1.59)	$ (1.01)
Diluted—pro forma	$ (1.02)	$ (1.87)	$ (1.22)

Net Loss Per Share

Net loss per share is computed based on the weighted average number of shares of common stock and potentially dilutive securities assumed to be outstanding during the period using the treasury stock method. Potentially dilutive securities consist of stock options, warrants to purchase common stock and convertible subordinated notes. 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 convertible subordinated notes, options and warrants as outstanding. Diluted loss per common share for 2003, 2002 and 2001 is based only on the weighted-average number of common shares outstanding during these periods, as the inclusion of options, warrants and convertible subordinated notes, aggregating approximately 23.6 million, 20.5 million and 24.0 million shares for 2003, 2002 and 2001, respectively, would have been antidilutive. The options, warrants and convertible notes however, could be dilutive in the future. A reconciliation of the numerators and denominators of basic and diluted net income per share is presented below (in thousands, except per share data):

	Years Ended Dec. 31,		
	2003	2002	2001
Basic and diluted net loss	$(91,806)	$(175,235)	$(109,519)
Shares used in basic net loss per share calculations	111,794	110,193	108,814
Dilutive effect of stock options, warrants and convertible subordinated notes	—	—	—
Shares used in diluted net income per share calculations	111,794	110,193	108,814
Basic net loss per share	$ (0.82)	$ (1.59)	$ (1.01)
Diluted net loss per share	$ (0.82)	$ (1.59)	$ (1.01)

Comprehensive (Loss) Income

For 2001, comprehensive loss consists primarily of net loss of approximately $109.5 million offset by unrealized gain recorded related to the market value of our foundry investments (net of tax) of approximately $72.0 million. For 2002, comprehensive loss consists primarily of net loss of approximately $175.2 million, unrealized loss on depreciation of our foundry investments of approximately $24.9 million and recognized gain on sale of foundry investments previously unrealized of approximately $3.4 million (see note 7). For 2003, comprehensive loss consists primarily of net loss of approximately $91.8 million offset by unrealized gains related to the market value of our foundry investments of approximately $24.6 million.

Statement of Cash Flows

During 2003 and 2002, respectively, we received income tax refunds, net of payments, of approximately $28.4 million and $37.2 million. Income taxes paid approximated $7.3 million in 2001. Interest paid aggregated approximately $6.4 million, $12.0 million and $12.4 million in 2003, 2002, and 2001, 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, such as accounts receivable, inventory and deferred income taxes and liabilities, such as accrued liabilities, income taxes and deferred income, 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 January 2003, the Financial Accounting Standards Board ("FASB") issued Financial Standards Accounting Board Interpretation ("FIN") No. 46, "Consolidation of Variable Interest Entities," an interpretation of Accounting Research Bulletin No. 51, "Consolidated Financial Statements." FIN 46 establishes accounting guidance for consolidation of a variable interest entity. In a variable interest entity the equity investors do not have a controlling interest or their equity interest is insufficient to finance the entity's activities without receiving additional subordinated financial support from the other parties. We do not currently have any business relationship with a variable interest entity, so the adoption of FIN 46 had no impact on our consolidated financial position or results of operations.

In April 2003, the FASB issued SFAS 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133. SFAS 149 is effective for contracts entered into or modified after June 20, 2003. The adoption of SFAS 149 did not have a material effect on our results of operations, financial position or cash flows.

In May 2003, the FASB issued SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This pronouncement establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in certain circumstances) because that financial instrument embodies an obligation of the issuer. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective for interim periods beginning after June 15, 2003. On November 7, 2003, FASB issued FASB Staff Position No. FAS 150-3 ("FSP 150-3"), "Effective Date, Disclosures, and Transition for Mandatorily Redeemable Financial Instruments of Certain

Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests Under FASB Statement No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity.'' FSP 150-3 deferred certain aspects of SFAS 150. The adoption of SFAS 150 and FSP 150-3 did not have a material impact on our results of operations, financial position or cash flows.

On December 17, 2003, the Staff of the SEC issued Staff Accounting Bulletin No. 104 (''SAB 104''), ''Revenue Recognition,'' which supersedes SAB 101, ''Revenue Recognition in Financial Statements.'' SAB 104's primary purpose is to rescind accounting guidance contained in SAB 101 related to multiple element revenue arrangements, superseded as a result of the issuance of EITF 00-21, ''Accounting for Revenue Arrangements with Multiple Deliverables.'' Additionally, SAB 104 rescinds the SEC's ''Revenue Recognition in Financial Statements Frequently Asked Questions and Answers'' (the ''FAQ'') issued with SAB 101 that had been codified in SEC Topic 13, ''Revenue Recognition.'' Selected portions of the FAQ have been incorporated into SAB 104. While the wording of SAB 104 has changed to reflect the issuance of EITF 00-21, the revenue recognition principles of SAB 101 remain largely unchanged by the issuance of SAB 104. The adoption of SAB 104 did not materially affect our revenue recognition policies, nor our results of operations, financial position or cash flows.

(2)—Inventories (in thousands):

	December 31,	
	2003	2002
Work in progress	$34,327	$40,515
Finished goods	12,303	15,726
	$46,630	$56,241

(3)—Property and Equipment (in thousands):

	December 31,	
	2003	2002
Land	$ 2,099	$ 2,099
Construction in progress	—	3,024
Buildings	28,087	24,703
Computer and test equipment	125,481	123,115
Office furniture and equipment	11,414	10,379
Leasehold and building improvements	14,617	13,833
	181,698	177,153
Accumulated depreciation and amortization	(127,898)	(114,367)
	$ 53,800	$ 62,786

Depreciation expense was approximately $18.6 million, $19.2 million and $19.1 million for 2003, 2002 and 2001, respectively.

