UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): February 12, 2009

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Tegal Corporation

(Exact name of Registrant as Specified in its Charter)

Delaware (State or other jurisdiction of incorporation)	000-26824 (Commission File Number)	68-0370244 (I.R.S. Employer Identification No.)

2201 South McDowell Boulevard
Petaluma, California 94954
(Address of Principal Executive Offices)
(707) 763-5600
(Registrant's telephone number, including area code)

____

(Former Name or Former Address, if Changed Since Last Report)

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

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition

On February 12, 2009, Tegal Corporation (the “Company”) issued its third quarter fiscal year 2009 press release, a copy of which is furnished as Exhibit 99.1 to this Form 8-K and incorporated by reference herein. On February 12, 2009, the Company held a conference call announcing its financial results for the third quarter fiscal year 2009. The transcript of this conference call is furnished as Exhibit 99.2 to this Form 8-K and is incorporated by reference herein.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits.

Exhibit No.Description

99.1 Press Release dated February 12, 2009

99.2 Transcript of Tegal Corporation’s third quarter fiscal year 2009 conference call held on February 12, 2009.

SIGNATURES

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

Date: February 12 2009 TEGAL CORPORATION

By: /s/ Christine T. Hergenrother
Name: Christine T. Hergenrother
Title: Chief Financial Officer

EXHIBIT INDEX

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99.1 Press Release dated February 12, 2009

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Exhibit 99.1

Exhibit 99.2

CORPORATE PARTICIPANTS

Christine Hergenrother
Tegal - - CFO

Tom Mika
Tegal - - President & CEO

CONFERENCE CALL PARTICIPANTS

Steve Sullivan
Horizon Financial Group - Analyst

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Tegal Third Quarter Fiscal 2009 Earnings Conference Call. My name is Emmanuel and I'll be your operator for today. (OPERATOR INSTRUCTIONS.) I would now like to turn the call over to your host for today, Ms. Christine Hergenrother, Chief Financial Officer. Please proceed, ma'am.

Christine Hergenrother - *Tegal - CFO*

Thank you. Good afternoon, and welcome to Tegal's Investor Conference Call for the third quarter of fiscal 2009, which ended December 31, 2008. Before I review the financial results for the quarter, I have two housekeeping items. The first is a reminder that a digital recording of this conference call will be made available two hours after the completion of the call and it will be available through midnight on Thursday, February 19, 2009. To access investors should dial 888-286-8010 or 617-801-6888 and enter passcode 89955875. An online replay of the call, along with the Company's earnings release, will be made available on the Company's website, as well.

The second housekeeping is an item--is a reminder that the important Safe Harbor statement that should be taken into consideration when listening to comments that will be made on this call. Except for historical information, matters discussed on this call are forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties, including but not limited to, industry conditions, economic conditions, acceptance of new technology, the growth of target markets, as well as other risks. Actual operations and financial results may differ materially from Tegal's expectations as a result of these factors or unanticipated events.

Specifically, we refer you to the risks and uncertainties as set forth in the Company's periodic filings with the Securities and Exchange Commission. Following my review of the financial performance for the quarter, I will introduce Tom Mika, President and Chief Executive Officer of Tegal, who will have some additional comments. After that we will entertain questions from the dial-in audience.

Revenues for the fiscal third quarter were 4.5 million, a sequential increase of 123% from 2 million in the fiscal second quarter of 2009 and a decrease of 56% from the 10.1 million recorded for the same quarter one year ago. Our reported net loss for the third quarter is 1.4 million, or $0.19 per share, compared to a net income of 2.8 million, or $0.39 per share, in the comparable quarter one year ago. Importantly, we have cut our net loss by 44% from the immediately preceding quarter when we reported a net loss of 2.5 million or $0.34 per share.

Gross profits for the third quarter came in at 30.5% compared to 43.6% in the comparable quarter one year ago and 50.8% in the second quarter of this fiscal year. Margins for Q2 were higher than normal due to the predominance of spare part sales in that quarter's revenue. Q3 gross margins were impacted by the recent integration of our new DRIE system and to our manufacturing organization and increased competition from third parties in our spare parts business.

