

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**SCHEDULE TO  
(Rule 14d-100)**

**TENDER OFFER STATEMENT UNDER SECTION 14(D)(1) OR 13(E)(1)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
(Amendment No. )**

**Silicon Image, Inc.**  
(Name of Subject Company (Issuer))

**Cayabyab Merger Company**  
(Name of Filing Persons (Offerors))  
a wholly owned subsidiary of

**Lattice Semiconductor Corporation**  
(Name of Filing Persons (Offerors))

**Common Stock, par value \$0.001 per share**  
(Title of Class of Securities)

**82705T102**  
(CUSIP Number of Class of Securities)

**Byron Milstead**  
**Corporate Vice President, General Counsel and Secretary**  
**Lattice Semiconductor Corporation**  
5555 N.E. Moore Court  
Hillsboro, Oregon 97124  
(503) 268-8000

(Name, Address and Telephone Numbers of Person Authorized to Receive Notices and Communications on Behalf of Filing Persons)

*Copies to:*

**Thomas J. Ivey, Esq.**  
**Skadden, Arps, Slate, Meagher & Flom LLP**  
525 University Avenue, Suite 1100  
Palo Alto, CA 94301  
(650) 470-4500

**CALCULATION OF FILING FEE**

Transaction Valuation	Amount of Filing Fee
Not applicable*	Not applicable*

\* A filing fee is not required in connection with this filing as it relates solely to preliminary communications made before the commencement of a tender offer.

- Check the box if any part of the fee is offset as provided by Rule 0-11 (a) (2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: None  
Form or Registration No.: Not applicable

Filing Party: Not applicable  
Date Filed: Not applicable

- Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

- third-party tender offer subject to Rule 14d-1.  
 issuer tender offer subject to Rule 13e-4.  
 going-private transaction subject to Rule 13e-3.  
 amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer:

If applicable, check the appropriate box(es) below to designate the appropriate rule provision(s) relied upon:

- Rule 13e-4(i) (Cross-Border Issuer Tender Offer)  
 Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

This filing on Schedule TO consists of the following communications relating to the planned tender offer by Cayabyab Merger Company (“Purchaser”), a Delaware corporation and a wholly owned subsidiary of Lattice Semiconductor Corporation, a Delaware corporation (“Lattice”), to purchase all outstanding shares of common stock, par value \$0.001 per share, of Silicon Image, Inc., a Delaware corporation (“Silicon Image”), to be commenced pursuant to an Agreement and Plan of Merger, dated January 26, 2015, by and among Lattice, Purchaser and Silicon Image:

- (a) Presentation to Lattice investors, dated January 27, 2015
- (b) Edited transcript of Lattice conference call on January 27, 2015
- (c) Announcement to Lattice employees from Darin G. Billerbeck, Lattice’s Chief Executive Officer, dated January 27, 2015;
- (d) Lattice Q&A for its employees
- (e) Form of announcement from Lattice to its customers and channel partners, dated January 27, 2015
- (f) Form of announcement from Lattice to its suppliers, dated January 27, 2015

These communications were first used or made available on January 27, 2015.

This communication does not constitute an offer to buy or a solicitation of an offer to sell any securities. No tender offer for the shares of Silicon Image, Inc. has commenced at this time. In connection with the proposed transaction, Lattice Semiconductor may file tender offer documents with the U.S. Securities and Exchange Commission (“SEC”). Any definitive tender offer documents will be mailed to shareholders of Silicon Image. INVESTORS AND SECURITY HOLDERS OF SILICON IMAGE ARE URGED TO READ THESE AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION. Investors and security holders will be able to obtain free copies of these documents (if and when available) and other documents filed with the SEC by Lattice Semiconductor through the Web site maintained by the SEC at <http://www.sec.gov> or through Secretary, Lattice Semiconductor Corporation, 5555 NE Moore Court, Hillsboro, Oregon 97124-6421.

**EXHIBIT INDEX**

<b><u>Exhibit Number</u></b>	<b><u>Description of Document</u></b>
99.1	Presentation to Lattice investors, dated January 27, 2015
99.2	Edited transcript of Lattice conference call on January 27, 2015
99.3	Announcement to Lattice employees from Darin G. Billerbeck, Lattice's Chief Executive Officer, dated January 27, 2015
99.4	Lattice Q&A for its employees
99.5	Form of announcement from Lattice to its customers and channel partners, dated January 27, 2015
99.6	Form of announcement from Lattice to its suppliers, dated January 27, 2015



Lattice to Acquire Silicon Image  
*Global Leadership in Connectivity Solutions*

**January 2015**



# Safe Harbor Notice

This communication does not constitute an offer to buy or a solicitation of an offer to sell any securities. No tender offer for the shares of Silicon Image, Inc. has commenced at this time. In connection with the proposed transaction, Lattice Semiconductor may file tender offer documents with the U.S. Securities and Exchange Commission ("SEC"). Any definitive tender offer documents will be mailed to shareholders of Silicon Image, Inc. **INVESTORS AND SECURITY HOLDERS OF SILICON IMAGE, INC. ARE URGED TO READ THESE AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION.**

Investors and security holders will be able to obtain free copies of these documents (if and when available) and other documents filed with the SEC by Lattice Semiconductor through the Web site maintained by the SEC at <http://www.sec.gov> or through Secretary, Lattice Semiconductor Corporation, 5555 NE Moore Court, Hillsboro, Oregon 97124-6421.

The following presentation contain forward-looking statements that involve estimates, assumptions, risks and uncertainties. Any statements about expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. Words or phrases such as "anticipates," "believes," "could," "estimates," "expects," "intends," "plans," "predicts," "projects," "may," "will," "should," "continue," "ongoing," "future," "potential" and similar words or phrases identify forward-looking statements. The forward-looking statements in this document address a variety of subjects including, for example, the expected date of closing of the acquisition and the potential benefits of the merger. Forward-looking statements involve estimates, assumptions, risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. The following factors, among others, could cause actual results to differ materially from the forward-looking statements: the risk that the transaction will not close when expected or at all; the risk that the operations of the two companies will not be integrated successfully; the failure to achieve the anticipated benefits and synergies of the transaction; the risk that Lattice or Silicon Image's business will be adversely impacted during the pendency of the transaction; costs associated with the transaction; matters arising in connection with the parties' efforts to comply with and satisfy applicable regulatory approvals and closing conditions relating to the transaction; and other events that could adversely impact the completion of the transaction, including industry or economic conditions outside of the control of Lattice and Silicon Image. In addition, actual results are subject to other risks and uncertainties that relate more broadly to Lattice and Silicon Image's overall business, including those more fully described in Lattice's filings with the SEC including its annual report on Form 10-K for the fiscal year ended December 28, 2013, and Lattice's quarterly reports filed on Form 10-Q for the 2014 fiscal year, and those more fully described in Silicon Image's filings with the SEC including its annual report on Form 10-K for the fiscal year ended December 31, 2013, and its quarterly reports filed on Form 10-Q for the 2014 fiscal year.

You should not unduly rely on forward-looking statements because actual results could differ materially from those expressed in any forward-looking statements. In addition, any forward-looking statement applies only as of the date on which it is made. We do not plan to, and undertake no obligation to, update any forward-looking statements to reflect events or circumstances that occur after the date on which such statements are made or to reflect the occurrence of unanticipated events.



# Today's Announcement



- Lattice signs definitive agreement to acquire Silicon Image
- All-cash offer price for Silicon Image of \$7.30 per share, representing an enterprise value of approximately \$450 million
- Combined company will be a leader in low power connectivity solutions for consumer, industrial and communications applications
- Increased scale and enhanced growth opportunities
- Identified synergies of at least \$32 million achievable within first year after closing
- Expected to be immediately accretive on a non-GAAP basis



# Transaction Overview

<b>Terms</b>	<ul style="list-style-type: none"><li>▪ \$7.30 per share all-cash to acquire 100% of Silicon Image</li></ul>
<b>Consideration</b>	<ul style="list-style-type: none"><li>▪ Approximately \$600 million equity value</li><li>▪ Approximately \$450 million enterprise value, net of Silicon Image cash acquired <sup>(1)</sup></li></ul>
<b>Financing</b>	<ul style="list-style-type: none"><li>▪ Lattice and Silicon Image cash and cash equivalents</li><li>▪ Committed financing in place for planned \$350M term loan issuance</li></ul>
<b>Transaction Mechanics</b>	<ul style="list-style-type: none"><li>▪ Tender offer within 10 business days and expected to remain open for at least 20 business days</li></ul>
<b>Conditions</b>	<ul style="list-style-type: none"><li>▪ Subject to successful tender offer, customary closing conditions and regulatory approvals</li></ul>
<b>Anticipated Close</b>	<ul style="list-style-type: none"><li>▪ Expected to close by end of March 2015</li></ul>
<b>Financial Impact</b>	<ul style="list-style-type: none"><li>▪ Expected to be immediately accretive to non-GAAP EPS</li><li>▪ Pro forma net leverage of approximately 1.5x</li></ul>

(1) Balance sheet as of 9/30/14.