(4)—Acquisition of Cerdelinx:

On August 26, 2002, we completed the stock for stock acquisition of Cerdelinx for 2.6 million shares valued at $8.30 per share. Cerdelinx was an early stage fabless semiconductor company focused on the design of application specific standard products targeted towards emerging high-speed communications and storage applications. Cerdelinx had a team of engineers who were developing a

portfolio of low-power CMOS transceivers and backplane interfaces with embedded high-speed SERDES I/O to support 10 gigabit-per-second applications. The acquisition serves to enhance our silicon development efforts and our ability to deliver leading-edge programmable solutions within the communications and storage market segments. This acquisition principally comprises intellectual property and a work force. The core technology portion of the intellectual property is valued using a royalty savings methodology which discounts estimated royalties that would be paid on an after tax basis. The in-process technology portion of the intellectual property is valued using a discounted cash flow methodology described in detail below. Work force is valued using a replacement cost methodology which discounts costs to an after tax amount. The transaction was completed pursuant to an Agreement and Plan of Reorganization entered into on July 15, 2002, as amended on July 24, 2002, among Lattice, Cerdelinx and affiliated parties. The components of the purchase price were as follows (in millions):

Stock issued and liabilities assumed	$22.8
Estimated direct acquisition costs	1.1
Total	$23.9

In conformity with Financial Accounting Standard SFAS 142, the total purchase price was allocated to the estimated fair value of assets acquired and liabilities assumed. As Cerdelinx was not considered a business under SFAS 141, "Business Combinations," no goodwill was recognized. In estimating the fair value of the assets acquired, management considered various factors, including an appraisal. The total purchase price was allocated as follows (in millions):

Core technology	$ 7.2
Deferred stock compensation	5.8
In process research and development costs	5.7
Work force	4.7
Liabilities assumed	(1.2)
Equipment	1.1
Non compete agreement	0.3
Cash	0.3
Total	$23.9

There were no significant exit costs incurred or accrued in connection with this transaction. Management does not expect intangible assets acquired to be deductible for income tax purposes.

Employees who joined Lattice as a result of this acquisition held Cerdelinx shares and options which were converted into 0.9 million Lattice shares and options which were either unvested or otherwise restricted from sale over terms up to four years at a grant price from $0.41 per share to $2.54 per share. The spread, which is the difference between grant price and market value of our common stock on the Closing Date, aggregating $5.8 million on these shares and options, was recorded as Paid-in capital and Deferred stock compensation and is being amortized to operations equally over the vesting (or restriction lapsing) period as part of Amortization of intangible assets.

In-Process Research and Development ("IPR&D")

IPR&D consists of those products obtained through acquisition that are not yet proven to be technologically feasible but have been developed to a point where there is value associated with them in relation to potential future revenue. Because technological feasibility was not yet proven and no alternative future uses are believed to exist for the in-process technologies, the assigned value was expensed immediately after the closing of the acquisition.

The fair value underlying the $5.7 million assigned to acquired IPR&D from the Cerdelinx acquisition (recognized in the third quarter of 2002) was determined by identifying research projects in areas for which technological feasibility had not been established and there were no alternative future uses. The acquired IPR&D consists of low-power CMOS transceivers and backplane interfaces with embedded high-speed SERDES I/O. These products were approximately 60% complete and were estimated to be completed in 2003 at an estimated cost of approximately $2 million. This project is now estimated to be complete in the first half of 2004. There has been no material change in the estimated cost of this project.

The fair value was determined by an income approach where fair value is the present value of projected free cash flows that will be generated by the products incorporating the acquired technologies under development, assuming they are successfully completed. The estimated net free cash flows generated by the products over six year periods were discounted at rates ranging from 15% to 17% in relation to the stage of completion and the technical risks associated with achieving technological feasibility. The net cash flows for such projects were based on management's estimates of revenue, expenses and asset requirements.

All of these projects have completion risks related to silicon functionality, architecture performance, process technology availability, packaging technology, continued availability of key technical personnel and product reliability. To the extent that estimated completion dates are not met, the risk of competitive product introduction is greater and revenue opportunity may be permanently lost.

The core technology included in the acquisition of Cerdelinx has an estimated weighted average useful life of approximately six years, and the work force and non-compete agreements included in the Cerdelinx acquisition have estimated useful lives of approximately four years resulting in a weighted average useful life of approximately five years.

(5)—Acquisition of Agere FPGA:

On January 18, 2002, we completed the acquisition of Agere FPGA for $250 million in cash. This acquisition increased our share of the PLD market, accelerated our entry into the FPGA portion of the market and provided us with additional technical employees and intellectual property. This acquisition principally comprises intellectual property, which was valued using a discounted cash flow methodology of which goodwill was a by-product. The transaction was completed pursuant to an Asset Purchase Agreement dated as of December 7, 2001 between Lattice and Agere. The components of the purchase price were as follows (in millions):

Cash	$250.0
Estimated direct acquisition costs	6.3
Total	$256.3

In accordance with SFAS 141, the total purchase price was allocated to the estimated fair value of assets acquired and liabilities assumed. In estimating the fair value of the assets acquired, management

considered various factors, including an appraisal. The total purchase price was allocated as follows (in millions):

Excess of purchase price over net assets acquired	$142.4
Current technology	63.4
In-process research and development	24.2
Fair value of non-compete agreement	13.8
Licensed technology	10.2
Inventory	3.5
Backlog	1.4
Property, plant and equipment	0.2
Accrued liabilities	(2.8)
Total	$256.3

There were no significant exit costs incurred or accrued in connection with this transaction.

Employees joining us from Agere during the first quarter of 2002 were awarded approximately 1.1 million stock options which vest equally over four years at a grant price of $14.76 per share. The difference between grant price and market value of our common stock on the grant date, aggregating approximately $7.0 million, was recorded as Paid-in capital and Deferred stock compensation and is being amortized to operations ratably over the vesting period as part of Amortization of intangible assets.

In-Process Research and Development ("IPR&D")

IPR&D consists of those products obtained through acquisition that are not yet proven to be technologically feasible but have been developed to a point where there is value associated with them in relation to potential future revenue. Because technological feasibility was not yet proven and no alternative future uses are believed to exist for the in-process technologies, the assigned value was expensed immediately upon the closing date of the acquisition.