Overall operating expenses for the third quarter were 2.8 million, an increase of about 100,000 from the same quarter last year and a decrease of 700,000 compared to last quarter.

Sales and marketing expense remained flat from last quarter and decreased from the same period last year by approximately 230,000, due largely to a decrease in sales commission. Overall R&D spending remained flat from the prior quarter. In the same quarter one year ago, R&D expenses included a credit of approximately 200,000 for non-reoccurring development work. Going forward, such credits will be included in revenue. When compared to last quarter, G&A expense decreased by 600,000, primarily due to high legal and accounting fees last quarter related to the acquisition. Compared to the same quarter last year, G&A expenses remained flat.

The resulting operating loss for the third quarter was 1.4 million compared to income of 2.7 million in the same quarter one year ago and a loss of 2.4 million in the second quarter of this fiscal year. Included in operating income were non-cash charges of approximately 400,000 of stock compensation, depreciation, and amortization. Excluding these non-cash charges, operating loss for the third quarter was 1 million. Non-operating expenses netted out to a gain for the quarter of 50,000, consisting mostly of interest income and an offset of foreign exchange losses and other income.

Now, moving to the balance sheet. Cash at the end of the third quarter was 12.7 million, a decrease of 1.3 million from last quarter. Accounts receivable increased by 1.6 million from last quarter coming in at 6.2 million. Inventories increased by 400,000 from the prior quarter to about 14 million. DP&E, intangibles, and other assets, decreased to a combined 228,000 consisting mainly of depreciation and amortization and retirements of fixed assets taken during the quarter. Total current liabilities increased by 1.3 million over the last quarter, primarily due to a 1.2 million increase in accounts payable. The company had no long term liabilities at the end of this quarter. The company's book to bill ratio was less than one during the quarter and the backlog at the end of the quarter stood at 2.8 million where it is today. It is important to remember that we do not include service and spares bookings in our backlog. Total outstanding shares as of December 31, 2008 were 8,321,496.

I would now like to introduce Tom Mika, our President and Chief Executive Officer.

Tom Mika - *Tegal - President & CEO*

Thanks, Christine. Good afternoon, everyone, and thank you for joining the call. We were pleased to be able to report improving sequential sales results and that our backlog has grown since the end of last quarter. A notable accomplishment in the face of a very weak demand for capital equipment globally. Fortunately, with the acquisition of the Alcatel DRIE product lines, Tegal's business has shifted out of semiconductors into MEM's, integrated devices, and related areas. While these markets are not immune to the global financial crisis, they are much less concentrated than semiconductor manufacturing. Along with large multinational corporations, MEMs producers include many small and medium size companies, not normally associated with semiconductors. They range from component suppliers to watch companies to makers of precision gyroscopes and sensors for military applications.

The diversity of this customer group in terms of both size and end use helps both to increase the number of revenue opportunities for Tegal and to lower the overall financial risk for the company. We believe this larger addressable market opportunity allowed us to increase our backlog during a period when many semiconductor capital equipment companies are dramatically slashing their forecasts. Nevertheless, we are clearly being impacted by the economy and the environment remains highly challenging, unpredictable and uncertain. So in order to preserve our operating flexibility in cash we are taking further steps to lower our operating expenses and fixed costs. In Q3, we cut our cash burn from operations in half to 1 million, but there is more than we--that we can do.

This morning I announced to Tegal's employees a further 10% reduction in headcount on top of the 10% that we took last quarter. In addition, we have decided not to fill some open positions and we are reducing salaries across the board by an initial 5% to be followed if needed by another 5% next quarter. On top of this, we are requiring that all employees take five days unpaid time off each quarter for the next four quarters. Finally, we are scrubbing all expense categories for possible savings, including the further consolidation of offices both in the U.S. and abroad.

In this environment it is not sufficient to just reduce costs. We are thinking strategically about how we can use this period to improve the performance of our products, introduce our capabilities to a brand new set of customers, and refine our market position and message for customers, investors, and employees.

The DRIE tools are at the core of Tegal strategy to lead the market in innovative specialized solutions that enable the manufacturing of MEMs, integrated devices, optoelectronics, power devices, and 3D microelectronics. Our other technologies, including plasma etch, PVD, and NLD, contribute to this overall strategy by providing opportunities for process integration or by providing unique solutions that are peculiar to the needs of device manufacturers in these same markets.