# Combination Creates a Global Leader in Low Power Connectivity Solutions



- Programmable connectivity solutions
- FPGAs enable design flexibility and fast time to market
- Delivering solutions targeting high-growth consumer market
- LTM revenue of \$372M with gross margin of 56.3%
- Wired and wireless ASSP connectivity solutions
- Recognized leader in driving high-performance connectivity standards
- 600+ worldwide patents; meaningful IP licensing model
- LTM revenue of \$253M with gross margin of 60.9%

## Synergistic Capabilities

### FPGAs for Programmable Connectivity "Fast & Flexible"

#### Smartphones / Tablets



#### Camera / Display



### ASSPs for Optimized Connectivity "Mainstream Applications"



Note: Financials reflect non-GAAP LTM figures as of 9/30/14.



# Strategic Rationale

**LATTICE**  
SEMICONDUCTOR.



**Silicon  
Image™**

*A Global Leader in  
Connectivity Solutions*



Increased strategic relevance for customers



Strong combined IP and product portfolio



Market expansion opportunities



Higher lifetime revenues



Diversified markets and customer base



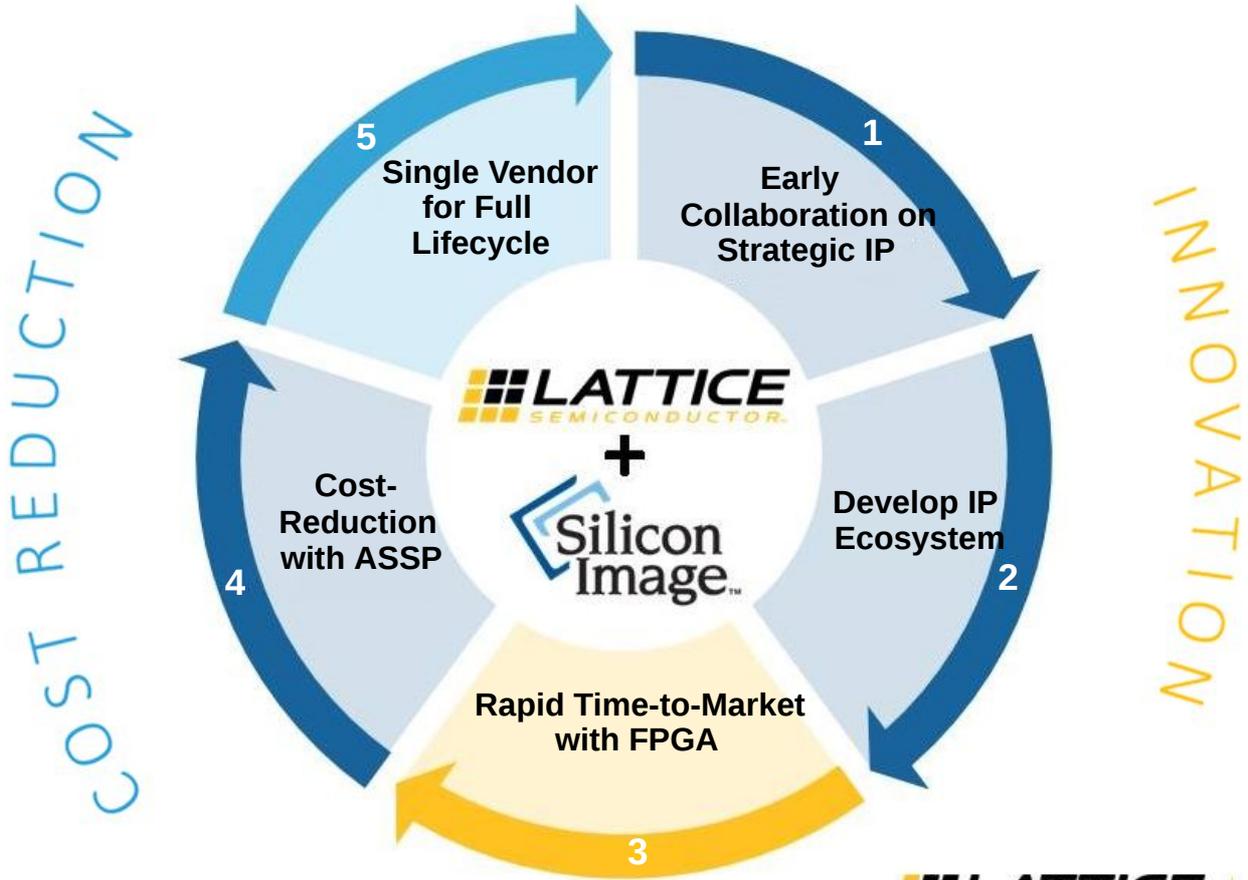
Economies of scale with meaningful synergies



Attractive financial profile and immediately accretive to non-GAAP earnings



# Increased Strategic Relevance For Customers





# Strong Combined IP and Product Portfolio



IP Ecosystem Development



Programmability



Wired Connectivity



Wireless Connectivity

## Compelling Technology Enabling Innovative Products

**HDMI™**  
HIGH DEFINITION MULTIMEDIA INTERFACE

**((HDCP))**

**MHL™**

**super MHL™**

**WiGig**  
Wireless Gigabit Alliance

**Wireless HD™**

**Snap**  
TECHNOLOGY



Industrial Video Camera



SFF Pluggable Transceiver



Mobile/IoT Display



HD, 4K and 8K DTV's



A/V Receivers



Smartphones



Connectorless Devices  
(HDMI / USB3 / DisplayPort)



Tri-band Mobility  
(WiGig / 802.11ad)



UltraBook / Docking  
(WiGig / 802.11ad)