The fair value underlying the $24.2 million assigned to acquired IPR&D in the Agere FPGA acquisition was determined by identifying research projects in areas for which technological feasibility had not been established and there was no alternative future use. Projects in the IPR&D category are the ORCA 4 FPGA family, the next generation FPGA family and the FPSC field-programmable system chips. The following is a brief description of these projects. The ORCA 4 FPGA family project, increasing speed and density and enhancing yields, was approximately 85% complete and estimated to be completed by 2003 at an estimated cost of $1.5 million. This project was completed during 2002 with no material change in cost. The next generation FPGA family project, increasing speed and density while reducing die size, was approximately 50% complete and estimated to be completed by 2004 at an estimated cost of $2 million. There has been no material change in the schedule or estimated cost of this project. The future development of FPSC field-programmable system chips (field-programmable system chips which combine embedded pre-defined logic circuits with an FPGA platform) was approximately 25% to 90% complete, and estimated to be completed by 2004 at an estimated cost of $2 million. There has been no material change in the schedule or estimated cost of this project. The IPR&D value of $24.2 million was determined by an income approach where fair value is the present value of projected free cash flows that will be generated by the products incorporating the acquired technologies under development, assuming they are successfully completed. The estimated net free cash flows generated by the products over 5-7 year periods were discounted at rates ranging from 23% to 25% in relation to the stage of completion and the technical risks associated with achieving technological feasibility. The net cash flows for such projects were based on management's estimates of revenue, expenses and asset requirements. Any delays or failures in the completion of these projects

could impact our expected return on investment and future results. In addition, our financial condition would be adversely affected if the value of other intangible assets acquired became impaired.

All of these projects have completion risks related to silicon functionality, architecture performance, process technology availability, packaging technology, continued availability of key technical personnel, product reliability and availability of software support. To the extent that estimated completion dates are not met, the risk of competitors' product introductions is greater and revenue opportunity may be permanently lost.

The non-compete agreement from Agere and the current and licensed technology included in the acquisition of Agere FPGA have an estimated weighted average useful life of approximately 6.3 years.

Pro forma results

The following pro forma results of operations information are provided for illustrative purposes only and do not purport to be indicative of the consolidated results of operations for future periods or that actually would have been realized had Lattice and Agere FPGA been a consolidated entity during the periods presented. The pro forma results combine the results of operations as if Agere FPGA had been acquired as of the beginning of the periods presented. The results include the impact of certain adjustments such as intangible asset amortization, estimated changes in interest income (expense) related to cash outlays associated with the transaction and income tax benefits related to the aforementioned adjustments. Additionally, the IPR&D charge of $24.2 million discussed above has been excluded from the periods presented due to its non-recurring nature.

	Years Ended Dec. 31,	
	2002	2001
	(in thousands, except per share amounts) (unaudited)	
Revenue	$ 234,518	$ 364,426
Net loss	$(159,707)	$(122,419)
Basic net loss per share	$ (1.45)	$ (1.13)
Diluted net loss per share	$ (1.45)	$ (1.13)

(6)—Acquisition of Vantis:

On June 15, 1999, we paid approximately $500.1 million in cash to AMD for all of the outstanding capital stock of Vantis Corporation. The total purchase price of Vantis was $583.1 million, including certain direct acquisition costs, the accrual of certain exit costs and the assumption of certain liabilities related to the Vantis business. Of this purchase price, approximately $422.6 million was allocated to goodwill and intangible assets.

The recorded balances of goodwill and intangible assets, net of accumulated amortization, related to the Vantis acquisition approximated $77.1 million and $23.3 million, respectively, at December 31, 2003 and $77.1 million and $74.2 million, respectively, at December 31, 2002. Amortization expense related to these assets approximated $50.9 million, $50.9 million and $80.9 million for 2003, 2002 and 2001, respectively.

(7)—Foundry Investments, Advances and Other Assets (in thousands):

	December 31,	
	2003	2002
Foundry investments and other assets	$ 96,437	$ 68,990
Wafer supply advances	25,810	35,517
	122,247	104,507
Less: UMC shares available for sale	(35,364)	—
	$ 86,883	$104,507

In 1995, we entered into a series of agreements with United Microelectronics Corporation ("UMC"), a public Taiwanese company, pursuant to which we 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, we invested approximately $49.7 million 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.

In 1996, we entered into an agreement with Utek Corporation ("Utek"), a public Taiwanese company in the wafer foundry business that became affiliated with the UMC group in 1998, pursuant to which we agreed to make a series of equity investments in Utek under specific terms. In exchange for these investments, we received the right to purchase a percentage of Utek's wafer production. Under this agreement, we invested approximately $17.5 million. On January 3, 2000, UICC and Utek merged into UMC.

We own approximately 91.7 million shares of UMC common stock at December 31, 2003 of which approximately 23.3 million are restricted from sale for more than one year by the terms of our agreement with UMC. Under the terms of the UMC agreement, if we sell any of these restricted shares, our rights to guaranteed wafer capacity at UMC may be reduced on a pro-rata basis based on the number of shares that we sell. If we sell over 10.1 million of these restricted shares, we may lose all of our rights to guaranteed wafer capacity at UMC.

For financial reporting purposes, all of our UMC shares are accounted for as available for sale and marked to market in our Consolidated Balance Sheet until they are sold, at which time a gain or loss is recognized in our Consolidated Statement of Operations. Unrealized gains and losses are included in Accumulated other comprehensive (loss) income within Stockholders' Equity. An other than temporary impairment of UMC share value could result in a reduction of the Consolidated Balance Sheet carrying value and would result in a charge to our Consolidated Statement of Operations.

In the September 2001 quarter, the carrying value of the UMC shares was reduced as we recorded a $152.8 million loss representing a decline in the market value of our UMC shares. In each quarter that the market value of the UMC investment is below carrying value, we evaluate whether the investment is other than temporarily impaired. We recorded the unrealized loss on our UMC investment in the September 30, 2001 Statement of Operations. At that time, we believed the investment was other than temporarily impaired for the following reasons:

- It was becoming increasingly likely that the stock price would not recover based on the increasing size of the unrealized loss, the extended time period during which the stock price had continued to decline without a trend reversal, and the dampening volatility, which indicated to us that the stock price was becoming more stable;
- UMC's financial performance had weakened relative to earlier quarters;

- The opinion of many industry observers and analysts regarding the semiconductor downturn had become significantly more negative;
- The events of September 11, 2001 further exacerbated market conditions;
- We had previously believed that UMC would initiate an ADR conversion program that would enable us to sell our shares at a premium on the New York Stock Exchange, but such a program was never initiated; and
- Although we still had the intent and ability to hold the shares for an indefinite period, we concluded this fact did not overcome the negative factors associated with the shares.

During 2002, we sold approximately 7.6 million of our UMC shares for approximately $9.9 million in cash, resulting in a gain of $4.0 million. The resultant $4.0 million pre-tax gain associated with these sales was recorded in "Other income, net" in the accompanying Consolidated Statement of Operations and represents the difference between market value on the date of sale and the carrying value at September 30, 2001. Also during 2002, we recorded a $36.1 million unrealized loss ($24.9 million net of tax and reflected in Accumulated other comprehensive (loss) income) related to changes in the market value of our unrestricted UMC shares.