On the sales side, the acquisition of the Alcatel product lines has introduced Tegal to a wide range of new customers globally. Our direct sales teams in the U.S. and Europe are very active in introducing Tegal's capabilities to literally hundreds of new customers and I am encouraged by the initial reaction to our efforts. In this market, it will always be challenging to make sales, but we have a broader product line, a deeper customer base, and a much larger addressable market with the addition of the AMMS tools. We believe these factors will help us weather the downturn.

To further broaden our reach, we are in the process of building up a distribution and support network in Eastern Europe, Russia, India, and Israel, as well as in China, Taiwan, Korea, Japan, Singapore, and Malaysia. All of these markets represent future opportunities for incremental revenue growth for Tegal.

In product development, we are in the midst of a reorganization of our activities in order to more effectively improve and industrialize DRIE systems and processes. This will involve the formation of a subsidiary company in France that will be staffed by a small team of specialists in the DRIE tools, including former employees and contractors from Alcatel. There are substantial benefits to our expense line from focusing our efforts in France and our orientation in Petaluma will be to offer project management and engineering support to this effort as a top priority. We will have some public announcements on this and related topics in the coming weeks.

I believe that all of these changes will enable Tegal to ride out the current economic downturn and position the company to emerge as a stronger entity post recession. We are closely focused on improving our sales effort, further increasing the technological advantages of our products and reducing costs across all aspects of our business operations. We are also refining our strategy to address the changing market conditions. I will update you more on our plans on next quarter's conference call. When we emerge from this downturn, we fully intend to be stronger and better positioned than we have ever been in the past, and I am confident that we will achieve that goal.

Thanks for your attention. I know these comments are short relative to my normal speech, but I'm happy to answer any questions that you may have. Thanks.

QUESTION AND ANSWER

Operator

(OPERATOR INSTRUCTIONS.) And our first question will come from the line of Steve Sullivan with Horizon Financial Group. Please proceed.

Steve Sullivan - ***Horizon Financial Group - Analyst***

Hi, Tom. A couple of quick ones, and then I'll go into more of the strategy. Backlog was up at--can you tell the level it was up? I'm sorry. I got the 2.8, but I was unaware of where it was last quarter.

Christine Hergenrother - ***Tegal - CFO***

It was at 1.1 last quarter.

Steve Sullivan - ***Horizon Financial Group - Analyst***

And inventory at 14 million, is that a comfortable level for you, Tom?

Tom Mika - ***Tegal - President & CEO***

Yes, I think so. I think that you've got to remember that we have some of the inventory from the Alcatel acquisition that came in. And our practice on the development side is to keep our development tools in inventory because we typically roll those out as sales, so rather than putting them in right from the start as fixed costs or expensing them. So, yes, I'm comfortable with that level of inventory.

Steve Sullivan - ***Horizon Financial Group - Analyst***

Okay. A question for you on as far as the breakeven level on a cash flow basis. Can you give me a sense of where that is?

Tom Mika - ***Tegal - President & CEO***

Yes. It partially depends on what we're actually going to be able to implement in terms of consolidation in the next several months. But I'm pretty sure it's below 6 million, and the question is how much below 6 million. We're at $1 million loss at 4.5 million in sales. At 5.5 before these reductions, we'd probably be a 500,000 loss. And I think that--so it's probably with the reduction somewhere in the $5.5 to $6 million range. The--let me ask--answer a question that you haven't asked, which is that our--we figure out of our operating expenses these combined reductions that we've done, we're going to be able to take about 2 million in expense out of--not just OpEx, but overall department expenses.

Steve Sullivan - ***Horizon Financial Group - Analyst***

That's on an annualized basis?

Tom Mika - ***Tegal - President & CEO***

Yes.

Steve Sullivan - ***Horizon Financial Group - Analyst***

Okay. Gross margin, Tom? I realize you have a different mix with the acquisition, but that's a pretty precipitous drop versus last year. Can you give me your--some of the thoughts there?

Tom Mika - ***Tegal - President & CEO***

Well, versus last quarter I think is the biggest drop.