# Market Expansion Opportunities

Low-power, small-footprint, low-cost products add value everywhere





# Higher Lifetime Revenues

**Innovation**  
3-6 Months



**Early Adopters**  
6-24 Months



**Mainstream**  
24+ Months

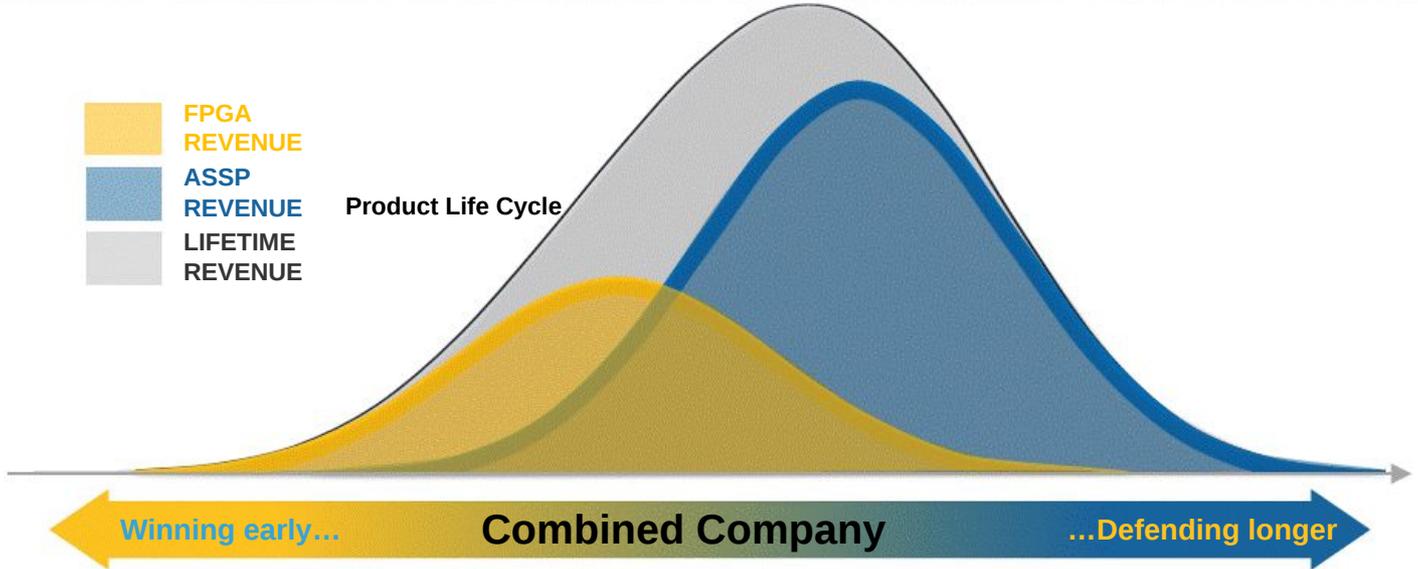


**Maturity**



**FPGA REVENUE**  
**ASSP REVENUE**  
**LIFETIME REVENUE**

Product Life Cycle



**FPGA**  
Capitalize on innovator / early adopter revenue opportunities

+

**ASSP**  
Capitalize on mainstream revenue opportunities

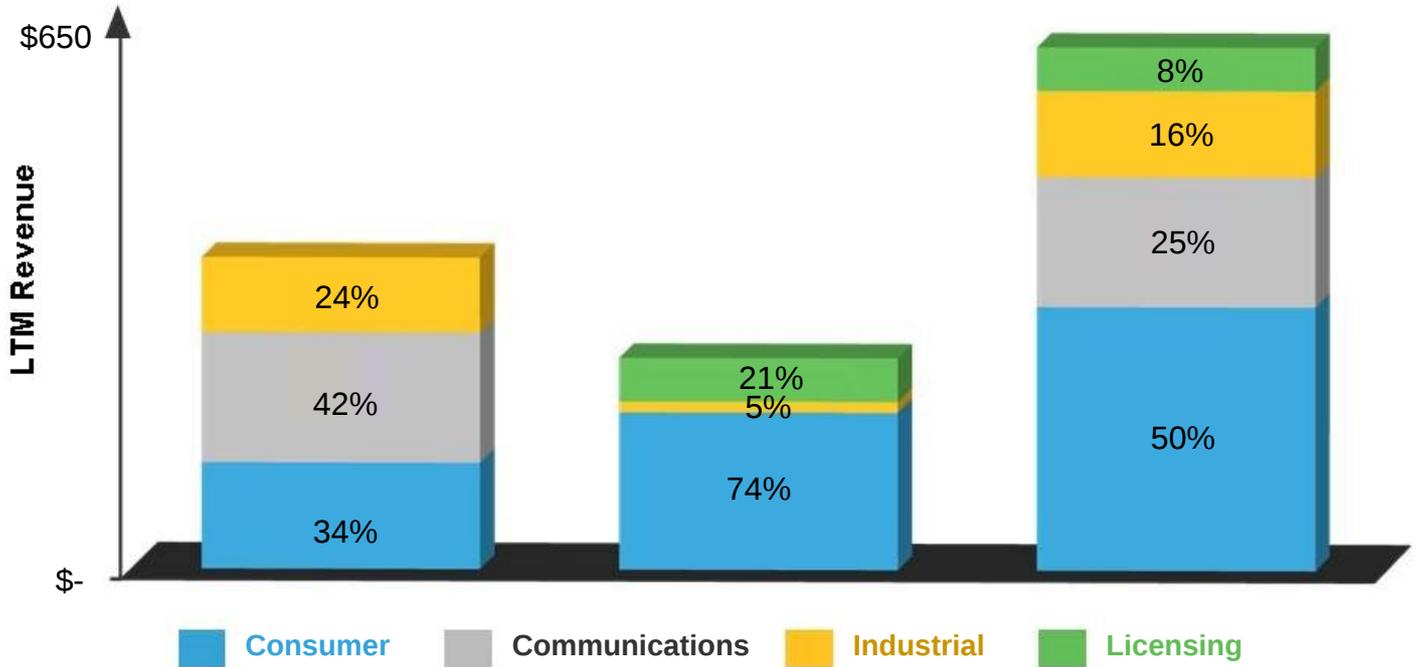
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**Combined Products**  
Capture revenue from a greater portion of the product lifecycle





# Market Diversification



Note: Financials reflect LTM figures through Q3 2014. Other revenue comprises licensing and services revenue.





# Customer Base Diversification

## Consumer

acer

ASUS

Canon

HITACHI

intel

LG Electronics

oppo

PHILIPS

QUALCOMM

SHARP

TOSHIBA



BOSE

DENON

htc

lenovo

MOTOROLA

Panasonic

Pioneer

SAMSUNG

SONY



## Communications

Alcatel-Lucent

CISCO

ERICSSON

HUAWEI

NOKIA

ZTE中兴

## Industrial / Computing

amazon.com

BOSCH

DELL

facebook

GE

Google

hp

Microsoft

MITSUBISHI

NEC



# Economies of Scale Drives Meaningful Synergies

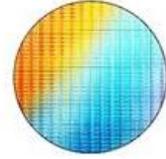
## Sales & Marketing

- Improved visibility into customer requirements
- Increased relevance to customers and distribution partners
- Organizational synergies



## Research & Development

- Vastly enhanced IP portfolio design reuse
- Centers of excellence for technology development
- Organizational synergies



**\$32M+ of Synergies**



- Best of breed leadership team
- Best of breed business processes
- Organizational synergies

## General & Administrative



- Reduced wafer cost due to higher volumes
- Reduced assembly / test costs
- Organizational synergies

## Supply Chain



## Attractive Financials

- **Combined company's long-term model targets:**
  - Market plus top-line growth
  - Non-GAAP gross margin of 56%- 60%
  - Non-GAAP operating margin of 20% plus
  
- **Lattice expects at least \$32 million in synergies achievable within one year of transaction close**



## Q&A

**CONFERENCE CALL INFORMATION**

Date: Tuesday, January 27  
Time: 5AM PST / 8AM EST  
Management Call Number: 1-866-478-6329  
**Conf ID : 7300 9766**  
Listener Call Number: 1-888-286-6281 or 1-706-643-3761

**REPLAY INFORMATION**

Accessible 2 hours after call  
Replay Number: 1-404-537-3406  
Conference ID: **7300 9766**

**Operator Instructions**

Good morning. My name is [NAME OF OPERATOR], and I will be your conference operator today. At this time, all lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. At this time I would like to turn the call over to David Pasquale of Global IR Partners.

**David Pasquale – Global IR Partners**

Thank you operator and welcome to today's call. Joining us on today's call are Darin Billerbeck, Lattice Semiconductor's President and CEO, and Joe Bedewi, Lattice Semiconductor's Chief Financial Officer. After formal remarks we'll open the call to audience questions.

If you've not yet received a copy of today's press release, please e-mail Global IR Partners using [lsc@globalirpartners.com](mailto:lsc@globalirpartners.com), or you can get a copy of the release off the Investor Relations section of Lattice's Website. We've also uploaded a PowerPoint presentation that accompanies today's discussion to the IR section of our corporate Website.

**Slide #2 [SAFE HARBOR NOTICE]**

Before we begin our formal discussion, I'll review the safe harbor statement. On our PowerPoint presentation, we direct your attention to the second slide.

This communication does not constitute an offer to buy or a solicitation of an offer to sell any securities. No tender offer for the shares of Silicon Image, Inc. ("Silicon Image") has commenced at this time. In connection with the proposed transaction, Lattice Semiconductor may file tender offer documents with the U.S. Securities and Exchange Commission ("SEC"), and any definitive tender offer documents will be mailed to shareholders of Silicon Image. INVESTORS AND SECURITY HOLDERS OF SILICON IMAGE ARE URGED TO READ THE TENDER OFFER DOCUMENTS FILED WITH THE SEC CAREFULLY IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION. Investors and security holders will be able to obtain free copies of these documents (if and when available) and other documents filed with the SEC by Lattice Semiconductor through the website maintained by the SEC at <http://www.sec.gov> or through Secretary, Lattice Semiconductor Corporation, 5555 NE Moore Court, Hillsboro, Oregon 97124-6421.

We further note that it is our intention that this call will comply with the requirements of SEC Regulation FD. The matters that we discuss today other than historical information include forward-looking statements relating to our future financial performance and other performance expectations. Investors are cautioned that forward-looking statements are neither promises nor guarantees. They involve risks and uncertainties that may cause actual results to differ materially from those projected in the forward-looking statements.

Some of those risks and uncertainties are detailed in our filings with the Securities and Exchange Commission, including our fiscal year 2013 Form 10-K and our quarterly reports on Form 10-Q. The Company disclaims any obligation to publicly update or revise any such forward-looking statements to reflect or circumstances that occur after this call.