During 2003, we recorded a $24.6 million unrealized gain related to changes in the market value of our UMC shares, which is reflected in Accumulated other comprehensive (loss) income in the accompanying Consolidated Statement of Changes in Stockholders' Equity.

The resultant carrying value of our investment in UMC was approximately $81.1 million and $56.3 million at December 31, 2003 and December 31, 2002, respectively. As of December 31, 2003, approximately $35.4 million of the carrying value of our UMC shares is classified as "Equity securities available for sale", part of current assets, as it is our intent to sell approximately 40 million shares of our unrestricted UMC shares during 2004 as market conditions allow. During the first quarter of 2004, we sold 10.0 million of our unrestricted shares for approximately $9.2 million in cash, resulting in a gain of approximately $2.5 million (see note 17). The remaining carrying value of our UMC shares at December 31, 2003, and the entire carrying value of our UMC shares at December 31, 2002, are classified as part of "Foundry investments, advances and other assets" in the accompanying Consolidated Balance Sheet.

When we liquidate our UMC shares, it is likely that the amount of any future realized gain or loss will be different from the accounting gain or loss reported in prior periods.

In March 1997 and as subsequently amended in January 2002, we entered into an advance payment production agreement with Seiko Epson and Epson Electronics America, Inc. ("EEA") under which we agreed to advance up to $69 million, payable upon completion of specific milestones, 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 EEA pursuant to purchase agreements with EEA. Payments of approximately $51.3 million have been made under this agreement. Cumulatively, approximately $15.6 million of these payments have been repaid to us in the form of semiconductor wafers. Approximately $9.9 million of the outstanding advances are expected to be repaid with semiconductor wafers during 2004 and are thus reflected as part of Prepaid expenses and other current assets in our accompanying Consolidated Balance Sheet. We do not anticipate making additional payments under this agreement.

(8)—Intangible Assets:

The following tables present details of our total purchased intangible assets (in millions):

December 31, 2003	Gross	Accumulated amortization	Net
Current technology	$273.6	$(214.4)	$59.2
Core technology	7.3	(1.9)	5.4
Licenses	10.2	(2.9)	7.3
Non-compete agreements	14.2	(9.1)	5.1
Workforce	4.7	(1.2)	3.5
Backlog	1.4	(1.4)	—
Customer list	17.4	(15.8)	1.6
Patents and trademarks	26.8	(24.3)	2.5
Total	$355.6	$(271.0)	$84.6

December 31, 2002	Gross	Accumulated amortization	Net
Current technology	$273.6	$(160.3)	$113.3
Core technology	7.3	(0.5)	6.8
Licenses	10.2	(1.4)	8.8
Non-compete agreements	14.2	(4.4)	9.8
Workforce	4.7	(0.3)	4.4
Backlog	1.4	(1.4)	—
Customer list	17.4	(12.3)	5.1
Patents and trademarks	26.8	(19.0)	7.8
Total	$355.6	$(199.6)	$156.0

The estimated future amortization expense of purchased intangible assets as of December 31, 2003 is as follows (in millions):

Fiscal Year:	Amount
2004	$43.8
2005	14.4
2006	10.8
2007	9.8
Later years	5.8
	$84.6

The estimated future amortization expense of deferred stock compensation attributable to research and development activities as of December 31, 2003 is approximately $3.2 million for 2004 and $2.2 million for 2005.

(9)—Lease Obligations:

Certain of our facilities and equipment are leased under operating leases, which expire at various times through 2013. Rental expense under the operating leases was approximately $5.8 million, $6.0 million and $5.1 million for 2003, 2002, and 2001, respectively. Future minimum lease

commitments (before consideration of sublease receipts discussed below) at December 31, 2003 are as follows (in thousands):

Year	
2004	$ 9,349
2005	8,150
2006	6,557
2007	5,635
2008	5,510
Later years	944
	$36,145

Included in these amounts are certain properties which are currently subleased. A portion of this sublease income is payable to the property owner. Future minimum sublease receipts, based on agreements in place at December 31, 2003, net of such payments are as follows (in thousands):

Year	
2004	$2,623
2005	2,684
2006	886
	$6,193

(10)—Income Taxes:

The components of the (benefit) provision for income taxes for 2003, 2002, and 2001 are presented in the following table (in thousands):

	December 31,		
	2003	2002	2001
Current:			
Federal	$(5,854)	$(27,082)	$ (7,018)
State	—	—	(2,087)
	(5,854)	(27,082)	(9,105)
Deferred:			
Federal	—	99,334	(47,482)
State	—	9,614	(7,860)
	—	108,948	(55,342)
	$(5,854)	$ 81,866	$(64,447)

Foreign income taxes were not significant for the years presented.

The (benefit) 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):

	Years Ended December 31,					
	2003		2002		2001	
	$	%	$	%	$	%
Computed income tax (benefit) expense at the statutory rate	(34,182)	(35)	(32,679)	(35)	(60,886)	(35)
Adjustments for tax effects of:						
State taxes, net	(3,247)	(3)	(4,016)	(4)	(6,466)	(3)
Research and development credits	(1,358)	(1)	(800)	(1)	(1,175)	(1)
Nontaxable investment items	(163)	—	(1,388)	(1)	4,177	2
Valuation allowance	35,641	36	118,648	127	—	—
Release of certain reserves	(3,429)	(4)	—	—	—	—
Other	884	1	2,101	2	(97)	—
	(5,854)	(6)	81,866	88	(64,447)	(37)

In the fourth quarter of 2002, we recorded a $118.6 million charge to income tax expense, representing a valuation allowance on our recorded deferred tax assets, in accordance with SFAS 109, "Accounting for Income Taxes." SFAS 109 provides for the recognition of deferred tax assets if realization of these assets is more likely than not. We have provided a valuation allowance equal to our net deferred tax assets due to uncertainties regarding their realization.