Steve Sullivan - ***Horizon Financial Group - Analyst***

I'm looking at the 43.6. I know last quarter you had a lot of spare parts and that type of unique animals.

Tom Mika - ***Tegal - President & CEO***

Right. That's--.

Steve Sullivan - ***Horizon Financial Group - Analyst***

--But you're still down 13-plus.

Tom Mika - ***Tegal - President & CEO***

Right. And there are two issues driving that. One is the systems gross margins and the other is the spares gross margins. Now, on systems gross margins, we're getting used to this Alcatel relationship. And right now, since we don't have manufacturing in the United States, we're still procuring from subcontractors in France and in Japan. And for the moment, we're pleased to be able to do that. And the reason is that those fixed costs stay in France and in Japan. Now, I know that we're going to take a little bit of a hit on the gross margin because of that in the short term. I know though that in the long term, as our forecast becomes clearer, then I can move manufacturing to the United States and I think that we can significantly improve that.

On the spares side, these are spares not really related to the Alcatel systems, but they're related to our legacy tools that are in the market, typically with semiconductor manufacturers. The semiconductor manufacturers are really putting pressure on us to lower our margins on the spares. And the competition is from third parties who don't have engineering capabilities. They simply copy our spare parts and offer them at low gross margins for them. So we're getting some pressure on that. We've reminded our customers, particularly our important customers, that that's not helpful to a long term relationship. And we've been able to recapture some of that business, but we've done it at the expense of gross margins.

I'm pretty confident though that at the--as the mix of spares moves from our legacy tools, which have been in the market for a very long time, to our DRIE tools, that we'll see that--those margins come back. Right now, so long as we're under absorbed, I want to keep that revenue in our own company, so I'm willing to sacrifice the gross margins.

Steve Sullivan - ***Horizon Financial Group - Analyst***

Looking out six months or so, Tom, I would gather that gross margin would work itself back to more traditional levels?

Tom Mika - ***Tegal - President & CEO***

I think that it's a six-month to 12-month process. The DRIE business is right at this moment very competitive. And the reason that it's competitive is that we've got a couple of companies out there who are competing against us that I would question their viability. And so, I think that we're going to have some price competition. And that is a point that I just have to get out there to customers so that they understand that this is our business. We're not a much larger company that might one day decide that they're going to give it up just as Alcatel did. And we're not a company that is at risk of going out of business anytime soon.

Steve Sullivan - ***Horizon Financial Group - Analyst***

If the operator has another question, bump me off and I'll come back. But is there a [leverage] charge in here or any unique one-time events, Christine, that we should be aware of?

Christine Hergenrother - ***Tegal - CFO***

In the revenue?

Steve Sullivan - ***Horizon Financial Group - Analyst***

No, in the cost.

Christine Hergenrother - ***Tegal - CFO***

In the cost? No. This is a very normal quarter for us.

Steve Sullivan - ***Horizon Financial Group - Analyst***

Okay. So the 10% prior--that hit prior quarters? I'm a little lost on the--you basically had a riff of 10% and you just implemented another one today. The 10%, the first one, when were those severance costs run through the P&L?

Christine Hergenrother - ***Tegal - CFO***

The severance costs on the prior one were in the prior quarter.

Steve Sullivan - ***Horizon Financial Group - Analyst***

Okay.

Christine Hergenrother - ***Tegal - CFO***

As well as the one-time costs for the acquisition, the legal and accounting fees.

Steve Sullivan - ***Horizon Financial Group - Analyst***

And that's--legal and accounting was about 600?

Christine Hergenrother - ***Tegal - CFO***

Right, exactly. Well, the legal and accounting for the acquisition was around 400,000 for legal and about 150 for accounting.

Tom Mika - ***Tegal - President & CEO***

600,000.

Christine Hergenrother - ***Tegal - CFO***

Right, total. But I mean, to split them both out. Then the severance cost for this next layoff you'll see in Q1 of next fiscal year. But Q4 should stay pretty flat.

Tom Mika - ***Tegal - President & CEO***

Okay. How much roughly would that charge be?

Christine Hergenrother - ***Tegal - CFO***

We're thinking it's probably between 400 and 500,000. I'm sorry, for the savings.