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At this time, it is my pleasure to turn the call over to Darin Billerbeck.

Please go ahead, Sir.

**Darin Billerbeck - Lattice Semiconductor Corp - President & CEO**

Thank you David, and thanks everyone for joining us for today's call on short notice. This morning's announcement of Lattice Semiconductor's definitive agreement to acquire Silicon Image is a transformative event for both companies. We are excited about the compelling business and financial opportunities this acquisition provides for our companies, customers and shareholders. We hope to answer as many of your questions as possible so that each of you can walk away with a clear understanding of the fit, synergies and upside potential of this acquisition.

**The key takeaways of our acquisition of Silicon Image are:**

First, we are creating a global leader in low power connectivity solutions. Post-closing, we will be able to offer broader, even more strategic solutions to our customers. Combining the power of our flexible FPGAs with the feature and cost optimization of Silicon Image's ASSPs will allow Lattice to support customers from the initial development stage all the way through maturity. The implications of this are huge for Lattice and its combined customer base post the transaction.

Second, Lattice will gain powerful scale. We increase our revenue base, realize supply chain, OpEx and R&D synergies. Along with benefit from a broader strategic presence, larger IP portfolio and greater customer footprint, all of which are critical to driving long-term revenue and EPS growth.

Lastly, this acquisition makes sense financially. It will be immediately accretive to non-GAAP earnings. We also expect strong free cash flow will provide us with flexibility to aggressively pay down debt. Also important, this acquisition will not be dilutive to Lattice shareholders.

As you can imagine, we are extremely excited about this acquisition and the long-term benefits it offers the shareholders, customers, partners and employees of both Lattice Semiconductor and Silicon Image.

**Slide #3 [TODAY'S ANNOUNCEMENT]**

Quickly turning to **Slide #3**, here you see a topline review of today's announcement.

Lattice has signed a definitive agreement to acquire Silicon Image in an all-cash transaction.

Importantly, and unique to the semiconductor industry, the combined entity will immediately become a leader in connectivity solutions for consumer, industrial and communications applications, offering tremendous upside growth opportunities.

In addition, we have identified numerous synergies we expect will result in savings of at least \$32 million within one year of completing the transaction. That said this is a growth story. Our focus is on sustained growth of revenue and earnings.

Finally, we expect the acquisition of Silicon Image to be immediately accretive to Lattice's EPS on a non-GAAP basis.

**Slide #4 [TRANSACTION OVERVIEW]**

Turning to **Slide #4**, let me quickly review the key terms of the transaction.

We are offering \$7.30 per share in cash for 100% of Silicon Image common shares, which represents an 23.7% premium to the closing price on January 26, 2015 and a 34.6% premium to the closing price over the last 90 trading days.

The equity value of the transaction is approximately \$600 million or an enterprise value of approximately \$450 million, net of cash held at Silicon Image.

To finance the transaction, we will use approximately \$250 million of combined cash on hand from Lattice and Silicon Image and have secured financing commitments from Jefferies Finance LLC for a \$350 million term loan to cover the difference. Upon closing, we expect to have pro forma net leverage of approximately 1.5X.

The transaction is expected to close by the end of March 2015. Closing of the tender offer is conditioned upon customary closing conditions and regulatory approvals, and at least a majority of the total outstanding shares of Silicon Image common stock being tendered.

**Slide #5 [COMBINATION CREATES...IN CONNECTIVITY SOLUTIONS]**

Turning to **Slide #5**, allow me to provide a high level overview of what each company brings to the table and how we will create a global leader in connectivity.

For those on today's call less familiar with Lattice, we are a leader in programmable connectivity solutions. We have aggressively moved into the consumer sector creating a market for programmable logic devices where none had existed. We are the leading player in the market for low power, small form factor, customizable solutions. We enable our customers to make changes on the fly without having to spin costly, time consuming new silicon.

The flexible customization we bring to the table gives customers a competitive advantage as they work to offer multiple flavors of the same platform or device based on market segment or geography. And we provide these powerful solutions on a cost effective basis able to meet the demanding markets in which our customers operate, from the high-growth consumer market to communications, industrial, medical and computing. For the last twelve months ended September 2014, Lattice has achieved revenues of approximately \$372 million, with healthy gross margins of 56%. Full year 2014 results will be announced on February 3rd.

Switching to Silicon Image, we view this business as highly complementary to Lattice. Headquartered in Sunnyvale, with R&D locations in Sunnyvale, Shanghai and Hyderabad, Silicon Image is a leader in wired and wireless application specific standard products, or ASSP connectively solutions including millimeter wave and software services. The key to ASSPs is that they satisfy a different critical customer need at a different point in the product lifecycle than FPGAs. Silicon Image also brings to Lattice an expansive intellectual property business that generates significant licensing revenue. Also significant, Silicon Image has created industry standards that touch all of us on a daily basis including HDMI, MHL and DVI. And with standards always evolving as technologies and applications continue to evolve – this puts Silicon Image in an enviable position with customers.

To give you a better idea of Silicon Image’s reach and scale, I offer the following:

- 25% of high end smart phones shipped with MHL in 2014
- 40% of DTVs shipped with MHL in 2014 up from 28% in 2013
- MHL is also used extensively in streaming sticks, home theatre products, monitors, and auto interfaces. This plays into the trend of taking the power of smartphones as a single device for communications, entertainment and gaming.

Over the twelve months ended September 2014, Silicon Image had revenues of approximately \$253 million, with strong gross margins of approximately 61%.

The bottom line is that Lattice and Silicon Image fit naturally together. Lattice excels in providing fast and flexible programmable connectivity, and Silicon Image excels in delivering ASSPs for optimized connectivity for mainstream applications.

**Slide #6 [STRATEGIC RATIONALE]**

Moving to **Slide #6**, you can see the numerous points of strategic rationale for Lattice to acquire Silicon Image. I will give you added color on each over the next few slides.

**Slide #7 [INCREASED STRATEGIC RELEVANCE FOR CUSTOMERS]**

If you could please turn to **Slide #7**. If you take anything away from **Slide #7**, I want you to appreciate the power of a combined Lattice/Silicon Image. In a first-of-its kind in the semiconductor industry, a single company will bring together the complimentary attributes of FPGAs and ASSPs. In other words, we will be able work with customers across the entire product lifecycle – from standards development and product specification, to early innovator and late majority, all the way through to product maturity. In doing so, we will offer customers unprecedented speed to market at the lowest cost available, which in turn will significantly increase our strategic relevance to customers.

**Slide #8 [STRONG COMBINED IP AND PRODUCT PORTFOLIO]**

**Turning to Slide #8**, this provides some specific examples of how Lattice and Silicon Image are complementary, additive and fit naturally together.

Individually, Lattice and Silicon Image boast formidable IP portfolios, but when combined we form a broad IP ecosystem. Where Lattice brings the strength of FPGA capabilities, Silicon Image offers industry-leading wired (HDMI and MHL) solutions. In addition, Silicon Image is at the forefront of wireless connectivity through WiGig, SNAP and its backhaul capabilities.

**Slide #9 [MARKET EXPANSION OPPORTUNITIES]**

Turning to **Slide #9**, a theme for Lattice's success has been our ability to apply what we learn from market to another. Who doesn't need innovative low power products with the smallest possible foot print, at an affordable price? This becomes a perpetual feedback loop. What we learn in Consumer has direct applications in Industrial. This in turn feeds into Communications. This is a very effective model and allows us to actively leverage our intellectual property and practical know how. This is also central to our ability to work strategically with customers.

By combing the strengths our two companies bring to the table we stand to be even stronger. This directly translates into new revenue and growth opportunities at existing and new customers.

**Slide #10 [HIGHER LIFETIME REVENUE OPPORTUNITIES]**

Turning your attention to **Slide #10**, by acquiring Silicon Image, Lattice will get a foot in the door at the very earliest stages, when standards are being defined to meet customers' long-term product roadmaps and needs. From there we move to strategic collaboration on product definition. This is the Holy Grail; being able to work alongside our customers to unlock the power of our capabilities to meet their needs. Historically, Lattice was called upon to leverage the flexible programmability of our FPGAs to develop a solution for

customers as they headed into production. Typically, the customer would use the FPGA for a few quarters as it worked to get an ASSP solution in place as part of its normal cost down process. With the acquisition of Silicon Image, this will change dramatically, for the better.