The components of our net deferred tax assets are as follows (in thousands):

	December 31,	
	2003	2002
Current deferred tax assets:		
Deferred income	$ 3,962	$ 4,434
Expenses and allowances not currently deductible	12,186	15,931
	16,148	20,365
Less: valuation allowance	(16,148)	(20,365)
	$ —	$ —

	December 31,	
	2003	2002
Non-current deferred tax assets:		
Intangible asset charges not currently deductible	$ 93,131	$ 82,686
Expenses and allowances not currently deductible	5,433	7,673
Net operating loss and credit carryforwards	43,335	11,658
Other	3,589	3,613
	145,488	105,630
Less: valuation allowance	(145,488)	(105,630)
Net non-current deferred tax assets	$ —	$ —

Valuation allowances approximating $7.3 million were provided in 2002 for deferred tax assets acquired with Cerdelinx as discussed below.

As of December 31, 2002 we had approximately $26.0 million in federal and other income taxes receivable relating primarily to federal net operating loss carrybacks. These amounts are reflected in Prepaid expenses and other current assets in the Consolidated Balance Sheet, and were received during 2003.

As of December 31, 2003, we have federal net operating carryforwards (pre-tax) of approximately $82.7 million, that expire at various dates between 2021 and 2023. We have state net operating loss carryforwards (pre-tax) of approximately $102.6 million that expire at various dates from 2006 through 2023. We also have federal and state credit carryforwards of $10.7 million, most of which do not expire with the remainder expiring at various dates from 2006 through 2023.

We acquired Cerdelinx on August 26, 2002 (see note 4). Cerdelinx had federal and state net operating loss and tax credit carryforwards at the time of the acquisition for which we recorded deferred tax assets of $2.6 million with an offsetting valuation allowance. In conjunction with the change in ownership, applicable Internal Revenue Code sections limit the use of these tax benefits to approximately $400,000 per year.

(11)—Long-term debt:

On June 20, 2003, we issued $200 million in Zero Coupon Convertible Subordinated Notes due July 1, 2010. No interest will accrue or be payable related to these notes. Holders of these notes may convert the notes into shares of our common stock at any time before the close of business on the date of their maturity, unless the notes have been previously redeemed or repurchased, if (1) the price of our common stock issuable upon conversion of a note reaches a specified threshold, (2) the notes are called for redemption, (3) specified corporate transactions occur or (4) the trading price of the notes falls below certain thresholds. The conversion price is approximately $12.06 per share, subject to adjustment in certain circumstances. On or after July 1, 2008, we have the option to redeem all or a portion of the notes that have not been previously repurchased or converted at 100% of the principal amount of the notes. On July 1, 2008, holders have the option to require us to purchase all or a portion of their notes in cash at 100% of the principal amount of the notes. Holders also have the right, subject to certain conditions, to require us to repurchase the notes in the event of a "fundamental change" (as defined in the indenture governing the notes) at 100% of the principal amount of the notes. The notes are subordinated in right of payment to all of our senior indebtedness, and are structurally subordinated as to the revenues and assets of our subsidiaries to all debt and other liabilities of our subsidiaries. At December 31, 2003, we had no senior indebtedness and our subsidiaries had approximately $2.4 million of debt and other liabilities outstanding. Issuance costs relative to these convertible notes are included in "Foundry investments, advances and other assets" and aggregated approximately $5.4 million and are being amortized to expense over the lives of the notes. Accumulated amortization of these issuance costs was approximately $1.4 million as of December 31, 2003.

The estimated fair value of these convertible notes, based on quoted market prices, was approximately $192 million at December 31, 2003.

During the third quarter of 2003, we extinguished approximately $16.0 million of these notes for approximately $14.2 million in cash and recognized a gain of approximately $1.4 million. In connection with this transaction, we also wrote off approximately $0.4 million of unamortized issuance costs.

On July 21, 2003, we redeemed for cash all of our outstanding 4¾% Convertible Subordinated Notes due in 2006, originally issued in October 1999, plus accrued interest. Total cash paid at redemption approximated $178.8 million, including par value of $172.3 million, accrued interest of

approximately $1.8 million and a call premium of 2.71% of the outstanding notes, or approximately $4.7 million. This call premium, plus unamortized issuance costs of approximately $1.0 million as of the redemption date, was recorded as "Other expense" in the quarter ended September 30, 2003.

During 2002, we extinguished approximately $51.9 million face value of our 4¾% Convertible Subordinated Notes due in 2006 for approximately $42.8 million in cash, including accrued interest. We recognized a gain of approximately $9.3 million in connection with these transactions.

(12)—Stockholders' Equity:

Common Stock

In December 2000, our Board of Directors authorized management to repurchase up to five million shares of our common stock. As of December 31, 2003, we had repurchased 1,136,000 shares (596,000 in 2001) at an aggregate cost of approximately $20.0 million ($10.6 million in 2001). There were no repurchases of common stock in 2002 or 2003.

Stock Warrants

During 2001, a warrant was issued to a vendor to purchase 95,563 shares of common stock, earned ratably from March 2001 to February 2002. During 2002, a warrant was issued to the vendor to purchase 119,074 shares of common stock, earned ratably from March 2002 to February 2003. During 2002, the vendor exercised warrants for 206,200 shares at $13.75 per share. During 2003, a warrant was issued to the vendor to purchase 256,661 shares of common stock, earned ratably from March 2003 to February 2004. Additionally during 2003 warrants for 200,392 shares expired unexercised, leaving warrants for 765,498 shares unexercised as of December 31, 2003, including warrants issued prior to 2001. Expense recorded in conjunction with the vesting of warrants by this vendor was not material to our consolidated financial statements.

Stock Option Plans

As of December 31, 2003, we had authorized 9,000,000 and 17,200,000 shares of common stock for issuance to officers and employees under our 2001 Stock Plan and 1996 Stock Incentive Plan, respectively. The 2001 Plan options are granted at fair value at the date of grant, generally vest over four years in increments as determined by the Board of Directors and have terms up to ten years. The 1996 Plan options are typically granted at fair value at the date of grant, generally vest over four years in increments as determined by the Board of Directors and have terms up to ten years.

In conjunction with the acquisition of Cerdelinx on August 26, 2002, we exchanged 246,540 Lattice stock options for all of the options outstanding under the former Cerdelinx stock option plans. These options generally vest over four years and have terms of ten years. In conjunction with the acquisition of I2P on March 16, 2001, we exchanged 223,276 Lattice stock options for all of the options outstanding under the former I2P stock option plans. These options generally vest over four years and have terms of ten years.