Steve Sullivan - ***Horizon Financial Group - Analyst***

Yes.

Tom Mika - ***Tegal - President & CEO***

The costs--.

Steve Sullivan - ***Horizon Financial Group - Analyst***

--How about the costs?

Christine Hergenrother - ***Tegal - CFO***

I don't--to tell you the truth, I haven't really calculated the cost. My guess is it's around 150,000.

Steve Sullivan - ***Horizon Financial Group - Analyst***

Okay.

Tom Mika - ***Tegal - President & CEO***

It's not very significant. We're not in a position to be offering large severance packages to any employees. And we've taken an approach that's so much different this time around. The room that we had our employees in this morning included those who were going--who knew already that they were going to be termed. And we're going to do the best we can to grow the business, so that we can get some of these people back in a reasonable period of time.

Steve Sullivan - ***Horizon Financial Group - Analyst***

What is the headcount up at your facility up there?

Tom Mika - ***Tegal - President & CEO***

Well, we're about 50 prior to this round of layoffs. And I think that if you look at our overall headcount we're probably down to 65 in that range worldwide.

Steve Sullivan - ***Horizon Financial Group - Analyst***

Worldwide. Tom, one last question. You've been through a lot of cycles. What benchmarks in the industry cycles do you look for to try to foresee a turn? Or is this so unique that the rules of ago no longer apply?

Tom Mika - *Tegal - President & CEO*

Yes. The rules that I would've looked for in sort of semiconductors don't really apply to us anymore and I'm really pleased about that. We're really competing customer by customer. What's very significant, and I need to get this message across, is we literally have hundreds of new customers who are in very different businesses with different business models. So you've got defense contractors and you've got automotive manufacturers or suppliers to automotives. And it really--on a case by case basis, we still have customers out there who have budgets and are ready to spend and the competition is tough and they know that this is a good environment to be a buyer in.

But we're looking at just raw opportunity numbers, which are greater than we've ever seen. We're looking at demos, which are characteristically different types of demos than we've done in the past. These are real demos as opposed to process development work. And it's an area in which companies are still investing and innovating. And so, for that reason, I'm pretty excited about it. I think though that when Alcatel decided to get out of the business and we looked at it, there was a natural decline or customers started to become interested in our competitors and we noticed that our competitors did a lot of marketing and a lot of sales activity to compete directly against us, basically trying to paint the picture that this product line was going away. We're having to counter that and I think we're doing it effectively.

And actually, I can really turn the tables on some of those guys by saying what I said earlier with respect to small non-strategic assets in larger companies or other companies that simply don't have the wherewithal to continue in this business, or large companies who are traditional mainstream suppliers who all of a sudden become interested in DRIE. Where will those companies be when their natural mainstream markets turnaround?

So I think we've got a really good message. It's focused and we're getting it out to customers. So I'm pretty--even though the environment is horrible, I'm pretty optimistic about our being able to move the needle.

Steve Sullivan - *Horizon Financial Group - Analyst*

I lied. One last question. R&D cycle with your acquisition and everything else, R&D expenses, sequentially in the next couple of quarters - flat, down, sideways? Can you kind of give me a sense there?

Tom Mika - *Tegal - President & CEO*

It's going up. And the--our expenses had to do with really the integration of this and all the training associated with getting up to speed on how to do these demos. Overall, I think we'll end up being flat if you go out six months to where we are now. Against these reductions that we're making we're also staffing in other areas, as in France where I mentioned that we're going to put a specialist team in. And I'll have more to say about that next quarter I think.

Steve Sullivan - *Horizon Financial Group - Analyst*

Okay. Thank you very much.

Tom Mika - *Tegal - President & CEO*

Thanks, Steve.

Operator

And at this time I show no more questions in queue.

Tom Mika - *Tegal - President & CEO*

Okay, then. Thanks very much, everyone, for joining us. And we'll see you next quarter.

Operator

And thank you for your participation in today's conference. This concludes the presentation. You may now disconnect. Good day.