In practice, there is a natural handoff from the early innovator stage during the first 3-6 months of product development, where Silicon Image starts working with customers to the early adopter and mature stages, which is where Lattice comes in with our flexible, low power connectivity solutions. As the product then goes into the long tail or maturity phase of its lifecycle customers normally would look to replace the PLD with the cost down benefits of an ASSP, which is where Silicon Image comes back into the picture.

The big picture here is that the world in which we live has changed dramatically. Today, we live in a fast pace, IP driven world. There are always a few exceptions but for the most part, our customers don't want to buy capabilities, they want to buy solutions. There are several reasons for this. Cost is a driver. Time to market is a driver. And competition is a driver. The other underlying force is that customers are running faster and leaner than ever. They no longer maintain large engineering staffs. They want plug and play modular technologies and they integrate new and old technologies. They want partners, like Lattice, to serve a strategic, partnership role in the development of their products. We find customers to be more open with their needs and thus are better able to help them. This is in contrast to the typical FPGA model where we sell silicon with a capability and rely on the customer to program and implement.

By acquiring Silicon Image, we will now be able to offer a broader, longer-term solution. We fully expect this will even further elevate the importance of Lattice with our customers. In addition, because the combined Lattice/Silicon Image will be involved throughout the entire lifecycle of a product and offer a full-menu of connectivity solutions, we expect to gain increased stickiness with customers.

We like this new model and think there is more room for longer-term value creation for Lattice and our shareholders. Winning Earlier and Defending Longer equals success and profitable growth.

**Slide #11 [MARKET DIVERSIFICATION]**

Turning to **Slide #11**, as many of you know, one of the major directives and successes for Lattice over the past 2-3 years has been our aggressive penetration of the consumer segment. By successfully executing we created a market for programmable solutions in the Consumer where none existed prior. Acquiring Silicon Image will further strengthen our scale and relevance in consumer, and add on a new revenue stream in the form of licensing.

**Slide #12 [DIVERSIFIED CUSTOMER BASE]**

Moving onto **Slide #12** – The takeaway here is that a combined Lattice/Silicon Image will boast a robust and highly diverse customer base, including a who's who base of customers. As part of our post-closing integration process, we will be working very closely with the Silicon Image team to determine additional opportunities to develop deeper, stronger customer relationships. We are confident that our acquisition of Silicon Image will be well-received by customers, many of whom will embrace the idea of working closely with a single source that can support their product development over the entire lifecycle. As I said earlier our goal is to Win Earlier and Defend Longer. Execution on this mantra will drive our continued success and profitable growth.

I would now like to turn the call over to our Chief Financial Officer, Joe Bedewi.

Joe...

Thank you Darin.

Let me start out by reiterating the logic of this transaction. From both an operational and financial perspective, our proposed acquisition of Silicon Image makes sense. It's aligned with our growth objectives and will position us to even more effectively compete in the market.

We have spent a great deal of time evaluating transactions and are confident that this is the right one. We are confident in the Silicon Image business based on our extensive due diligence, the fit with Lattice, and the greater prospects we will have combined. We have a track record of successful execution and are confident we will continue to successfully execute on a larger scale moving forward.

**Slide #13 [ECONOMIES OF SCALE]**

**If you can please turn to Slide #13** you will see an illustration of the economies of scale we expect to gain through the transaction. From a sales and marketing perspective, not only will we be able to streamline our sales organization, we'll benefit from improved visibility into our customer's requirements, thereby becoming more relevant. Turning to R&D, our IP portfolio will increase tremendously and gain design efficiencies. In addition, we expect to achieve material economies of scale in both G&A and throughout the supply chain. In total, we have identified approximately \$32 million of operating synergies that we expect to achieve within 1 year of closing the transaction. You have my assurance that we will be focused on the integration and execution to achieve our objectives.

**Slide #14 [ATTRACTIVE FINANCIAL MODEL]**

If you can now turn to **Slide #14**, you can see the financial implications of Lattice's acquisition of Silicon Image. This is a real game-changer for Lattice. On a trailing 12 month basis we would have combined revenues of greater than \$600 million dollars, with a positive effect on our gross profit and operating profit margins. As Darin noted earlier, this acquisition will be immediately accretive to Lattice on a non-GAAP basis and will not result in any dilution for Lattice's shareholders.

Turning to our targeted financial objectives, we expect to grow revenue in line with the market. For gross profit margin, our long-term goal is 55-60%. For operating profit margins, our long-term goal is to be above 20%.

Let me now turn the call back to Darin for some final comments before opening the call to questions.

Darin...

**Darin Billerbeck - Lattice Semiconductor Corp - President & CEO**

**[CLOSING REMARKS AND Q&A]**

Thank you Joe.

Hopefully that gives you a sense of the powerful combination and why this is truly a transformational opportunity for both companies. As I said at the start, this acquisition makes sense financially. It will be immediately accretive to earnings. We also expect strong free cash flow will provide us with flexibility to aggressively pay down debt. Also important, this acquisition will not be dilutive to Lattice shareholders.

Second, customers stand to benefit significantly. Post-closing, we will be able to offer broader, even more strategic solutions to customers. Combining the power of our flexible FPGAs with the process optimization of Silicon Image's ASSPs will allow Lattice to support customers from the initial product definition stage all the way through maturity. The implications of this are huge for Lattice and its customers.

And finally, Lattice will gain powerful scale faster than we could build organically. As we've stated numerous times, achieving scale is paramount to our long-term success and is essential to building value for shareholders. This scale will allow us to benefit from added supply chain, OpEx and R&D synergies. We will also benefit from a broader footprint, larger IP portfolio and greater customer presence, all of which are critical to driving longer-term stickier revenue and EPS growth. Our goal of this acquisition is to double Lattice's EPS within the next 2 years.

The combined capabilities of Lattice and Silicon Image, our end markets and our customers fit naturally together. We are adding value. We are taking two strong stand-alone companies and making 1 even stronger company.

We expect our customers, employees and shareholders will be as excited as we are about the combination.

That concludes our prepared comments. We will now open the call to questions.

Operator....

Tristan Gerra: I don't have the slides right in front of me but could you talk about the acquisition and the impact on EPS? What are the assumptions in terms of Silicon Image revenue going forward?

A: So as you know, we're not going to do any forward-looking guidance related to this, but they have a trailing revenue, I talked about that in the call \$253 million. They've got solid pipeline going forward, but we're not going to address the forward-looking guidance.

Q: And then with this acquisition as see you make big push in the consumer end market. Could you remind us approximately the mix of MHL revenues of Silicon Image? And also what type of exposure you would get to your largest customer as a result of the acquisition?

A: So I'll talk about the second question first because I am not sure I know the answer of the first one. We would expect the largest customers that we have would be under 20% of the total combination in 2015.

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Richard Shannon: I guess my first question is a big picture one. In kind of response to your discussion about synergies here, kind of big picture you're proposing to put together an FPGA company and an SSD company which really hasn't been done or even tried in quite some time. What is your level of confidence that's putting these two very different business models together is going to achieve synergies. Have you talked about this with some of your customers? Especially with regards to Silicon Image's MHL business, are you going — do you expect to be putting that on and FPGA to start with? And then perhaps harden your ICE products and the ASSPs over time. Can you discuss that a little bit please Darin?

A: So let's take the bigger, broader picture here. So we're driving through a consumer and we're able to provide products that are less than \$0.50 easily with a lot of flexibility that you're seeing in smartphones, tablets and all sorts of different devices. One can argue that it's not difficult then to take some of the products and I'll give you an example, like USB 3.1 Type -C. One can argue if I had the IP earlier, I could be first to market by about six months over anybody in the industry. And then once we figured out actually all the programmable ways that people were using USB 3.1, because they're using chargers, they're using smartphones, they're using tablets, they're using all different devices, then you could begin putting a more of a larger ASSP if you will, not larger, but more cost effective version of that.

You can make the choice at that point to do a hardened ASSP all the way across or leave some programmability on there, thus giving them some flexibility not as much as you would have with an FPGA at much lower costs. So we're looking at this as one as you can get the development cycle in very quickly within FPGA, you can follow that up with the mid-stream by ramping the FPGA but then when you go to the maturity or they figure out specifically what those applications need, then you can turn a more optimized thing, which is exactly what we did in the smartphone industry.

As you know when we first got into the larger smartphone supplier in the world, we did it with a blank canvas FPGA, turning a bunch of features. By the time we got to about the fourth or fifth design wins, that product had a lot more hardened IP and was less flexible than the initial product that we sold. And it turns out the cost structure by doing that is quite a bit lower. This is what makes the Silicon Image acquisition really attractive for us, because they even have a broader portfolio in the consumer markets where our speed to market enable then to be the first mover and fast mover followed up by more of either a handed FPGA with less flexibility or just going straight to an ASSP.