The 2001 Outside Directors' Stock Option Plan, which replaced the 1993 Outside Directors Stock Option Plan, provides for the issuance of stock options to members of our Board of Directors who are not employees of Lattice; 1,000,000 shares of our Common Stock are authorized for issuance thereunder. These options are granted at fair value at the date of grant and become exercisable quarterly over a one year period beginning three years after the date of grant and expire ten years from the date of grant.

The following table summarizes our stock option activity and related information for the past three years (number of shares in thousands):

	Years Ended December 31,					
	2003		2002		2001	
	Number of Shares under Option	Weighted Average Exercise Price	Number of Shares under Option	Weighted Average Exercise Price	Number of Shares under Option	Weighted Average Exercise Price
Options outstanding at beginning of year	24,040	$15.83	20,075	$17.71	17,008	$14.95
Options granted	9,726	7.90	4,877	8.08	5,713	22.16
Options canceled	(12,583)	21.74	(721)	17.73	(399)	17.81
Options exercised	(114)	4.16	(191)	7.81	(2,247)	8.15
Options outstanding at end of year	21,069	$ 8.71	24,040	$15.83	20,075	$17.71

The following table summarizes information about stock options outstanding at December 31, 2003 (number of shares in thousands):

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Shares	Weighted-Average Remaining Contract Life (in years)	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
$0.41-$ 6.30	3,220	8.56	$ 5.70	1,053	$ 5.52
$7.28-$ 7.62	3,287	9.80	7.29	—	—
$7.75-$ 7.88	4,499	4.76	7.80	4,499	7.80
$8.21-$ 8.39	5,850	9.66	8.21	847	8.22
$8.57-$32.25	4,213	6.11	13.81	3,492	13.18
	21,069	7.76	$ 8.71	9,891	$ 9.49

Stock Purchase Plan

Our employee stock purchase plan, which was amended and approved most recently by our stockholders in May 2002, 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 3,700,000 shares authorized to be issued under the plan, 576,064, 347,107, and 203,049 shares were issued during 2003, 2002 and 2001, respectively, and 330,548 shares were available for issuance at December 31, 2003. The increase in shares issued in 2003 as compared to earlier years is primarily attributable to three offering periods closing in 2003 (a 53-week fiscal year) as compared to two periods closing in the 2002 and 2001.

Stock Option Exchange Program

On March 14, 2003, we completed an exchange offer related to a stock option exchange program. Under the exchange offer, eligible employees had the opportunity to tender for cancellation certain stock options in exchange for new options to be granted at least six months and one day after the cancellation of the tendered options. Each eligible participant received new options to purchase four

shares of common stock for every seven shares subject to options submitted for cancellation. We accepted options to purchase approximately 11.2 million shares for exchange at various exercise prices between $6.30 and $32.25 and granted new options to purchase approximately 6.4 million shares on September 18, 2003, the new grant date. The exercise price per share of the new options of $8.21 was equal to the fair market value of our common stock on the new grant date. In connection with the stock option exchange program, we accelerated the write-off of accrued deferred compensation recorded in conjunction with certain of our acquisitions, due to the cancellation of certain assumed in—the-money stock options. Such acceleration resulted in $2.2 million of additional intangible asset amortization expense in the first quarter of 2003. However, we do not expect to record any additional compensation expense as a result of the exchange program.

Stock Based Compensation

We account for our stock options and employee stock purchase plan in conformity with APB 25 and have adopted the additional pro forma disclosure provisions of SFAS 123, as amended by SFAS 148. The fair value of our stock-based employee compensation cost (see note 1), 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 Dec. 31,		
	2003	2002	2001
Stock options:			
Expected volatility	57.7%	59.3%	56.1%
Risk-free interest rate	2.2%	2.8%	3.9%
Expected life from vesting date	1.3 years	1.7 years	1.9 years
Dividend yield	0%	0%	0%
Stock purchase rights:			
Expected volatility	32.7%	64.3%	53.3%
Risk-free interest rate	1.1%	3.5%	4.6%
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. Our stock options have characteristics which differ significantly 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. Our 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 $2.38, $3.70 and $10.29, and for stock purchase rights $1.61, $5.32 and $5.92, for 2003, 2002, and 2001, respectively. For purposes of pro forma disclosures (see note 1), the estimated fair value of the options is amortized to expense over the options' vesting period.

(13)—Employee Benefit Plans:

Profit Sharing Plan

We 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 our operating income, as defined and calculated at the end of March and September for the prior six-month period, is paid to qualified employees. In

2003 and 2002, the provision charged to operations for this plan was not significant. In 2001, approximately $2.1 million was charged against operations in connection with the plan.

Qualified Investment Plan

In 1990, we 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 does not allow investments in our securities. The plan allows for us to make discretionary matching contributions in cash. For the years presented, matching contributions of up to 5% of base pay, vesting over four years, were made through the second quarter of 2001. There was no expense recorded related to matching contributions in 2003 and 2002. Expense related to our matching contributions was approximately $1.0 million for 2001.

Executive Deferred Compensation Plan

We initiated an Executive Deferred Compensation Plan effective August 1997. Under the provisions of this plan, as approved by the Board of Directors, certain senior executives may annually defer up to 75% of their salary and up to 100% of their incentive compensation. The return on deferred funds is based upon the performance of designated mutual funds or our publicly traded common stock. There is no guaranteed return or matching contribution. Balances at December 31, 2003 and 2002 of approximately $12.7 million and $11.8 million, respectively, are reflected in "Other-long-term liabilities" in our accompanying Consolidated Balance Sheet and the related assets are included in "Other assets" in our accompanying Consolidated Balance Sheet.

(14)—Commitments and Contingencies:

We are exposed to certain asserted and unasserted potential claims. There can be no assurance that, with respect to potential claims made against us, that we could resolve such claims under terms and conditions that would not have a material adverse effect on our financial position, cash flows or results of operations.

(15)—Related Party:

Larry W. Sonsini is a member of our Board of Directors and is presently the Chairman of the Executive Management Committee of Wilson Sonsini Goodrich & Rosati, Professional Corporation, a law firm that provides us with corporate legal services. Legal services billed to Lattice aggregated approximately $499,000, $885,000, and $1,314,000, respectively, for 2003, 2002 and 2001. Amounts payable to the law firm were not significant at December 31, 2003 or 2002, respectively.