TEGAL CORPORATION REPORTS
THIRD QUARTER FISCAL 2009 FINANCIAL RESULTS

Petaluma, Calif., February 12, 2009 — Tegal Corporation (Nasdaq:TGAL), a leading designer and manufacturer of DRIE, plasma etch, and deposition systems used in the production of MEMS, power semiconductor, and optoelectronic devices, today announced financial results for the Third Quarter Fiscal Year 2009, which ended December 31, 2008. Senior management will conduct an investor conference call to discuss these results and the company's financial outlook in more detail today at 2pm Pacific Time, Thursday, February 12, 2009. More information about the conference call is provided below.

Third Quarter Highlights

· Systems revenue more than doubled sequentially, and net loss was cut in half over the prior quarter.

· Shipments in the quarter included two DRIE systems: a multi-module cluster system to a high volume manufacturer of MEMS-based sensors and a second system to a leading supplier of substrates and services in the integrated circuit and MEMS sensor markets.

· The Company received an order during the quarter for an Endeavor AT PVD cluster tool from a leading manufacturer of MEMS imaging sensors.

· The company reduced operating expenses by 20% from the immediately preceding quarter. Reflecting the continued weakness in the global economy, the Company continues to streamline operations and initiated another 10% reduction in its workforce (on top of the 10% announced last quarter).

Financial Results

Revenues for the third quarter of fiscal 2009 were $4.5 million, a decrease of 56% from $10.1 million in the same period last year. Revenues increased from the previous quarter by 123% from $2.0 million. Tegal reported a net loss of ($1.4) million, or ($0.19) per share, for the quarter, compared to net income of $2.8 million, or $0.39 per share in the same period last year, and a net loss of ($2.5) million, or ($0.34) per share in the prior quarter.

Gross profits for the third quarter of fiscal 2009 were 30.5% compared to 43.8% in the same period last year, and down from 50.8% in the prior quarter.

Operating loss for the third quarter was ($1.4) million, including approximately $0.4 million of non-cash charges. Operating income in the same period last year was $1.7 million. That period's operating expenses included $0.5 million of non-cash charges. The operating loss for Q2 of this fiscal year was ($2.4) million, which included $0.5 million of non-cash charges.

Backlog at the end of the quarter was $2.8 million.

During the quarter, the Company's operational use of cash declined significantly to $1.0 million, showing substantial improvement over the prior quarter burn of $2.0 million. Cash at the end of the fiscal third quarter of 2009 was $12.7 million. Over the same three month period, inventories increased by $0.4 million to $14.1 million, accounts receivable increased by $1.6 million to $6.2 million, and accounts payable increased by $1.2 million to $1.8 million.

As of December 31, 2008, the Company's total shares outstanding were 8,412,676.

"The additional shipments of DRIE systems this quarter, so soon after the completion of our acquisition of the DRIE product line from Alcatel Micro Machining Systems (AMMS), is further evidence that our strategy to achieve a leading position among MEMS producers is working," said Thomas Mika, President and CEO of Tegal Corporation. "In addition, our PVD products are increasingly recognized by MEMS producers for their critical role in the development of advanced imaging sensors and other MEMS devices, a market that is still growing despite the overall weakness in the global economy."

"Despite completing the integration of the AMMS acquisition during the quarter, we substantially reduced operating expenses and our cash burn rate compared to last quarter," continued Mr. Mika. "We believe these are the steps that are necessary in the current economic climate and will continue to conserve cash, enabling us to protect our balance sheet and improve our competitive position as the economy turns around."

Investor Conference Call

Tegal Corporation will discuss these results and further details of its second quarter of fiscal 2009 during a conference call today, Thursday, February 12, 2009, at 5:00 p.m. EST / 2:00 p.m. PST. The call is open to all interested investors. The call-in numbers are (866) 713-8564 or (617) 597-5312. For either dial-in number, Investors should reference passcode: 92360784. A digital recording will be made available two hours after the completion of the conference call, and it will be accessible through midnight on Thursday, February 19, 2009. To access, investors should dial (888) 286-8010 or (617) 801-6888 and enter passcode: 89955875. The conference call also will be available online via the Investor Section of the Company's website at: www.tegal.com. An online replay of the teleconference, along with a copy of the Company's earnings release, will also be available on the Company's website.