The other thing that I'll tell you that's interesting too, it's the way that they have built their millimeter wave technology is primarily CMOS driven, they're one of the leaders in CMOS radios and FPGAs are all CMOS. So one can argue that there is a tonne of opportunity for us to get upfront and help get the development process much accelerated from how you would see today.

So radios are one side of the equation but then you also have how that radio works. So that enables us to be able to get them to market much faster than one would think. So again I think the combination gives you a lifecycle approach but it also gives you the ability to debug products upfront and then if you want to turn to ASSP, it's not different than using the [indiscernible] off of an FPGA and designing an ASIC.

So pretty standard way. Any portion of that that you want to dive into?

Q: Regarding the \$32 million in synergies, Silicon Image had already talked about reducing OPEX. Is your \$32 on top of that or inclusive of that?

A: It's on top of that. The \$32 million are reductions based on synergies. We are very complimentary in case of locations. Sunnyvale. Shanghai. We have a large facility in the Philippines. We will take the best of both companies and create a stronger company in the end.

Q: Was this a competitive bidding process? Any other bidders have emerged — any thoughts around on that please?

A: We're not going to comment on that, I know that their Board and our Board did the appropriate due diligence on both sides of this and I think it's a good outcome for both of us. We're going to be filing merger and tender offered docs with the SEC in the coming days. So that will be fairly quick and you'll have more detail in that related to the transaction.

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Rajvindra Gill: Can you again provide the rationale behind the acquisition and how you can combine products? I don't see immediate product overlap.

A: Yes, so let's talk — immediately you're going to evolve, with things like HDMI one to two and USB one to two and MHL from two to three and there is even Super MHL out there. So immediately you're going to have the two products actually fairly complementary, the integration is not going to happen until we sit down and really drive for specific products that we want to drive into those markets where we can then better define an FPGA or use one that's existing to help us in those markets. So when we go through, there will be some transformation time that it will take for us to get through the strategic roadmaps and everything. Today you can just go sell into it, but a prime example today will be just putting MHL right over our USB 3.1 solution that we're already sampling. We're one of the first to market with USB 3.1, it's not difficult for us to put that IP that they already have on our solution. So those are the kinds of things that we will do right out of the chute.

Q: Is there a need for this from a customer perspective?

What we can do with USB, we can do USB with MHL or we can do USB with display port, and yes there is a need for both of those technologies to be over, that's one of the advantages of USB 3.1 is that it enables you a much higher speed data throughput for it and has also enables fast charging. And with our FPGA, we have the ability to be able to program all the inputs and then do the USB flip, because USB 3.1 you can put it in either direction on either side and so there is an aspect of that where people want to use some of those signals for their own ID and for some of them use them for security and other things. So you got to be able to have a flexible connection on that, but you can run both MHL or eDP over that and there is an advantage to doing either depending on the application. And we have the capability to do both with the Silicon Image IP and with our FPGA.

Q: What's the thinking about the 60 GHZ technology?

So 60 gigahertz I think is a viable technology in a lot of ways. And as you know, Silicon Image had — they really call it millimetre wave, but 60 gigahertz has what we call the Snap technology, which is very short range radio, and then there is wireless HD which is more of a gaming or point-to-point, and then you have Y-gig which is really kind of the 802.11 standard. And there is also the big backhaul thing. My belief is that you're going to see some revenue for the first Snap technology probably in 2016. I think it will probably happen a little later than what people think. You'll probably see that in more tablets and laptops and things like that, alongside some of the Y-gig so you're not going to have just one standard in all of these, because it's going to depend on the application. So, we've looked at that a lot, the nice thing is Silicon Image has a very strong IP portfolio in that technology, they are one of the first to market with CMOS technology and again all of our products are on CMOS too, so that enables us to use our R&D reuse and also be able to apply those IT cores across multiple different products, so we think we're going to expand some of the presence on those with the already existing IP and then utilize the strength of the development team and architecture team in Sunnyvale and that came from the original SiBEAM acquisition. So I think we feel very confident that that technology will be used. It's probably more of a matter of timing than anything. It's just — it's going to take time to get that off the ground.

Q: Do you foresee any regulatory issues or stumbling blocks before the deal closes?

A: No. [Silicon Image is] not particularly big in China. You will always have regulatory in the U.S. Other than that, we do not see any regulatory issues.

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Chris Rollins: Talk about the components of the synergy slide a bit more. What percent do you prescribe to each of the 4 buckets. These are all cost synergies?

A: Yes, there are no revenue synergies associated with this 32 million. It's all on the cost and OpEx side. And I don't have above good method of ascribing to each of these. Clearly they have gone in and already done some initial reductions related to sales and marketing and to some G&A functions, so that is going to be less of an upside in the synergy space. R&D has opportunities and this is really on site consolidations, so we've got lease breakages and a lot of other interesting things where we can optimize some of those assets baked in here for the \$32 million, but it's really — it's optimizing across the two entities. We have some level of duplication in skill set, some level of duplication in location that we will be combining and that should give us the \$32 million. As we were digging through due diligence, we were clearly looking for opportunities to synergize.

Q: What is stopping customers from cannibalizing and just skip over to ASSP?

A: Well in some cases because they are around leading edge technologies, what we typically do is, you start with an FPGA, and you'll walk in and you develop a few different features for them and then the next version of that those particular features may get integrated into an application process or something else and they're looking for the next three features, right? In other cases, we'll actually harden those features and just add more. We have a menu of about maybe 25 different things that we can do in smartphone, tablets and consumer electronic devices and some people just take the menu and say hey I want those three things. When you build an FPGA like we've done on CMOS Technology, on 40-nanometer, it's already competitive with an ASIC and an ASSP. And the reason I say that is because, we're building devices today that are like 1.4a by 1.4a square millimeters, right. There are a lot of ASSPs out there that are already bigger than that, so by focusing on really driving an efficient architecture on our lower end consumer FPGAs, we're able to actually be cost competitive with more ASSPs plus we offer the flexibility for these guys to change. One of our customers actually would use one FPGA in a smartphone platform and they would program it differently for all three different geographies they serve. They use one hardware platform and they say, this geography wants these features, so they would program that the same hardware set to do different features whether it was Europe or the U.S. or in Asia. So that's kind of the flexibility. They don't have to hold the inventory of three different products, they just program it differently through their production line. In some cases that's flexibility they don't want to give up. In other cases if it's a hardened standard thing that's not evolving they will and I think it's the same issue that Silicon Image has as they win early and then some of the stuff that they do get integrated also and so the license which is a good way, if you're going to get it integrated anyway, you might as well get the license royalties, which is a better model.

Q: And most of Silicon Image's products, are these going to be initially addressed by your iCE40 line or your MACH XL lines, is it almost all iCE40?

A: iCE40 and MACH XL are actually very similar. The only difference is that iCE40 we limited the number of IOs on that, it's around 100 IOs because in the markets that we serve they typically have somewhere between about 8 IOs and maybe 40 or 50. MachXO2 can actually go up to over 300 in some IOs, but what people forget is the lowest version of MachXO which is called XO2 can actually going out to lower power even than iCE, nobody — very few people know that. So we can use both products if you need more functionality, more features still it adds very low power for consumer devices, you can use MachXO2, little bit more expensive because the architecture again was more performance driven than iCE so it gives you two flavors you want the absolute lowest cost you go with iCE, if you want more capability and more features you go with MachXO2. Both can handle some of the products that Silicon Image is offering.

Q: Let's talk about the \$1 billion revenue goal. How do we think about remaining \$400? All organic or appetite for acquisitions?

A: No, I think what you're going to find is we have a lot of room to grow. As I mentioned the largest customer will be under 20% with this combined entity for that combination that we talked about. So we got lots of room to grow and a lot of the big customers worldwide in consumer. And I think we have a broader marketplace than we had before, especially with people as they see what we're going to do. And let's not forget industrial in this but our plan is to grow organically. For a while we pay down the debt and we do that and of course we're always going to look for other synergies down the line.

But I think right now we're going to be focused on the integration of this thing, generating the EPS that we said, we took a goal that we want to double the EPS and I want to do it lot faster than that goal and

we want to pay down that debt as fast as humanly possible, which means we got to structure the organization efficiently. And the biggest thing is it's really going to be treated more like a merger as we do this than an acquisition where you're trying to cut cost, we're going to do it in a systematic way in all sites, so looking at the combination, looking at the roadmaps and then making the deliberate decisions. But we know those synergy numbers are real.