(16)—Segment and Geographic Information:

We operate in one industry segment comprising the design, development, manufacture and marketing of high performance programmable logic devices. Our sales by major geographic area were as follows (in thousands):

	2003	2002	2001
United States	$ 66,740	$ 92,086	$135,832
Export sales:			
Europe	52,142	58,871	81,177
Japan	23,000	17,635	26,427
Asia Pacific (other than Japan)	57,360	49,689	36,155
Other	10,420	10,845	15,735
	142,922	137,040	159,494
	$209,662	$229,126	$295,326

Resale of product through two distributors accounted for approximately 18% and 19%, 22% and 29%, and 18% and 20% of total worldwide revenue for 2003, 2002, and 2001, respectively. No individual customer accounted for more than 10% of revenue for any of the years presented. More than 90% of our property and equipment is located in the United States. Other long-lived assets located outside the United States consist primarily of foundry investments and advances (see note 7).

(17)—Subsequent Events:

In the first quarter of 2004, we sold 10.0 million of our unrestricted UMC shares (see note 7) for approximately $9.2 million in cash, resulting in a gain of approximately $2.5 million. This gain will be reflected in Other Income, net, in our consolidated financial statements for the quarter ended March 31, 2004.

Report of Independent Auditors

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 (the "Company") at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. 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 auditing standards generally accepted in the United States of America, 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 our opinion.

As discussed in Note 1 to the consolidated financial statements, on January 1, 2002 the Company changed its method of accounting for goodwill.

/s/ PRICEWATERHOUSECOOPERS LLP

March 31, 2004

Item 9. Changes in and Disagreements with Accountants On Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

This portion of our annual report is our disclosure of the conclusions of our management, including our Chief Executive Officer and Chief Financial Officer, regarding the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report, based on management's evaluation of those disclosure controls and procedures. You should read this disclosure in conjunction with the certifications attached as Exhibit 31.1 and 31.2 to this annual report for a more complete understanding of the topics presented.

In January 2004, the Audit Committee of our Board of Directors, with the assistance of outside legal counsel and our independent auditor, commenced an internal investigation of the facts and circumstances surrounding inappropriate journal entries affecting the deferred income and accrued expense accounts. As a result of the investigation, it was determined that the unaudited consolidated condensed financial statements for each of the three month periods ended September 30, 2003, June 30, 2003 and March 31, 2003 required restatement.

After reviewing the restatement adjustments and performing an evaluation of our controls and disclosure procedures, management concurs with the Audit Committee that improvements to internal controls are needed relating to: (1) separation of duties and (2) establishment of standards for review and approval of journal entries as well as related file documentation.

We received notice from our independent auditor that, in connection with the 2003 year-end audit, the auditor has identified a material weakness relating to our internal controls and procedures. Certain of these internal control deficiencies may also constitute deficiencies in our disclosure controls. While we are in the process of implementing a more effective system of controls and procedures, we have instituted controls, procedures and other changes to ensure that information required to be disclosed in this annual report on Form 10-K has been recorded, processed, summarized and reported accurately.

The incremental steps that we have taken as a result of the aforementioned control deficiencies to ensure that all material information about our company is accurately disclosed in this report include:

1. Performed an analytical review of all journal entries processed for the year;
2. Applied additional methods and techniques to evaluate the accuracy of the deferred income account balance;
3. Instituted an additional level of approval for non recurring journal entries;
4. Strengthened segregation of duties by adding an additional level of review for authorization and review of significant transactions; and
5. Made appropriate personnel changes.

Based in part on the steps listed above, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures are effective to ensure that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported accurately within the time periods specified in Securities and Exchange Commission rules and forms.

In addition, in order to address further the deficiencies described above and to improve our internal disclosure and control procedures for future periods, we will:

1. Review, select and implement available improvements to information systems for distribution accounting;

2. Separate responsibilities for preparing financial statements and maintaining accounts in the company's general ledger;
3. Perform a review of internal controls and procedures in connection with Section 404 of Sarbanes Oxley legislative requirements;
4. Perform more detailed quarterly reconciliations and analyses of the company's deferred revenue accounts related to its distributors;
5. Enhance quarterly accounting review procedures requiring an independent review of material general ledger accounts;
6. Require all non recurring journal entries to be approved by an independent reviewer; and
7. Enhance staffing to provide sufficient resources to accomplish the foregoing objectives.

These steps will constitute significant changes in internal controls. We will continue to evaluate the effectiveness of our disclosure controls and internal controls and procedures on an ongoing basis, and will take further action as appropriate.

PART III

Certain information required by Part III is incorporated by reference from our definitive proxy statement (the "Proxy Statement") for the Annual Meeting of Stockholders to be held on May 11, 2004, pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, which we will file not later than 120 days after the end of the fiscal year covered by this report. With the exception of the information expressly incorporated by reference from the Proxy Statement, the Proxy Statement is not to be deemed filed as a part of this report.

Item 10. Directors and Executive Officers of the Registrant.

Information regarding our directors that is required by this item is incorporated by reference from the information contained under the caption "Proposal 1: Election of Directors" and "Board Meetings and Committees" in the Proxy Statement. Information regarding our executive officers that is required by this item is set forth in Part I of this report under the caption "Executive Officers and Directors of the Registrant." Information regarding Section 16(a) reporting compliance that is required by this item is incorporated by reference from the information contained under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement.

We have adopted a code of ethics that applies to all of our employees, including our principal executive officer, principal financial officer, principal accounting officer, and persons performing similar functions. A copy of the code of ethics is attached as an exhibit to this Annual Report on Form 10-K. Amendments to the code of ethics or any grant of a waiver from a provision of the code of ethics requiring disclosure under applicable SEC rules, if any, will be disclosed on our website at www.latticesemi.com.

Item 11. Executive Compensation.

The information contained under the captions entitled "Directors' Compensation," "Employment Agreements," "Compensation Committee Interlocks and Insider Participation," "Report of the Compensation Committee," "Executive Compensation," "Options Granted and Options Exercised in 2003," "Report on Stock Option Exchange Programs" and "Comparison of Total Cumulative Stockholder Return" in the Proxy Statement is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information contained under the caption entitled "Equity Compensation Plan Information" and "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

The information contained under the caption entitled "Legal Services" in the Proxy Statement is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

The information contained under the caption entitled "Audit and Related Fees" in the Proxy Statement is incorporated herein by reference.