Safe Harbor Statement
Except for historical information, matters discussed in this news release contain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Forward-looking statements, which are based on assumptions and describe our future plans, strategies and expectations, are generally identifiable by the use of the words "anticipate," "believe," "estimate," "expect," "intend," "project" or similar expressions. These forward-looking statements are subject to risks, uncertainties and assumptions about the Company including, but not limited to industry conditions, economic conditions, acceptance of new technologies and market acceptance of the Company's products and services. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements in this paragraph. For a further discussion of these risks and uncertainties, please refer to the Company's periodic filings with the Securities and Exchange Commission.

About Tegal

Tegal sells production-qualified process tools for commercial fabrication of MEMS, power semiconductor, and optoelectronic devices. Incorporating unique, patented, etch and deposition technologies, our installed base of more than 1,700 etch and deposition systems is backed by 35+ years of continuous technology improvements, and over 100 patents. We've earned a reputation among our customers for award-winning support, and for supplying reliable, value-oriented systems, for Silicon DRIE MEMS and Power Device etch, AlN PVD and PZT plasma etch, precision descum, and stress controlled metal film PVD. Some examples of products enabled by Tegal technology are power management modules found in portable computers, cellphones, and handheld consumer electronic gear; megapixel imaging chips used in digital and cellphone cameras; power amplifiers for portable handsets and wireless networking; and MEMS devices like accelerometers for consumer electronics, gaming, and automotive safety and stability control, microfluidic control devices for ink jet printers, and laboratory-on-a-chip medical test kits.

More information is available on the Internet at: www.tegal.com.
[Missing Graphic Reference]

Contact:

Tegal Corporation
Christine Hergenrother (VP and CFO), 707/763-5600
or
The Blueshirt Group
Chris Danne, 415/217-7722

TEGAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except share data)

	December 31, 2008	March 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 12,721	$ 19,271
Accounts receivable, net of allowances for sales returns and doubtful accounts of $213 and $191 at September 30, 2008 and March 31, 2008, respectively	6,233	6,758
Inventories, net	14,061	11,056
Prepaid expenses and other current assets	579	788
Total current assets	33,594	37,873
Property and equipment, net	1,171	1,213
Intangible assets, net	3,670	903
Other assets	72	90
Total assets	$ 38,507	$ 40,079
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and bank lines of credit	$ 1	$ 14
Accounts payable	1,825	1,469
Accrued product warranty	837	1,770
Deferred revenue	254	252
Accrued expenses and other current liabilities	2,545	3,644
Total current liabilities	5,462	7,149
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Preferred stock; $0.01 par value; 5,000,000 shares authorized; none issued and outstanding	—	—
Common stock; $0.01 par value; 50,000,000 shares authorized; 8,412,676 and 7,242,736 shares issued and outstanding at December 31, 2008 and March 31, 2008, respectively	84	72
Additional paid-in capital	128,275	123,567
Accumulated other comprehensive income (loss)	(396)	(446)
Accumulated deficit	(94,918)	(90,263)
Total stockholders' equity	33,045	32,930
Total liabilities and stockholders' equity	$ 38,507	$ 40,079

TEGAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share data)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2008	2007	2008	2007
Revenue	$ 4,476	$ 10,145	$ 11,215	$ 25,543
Cost of sales	3,113	5,725	6,504	15,262
Gross profit	1,363	4,420	4,711	10,281
Operating expenses:				
Research and development expenses	1,142	810	3,423	2,645
Sales and marketing expenses	756	923	2,438	3,208
General and administrative expenses	880	938	3,681	3,589
Total operating expenses	2,778	2,671	9,542	9,442
Operating income (loss)	(1,415)	1,749	(4,831)	839
Other income (expense), net	50	1,085	176	2,049
Net income (loss)	$ (1,365)	$ 2,834	$ (4,655)	$ 2,888
Net income (loss) per share:				
Basic	$ (0.19)	$ 0.40	$ (0.61)	$ 0.41
Diluted	$ (0.19)	$ 0.39	$ (0.61)	$ 0.40
Shares used in per share computation:				
Basic	7,368	7,148	7,569	7,120
Diluted	7,368	7,281	7,569	7,241

Note: Shares used in per share computation for Basic and Diluted reflect a 12 to1 reverse stock split effected by the Company on July 25, 2006