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Ian Ing: This idea of using ASSPs to defend longer, is this a capability that management's chose to futureproof the FPGAs or is this some request for better cost roadmaps you are already getting from OEMs or are you anticipating getting from OEMs? Essentially is it more push or pull?

A: I think it's a little both, to be honest with you. I mean we learned that again, the largest smartphones prior we supported we learned that you got to start hardening and continuing to add features. So the evolution is in consumer you don't necessarily need a blank sheet of canvas every time, some of this you'd learn, you integrate that hardening and it becomes what we call big H and little P which is a big hardened device with some programmability and flexibility and that won't be our whole product line, because we still service 100-150,000 smart devices in communications where you still handle Huawei and ETE and Alcatel Lucent and Ericsson, these big canvases that they're going to do their own RTL on.

So let's not think of it we're just all consumers, just a large part of our business is focused on really taking the IP, getting to market fast and then doing what we naturally did and what we learned from the smartphone industry, which is just continue to evolve those capabilities but they really want the cost structures of an ASSP, but they want that flexibility of an FPGA and I think we have the best of both worlds by being able to do that.

Q: And the scale needed to cross over from FPGAs to ASSPs where it starts to make sense. Are you starting to see that with some of your sockets right now or is that something that's coming up in the future you think?

A: Well I think we started seeing it, again when we entered the smartphone market, I think we started to see it in a big way and then as we really started to drive in to China we started realizing that we had some pretty attractive solutions there and we could make it even more attractive by being more ASSP-like. But again let's also not forget that from a development perspective, people want that true FPGA which has the flexibility to do whatever they want.

And I think that ease of market to getting their products in faster, that's what really helps and I think the biggest sticking point towards the Silicon Image integration for us is the fact that they're leading that IP upfront. So we can help our customers much, much faster and better. We would always kind of wait for them, now we can help drive some of these things and create solutions to get to market before anybody, and then follow on up with either a big H small P device, that just goes straight to an ASSP. Because we have both capabilities and we have both knowledge spaces.

Q: And lastly could you talk about portfolio synergies outside of consumer that's still a smaller part, a minority of your sales, but Silicon Image has millimeter products, is there any synergy on the common infrastructure portfolio or some other end markets?

A: Yes probably in the LTE offload for sure, that's a pretty heavy duty 60 gigahertz technology that they have. And I think that's the focus of some of the small cell stuff. So we're really going to have to dive in

and see the complementary aspects of what we're doing already. We do a lot of control playing work, so again we're trying to connect and control some of the elements on those boards for those and they're doing pure data. So they got the baseband plus a 60 gig radio and the baseband. Let's not forget is all digital too. So you could use the big FPGA to do baseband as you'll walk through this. So there are a lot of commonalities there, I don't know that we've really — we didn't dive into as much detail on that one as we were focused on really getting the synergies from the growth markets first and then we'll look at some of those value markets as we move forward.

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Charlie Anderson: Can you speak to the view from the MHL technology and a longer term view of that technology, since there have been struggles?

A: Yes, if you just look at MHL today, I mean it's a great technology, I don't know if you used it, but I set it up on my phone, I went ahead and cranked one of those things up on the screen and the high definition quality is amazing. So anyone who says the quality isn't as good is wrong, at least on my Galaxy. So, I kind of looked at the thing as pretty amazing technology and if you look, it's more than just smartphones and tablets and stuff, its smart TVs, it's in a lot of the different appliances. So, I think it's going to be — I think wired is going to be there a while until people really start to drop some of the wireless and until that wireless is capable of doing video imaging, you're still going to have HDMI which is kind of the standard out there, probably will be the standard for a long time to come, MHL is more for kind of the mobile devices if you were to connect up to the TVs and display. So I think that I look at it as a viable technology, we can do a lot more with it, as we kind of walk through, but let's also understand that there is also EDP out there, right. We want to be able to do both of those. Even though MHL is compelling, there is also going to be EDP, embedded display port, that is going to be out there. So we want to be able to be flexible enough to obviously drive the standard we think is fast, but then be flexible enough to be able offer both. I think it's a viable technology. I think both are going to go until we get a really big 60 gigahertz infrastructure and 802.11 evolves to Y-gig which I think is going to happen. I think you're going to see wires around here for a long time and I don't think everything is going to turn over overnight, but I think there is going to be a great opportunity for both. Eventually I'll tell you that everything will be wireless.

Q: I think there was a just shy of \$21 million break fee. Is there a no shop provision too?

A: I don't believe there is.

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Arnold Ursanor: Can you comment on the current revenue stream that Lattice gets from hand-offs from SIMG and do you currently pay SIMG royalties?

A: We do not and the current stream of hand-offs is really not existent. That's something that we would not see that because we would be in the front end of this process, the socket could end up going ASSP to any number of customers.

Q: How do you envision the QTerics partnership evolving?

A: Yes, we don't really see any changes of that as we move forward. Obviously, we're going to look at all the businesses and the viability of those businesses. I look at that stuff as pretty interesting, and as we go through we're going to embrace the fact that we have some new capabilities that Lattice isn't an

expert in but I know Silicon Image is, and I know that Qualcomm wouldn't have invested in that if there wasn't some viability there and so it's always good to have somebody like that backing you. I think we just got to dive into the detail and understand how it fits within all the other priorities and if it's something that we want to invest in, we'll invest more in it.

Q: you just highlighted that your view MHL was compelling for mobile, yet Silicon Image had highlighted in December that it was designed out of a key customer program, likely to impact '15 probably continuing to '16, and in fact mathematically mobile would probably be down mid-teens. Was all of this known to you well before this process unfolded?

A: I think you've got to be careful and a little cautious about that particular statement. It's factual for sure, but it may not be directional. If you look at what some of these customers are doing, when people are in a world of hurt, they kind of cut everything out, they just throw everything away and in some cases the baby goes with the bathwater. In the United States, people may not be using MHL. Although from a sales guy, I sure would rather use my phone than have to take my PC everywhere and that's one of the applications you can use. Let's take China though. In China, your phone now becomes your computer and you want to go ahead and increase the display on that, that's a much bigger pull than it would be if you're trying to do something and you have some other thing. So I think depending on the geography you can get certain things, the fact that people are focusing on other things like reducing the bill of material and cramming down things and trying to go into other markets, I don't think it's an indication of the viability of the technology. The fact is displays, TVs, everything has it. So the model's solid, the model there just because one customer has an issue doesn't mean that it won't be big longer-term. But yes, we did know that, by the way when we walked in.

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Sachin Shah: You expect the deal to close by mid-March and end of March?

A: We put the end of March in the timeline in the presentation.

Q: I just want to find out as far as the NOLs and R&D credits, they seem based on the last 10-Q just a little over \$100 million, so just wanted to find out how much of that do you believe that you can maybe utilizing in this transaction? And is that part of your \$32 million synergy number?

A: It is not. We'll be able to leverage some of that as we go forward. It's all valuation based and first accounting based and all that fun stuff once we get the valuation aligned. We'll be able to use some of those attributes, but it's not integrated in the synergies.

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John Tanwangteng: One of the things that Silicon Image was trying to do was invite external investment partnerships. I know they did it first with Qualcomm already. I'm just wondering that's still the plan?

A: Absolutely. There's lots of progress there and there are still a lot of opportunities. So I think they were smart to do that. I think going out and getting people that understand the technology and the direction that want to be part of it investing in it, I think that's a good model. I think what they've done in the past, we would continue to do and look for other people to make investments and if it's viable you are going to get more people that want to invest.

**Additional Information**

This communication does not constitute an offer to buy or a solicitation of an offer to sell any securities. No tender offer for the shares of Silicon Image, Inc. has commenced at this time. In connection with the proposed transaction, Lattice Semiconductor may file tender offer documents with the U.S. Securities and Exchange Commission ("SEC"). Any definitive tender offer documents will be mailed to shareholders of Silicon Image. **INVESTORS AND SECURITY HOLDERS OF SILICON IMAGE ARE URGED TO READ THESE AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION.** Investors and security holders will be able to obtain free copies of these documents (if and when available) and other documents filed with the SEC by Lattice Semiconductor through the Web site maintained by the SEC at <http://www.sec.gov> or through Secretary, Lattice Semiconductor Corporation, 5555 NE Moore Court, Hillsboro, Oregon 97124-6421.