PART IV

Item 15. 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 Restated Certificate of Incorporation filed February 24, 2004.
3.2	The Company's Bylaws, as amended and restated as of February 3, 2004.
4.4	Indenture, dated as of June 20, 2003, between the Company and U.S. Bank National Association (Incorporated by reference to Exhibit 4.1 filed with the Company's Registration Statement on Form S-3 on August 13, 2003).
4.5	Form of Note for the Company's Zero Coupon Convertible Subordinated Notes (Incorporated by reference to Exhibit 4.2 filed with the Company's Registration Statement on Form S-3 on August 13, 2003).
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).
10.15*	1993 Outside Directors Stock Option Plan (Incorporated by reference to Exhibit 10.15 filed with Company's Annual Report on Form 10-K for the fiscal year ended April 3, 1993).
10.16*	Employee Stock Purchase Plan, as amended and restated effective May 7, 2002 (Incorporated by reference to Exhibit 4.3 filed with the Company's Registration Statement on Form S-8 filed September 6, 2002).
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 filed October 3, 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 filed October 3, 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 filed October 3, 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 as amended and Related Form of Option Agreement (Incorporated by reference to Exhibits (d)(1) and (d)(2) to the Company's Schedule TO filed on February 13, 2003).

10.31 Asset Purchase Agreement by and between Agere Systems Inc. and Lattice Semiconductor Corporation, dated December 7, 2001 (Incorporated by reference to Exhibit 10.1 filed with the Company's Current Report on Form 8-K filed on December 18, 2001).

10.32 Amendment dated December 21, 2001 to 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 10.32 filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2001)(1).

10.33* 2001 Outside Directors' Stock Option Plan (Incorporated by reference to Exhibit 4.2 filed with the Company's Registration Statement on Form S-8 filed on August 10, 2001).

10.34* 2001 Stock Plan as amended and Related Form of Option Agreement (Incorporated by reference to Exhibits (d)(3) and (d)(4) to the Company's Schedule TO filed on February 13, 2003).

10.35 Intellectual Property Agreement by and between Agere Systems Inc. and Agere Systems Guardian Corporation and Lattice Semiconductor Corporation as Buyer, dated January 18, 2002 (Incorporated by reference to Exhibit 10.35 filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2001).

10.36* Octillion Communications Inc. 2001 Stock Plan (Incorporated by reference to Exhibit 4.1 filed with the Company's Registration Statement on Form S-8 filed on September 6, 2002.)**

10.37* Lattice Semiconductor Corporation Executive Deferred Compensation Plan, as Amended and Restated effective as of August 11, 1997 (Incorporated by reference to Exhibit 99.3 filed with the Company's Registration Statement on Form S-3, as amended, dated October 17, 2002).

10.38* Amendment No. 1, to the Lattice Semiconductor Corporation Executive Deferred Compensation Plan, as Amended, dated November 19, 1999 (Incorporated by reference to Exhibit 99.4 filed with the Company's Registration Statement on Form S-3, as amended, dated October 17, 2002).

10.39 Registration Rights Agreement, dated as of June 20, 2003, between the Company and the initial purchaser named therein (Incorporated by reference to Exhibit 4.3 filed with the Company's Registration Statement on Form S-3 on August 13, 2003).

10.40* Lattice Semiconductor Corporation Restated Executive Incentive Plan, dated as of February 5, 2002.

10.41 Form of Indemnification Agreement executed by each director and executive officer of the Company and certain other officers and employees of the Company and its subsidiaries.

14.1 Standard of Ethics and Conduct.

21.1 Subsidiaries of the Registrant.

23.1 Consent of Independent Accountants.

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act, as amended.

31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act, as amended.

32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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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.

* Management contract or compensatory plan or arrangement required to be filed as an Exhibit to this Annual Report on Form 10-K pursuant to Item14(c) thereof.

** Cerdelinx Technologies, Inc. was initially incorporated as Octillion Communications Inc.

(b) Reports on Form 8-K.

On October 20, 2003, we filed a Current Report on Form 8-K describing changes in our senior management as announced in a press release dated October 16, 2003 and announcing the retirement of Mr. Steven A. Laub from our Board of Directors effective November 30, 2003.

On October 21, 2003, we filed a Current Report on Form 8-K to furnish (not file) our press release of October 20, 2003 reporting our financial results for the quarter ended September 30, 2003.

(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 1st of April, 2004.

LATTICE SEMICONDUCTOR CORPORATION

/s/ JAN JOHANNESSEN

Jan Johannessen
Corporate Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on the 1st of April, 2004 on behalf of the Registrant and in the capacities indicated:

Signature	Title
/s/ CYRUS Y. TSUI Cyrus Y. Tsui	Chief Executive Officer and Chairman of the Board (Principal Executive Officer)
/s/ JAN JOHANNESSEN Jan Johannessen	Corporate Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ MARK O. HATFIELD Mark O. Hatfield	Director
/s/ DANIEL S. HAUER Daniel S. Hauer	Director
/s/ SOO BOON KOH Soo Boon Koh	Director
/s/ HARRY A. MERLO Harry A. Merlo	Director
/s/ LARRY W. SONSINI Larry W. Sonsini	Director

Report of Independent Auditors 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 March 31, 2004 appearing in the 2003 Annual Report to Stockholders of Lattice Semiconductor Corporation and subsidiaries (which report and consolidated financial statements are also included in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 15(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.

/s/ PRICEWATERHOUSECOOPERS LLP

March 31, 2004

Schedule II

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
Fiscal year ended December 31, 2001:					
Allowance for deferred taxes	$ —	$ —	$ —	$—	$ —
Allowance for doubtful accounts	1,700	(225)	—	—	1,475
	$ 1,700	$ (225)	$ —	$—	$ 1,475
Fiscal year ended December 31, 2002:					
Allowance for deferred taxes	$ —	$118,648	$7,347(1)	$—	$125,995
Allowance for doubtful accounts	1,475	(401)	—	—	1,074
	$ 1,475	$118,247	$ —	$—	$127,069
Fiscal year ended December 31, 2003:					
Allowance for deferred taxes	$125,995	$ 35,641	$ —	$—	$161,636
Allowance for doubtful accounts	1,074	(50)	—	—	1,024
	$127,069	$ 35,591	$ —	$—	$162,660

(1) Valuation allowances recorded in conjunction with deferred tax assets acquired with our acquisition of Cerdelinx in 2002.