**Forward-Looking Statements**

The foregoing paragraphs contain forward-looking statements that involve estimates, assumptions, risks and uncertainties. Any statements about expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. Words or phrases such as "anticipates," "believes," "could," "estimates," "expects," "intends," "plans," "predicts," "projects," "may," "will," "should," "continue," "ongoing," "future," "potential" and similar words or phrases identify forward-looking statements. The forward-looking statements in this document address a variety of subjects including, for example, the expected date of closing of the acquisition and the potential benefits of the merger. Forward-looking statements involve estimates, assumptions, risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. The following factors, among others, could cause actual results to differ materially from the forward-looking statements: the risk that the transaction will not close when expected or at all; the risk that the operations of the two companies will not be integrated successfully; the failure to achieve the anticipated benefits and synergies of the transaction; the risk that Lattice or Silicon Image's business will be adversely impacted during the pendency of the transaction; costs associated with the transaction; matters arising in connection with the parties' efforts to comply with and satisfy applicable regulatory approvals and closing conditions relating to the transaction; and other events that could adversely impact the completion of the transaction, including industry or economic conditions outside of the control of Lattice and Silicon Image. In addition, actual results are subject to other risks and uncertainties that relate more broadly to Lattice and Silicon Image's overall business, including those more fully described in Lattice's filings with the SEC including its annual report on Form 10-K for the fiscal year ended December 28, 2013, and Lattice's quarterly reports filed on Form 10-Q for the 2014 fiscal year, and those more fully described in Silicon Image's filings with the SEC including its annual report on Form 10-K for the fiscal year ended December 31, 2013, and its quarterly reports filed on Form 10-Q for the 2014 fiscal year. You should not unduly rely on forward-looking statements because actual results could differ materially from those expressed in any forward-looking statements. In addition, any forward-looking statement applies only as of the date on which it is made. We do not plan to, and undertake no obligation to, update any forward-looking statements to reflect events or circumstances that occur after the date on which such statements are made or to reflect the occurrence of unanticipated events.



January 27, 2015

Team Lattice,

It is with great pride and excitement that I am able to share some very important news. Earlier today, Lattice announced our intention to acquire Silicon Image, one of the leading providers of wired and wireless ASSP connectively solutions.

Based on our efforts, Lattice has become one of the premier providers of programmable solutions, which in and of itself is a tremendous accomplishment. But as many of you know, we are committed to becoming much more.

While our internal growth has been strong, in order to become an even bigger player in the semiconductor industry, we must achieve more scale. And one way to do this is through acquisitions.

You'll recall that back in 2011 we successfully acquired Silicon Blue. While Silicon Blue was much smaller in terms of size compared to Silicon Image, I think we can all agree that the transition and integration of Silicon Blue into Lattice went well.

We expect the integration of Silicon Image into Lattice to follow a similar path although we will need deliberate dedicated focus to smoothly transition the two companies into one.

Naturally, many of you will have questions, so allow me to address two of the major themes:(1) who is Silicon Image and why we're acquiring them; and (2) how will the acquisition affect the employees of Lattice Semiconductor?

#### Who is Silicon Image and Why Lattice is Acquiring Them

Our reason for acquiring Silicon Image is that it gives us critical scale much faster than we could build organically, while at the same time expands our product

reach to include ASSP connectivity solutions. Not only are ASSPs highly complementary to FPGAs developed by Lattice, they address a different customer need at a different point in the product cycle. In addition, Silicon Image has been at the center of establishing major industry standards including HDMI, MHL and DVI. As standards evolve in lock-step with the evolution of technology and applications, this places Silicon Image in an enviable position — at the head of the table with customers.

As a result of this acquisition, Lattice will become even more strategically relevant to customers cross the entire product lifecycle. Similar to a relay race run by a team of four runners, the *new* Lattice will boast a formidable team – starting with Product Innovators (Silicon Image), handing off to the Early Adopters / Majority (Lattice), next handing off to the Late Majority (Lattice and Silicon Image), and finally handing off to Maturity (Silicon Image) to take the product across the finish line.

Notably, this combination is first-of-its-kind, and is unique to the semiconductor industry. Never before has a single company been able to address the innovator, early-adopter market via FPGAs and capture mainstream revenue opportunities through ASSPs.

We like the new model and think there are additional upside opportunities to create long-term value for Lattice and our employees.

#### How will the acquisition affect you

As we have just announced the proposed acquisition, a lot of work remains before we can complete this transaction. Out of the gate, employees will notice few, if any changes. Your job description, title and day-to-day responsibilities will remain the same. As we move closer to completing the transaction, which we expect will occur in Q1, we will have a much better understanding and concrete plans on how best to integrate Silicon Image into Lattice.

While today we don't have all of the answers, as always my personal commitment to you is to be consistent and transparent with all communications. As our integration plans are developed, we will communicate these to you in a timely and comprehensive manner. In the meantime, please feel free to speak with your direct supervisor if you have further questions.

I want to thank each of you for your hard work and dedication to our mutual success. Completing the acquisition of Silicon Image will be an important milestone for the Company – an accomplishment that would not be possible were it not for you.

Best,  
Darin

**Additional Information**

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**Lattice + Silicon Image  
FAQ for Employees**

**THE ACQUISITION**

Q: Why are we acquiring Silicon Image?

A: From a high level this transaction will allow us to gain scale much quicker than we could have ever built organically. We have been evaluating many deals. We are excited about this opportunity because Silicon Image is a leader in connectivity solutions and our combination will:

- Increase our relationships with and strategic relevance to customers
- Expand our already strong IP portfolio
- Creates revenue and EPS growth opportunities
- Provides opportunities for significant business synergies of more than \$32 million.
- Upon closing Lattice will be an approximately \$600 million revenue run rate company with strong foundation for future growth and profitability.

Q: How is the deal structured?

A: The transaction is an all cash tender offer to the shareholders of Silicon Image at \$7.30 per share for a total purchase price of approximately \$600 million. We are paying for this purchase with a combination of our cash and new debt. Upon the closing, Lattice will own 100% of Silicon Image.

Q: When will deal be finalized?

A: The deal is subject to a number of contingencies, including the tender of a majority of outstanding shares by Silicon Image shareholders and regulatory approvals, but we expect to close by the end of March.

Q: What happens between now and close?

A: Darin will finalize the new organization structure and announce the appointment of the executive team as soon as possible. We anticipate some Silicon Image executives will be joining the Lattice management team.

Simultaneously, a core integration team, led by Mike Orr, Dan Byers and Debra Bogowitz, has commissioned Price Waterhouse Cooper to assist us in creating a 100 day plan to ready all aspects of the organization for an assimilation of this size (people, technology, efficiencies, systems, synergies, etc). ***Until the closing of the transaction, we remain separate companies and we and they will continue to run our businesses as usual.***

Q: Will jobs be affected by this transaction?

A: Most positions will not be impacted. However, every acquisition of this type gives rise to an assessment of capabilities and a determination of whether certain jobs and functions are duplicative and no longer required for our

business. Where it is determined to be in the best interests of the Company to eliminate positions, the affected individuals will be treated with dignity and provided separation benefits consistent with Company past practices.

Q: Will we proceed with the LHQ site move to downtown Portland and the build out of the new site in Hillsboro?

A: Yes. Both moves are scheduled for the March time-frame. The new downtown site will be the Company's headquarters.

Q: Will we continue to consider site moves for LMN and LSH?

A: Yes. We are moving forward with our LMN build out plan and this transaction will accelerate our review of building alternatives in LSH.

Q: Will Lattice continue doing business in our existing geographies?

A: Yes.

Q: What should I do between now and close?

A: Keep running! Stay focused. Execute, execute, execute. For now it is business as usual.

Q: Can I transact in Lattice or Silicon Image stock during this period?

A: Provided you are not in possession of material non-public information you may continue to engage in purchases and sales of Lattice stock during the open window period. You should not engage in any purchases or sales of Silicon Image stock if you are in possession of material non-public information. If you are a Silicon Image shareholder, you should review the tender offer materials to be filed with the SEC as described below under "Additional Information" and "Forward-Looking Statements."

## **FOCAL**

Q: We are in the middle of Focal. Will that continue?

A: Yes. Focal is in full swing and we will continue to execute to the schedule.

Q: Do I still need to write 360 evaluations?

A: Yes. Providing feedback to your peers, internal customers and your manager is a vital part of the focal process.

Q: Should I still write a self-assessment?

A: Yes. Providing input about your accomplishments is an important part of your review.

Q: I am a manager and I have been preparing performance reviews. Should I still write them?

A: Yes. Annual Performance is documented and recognized in the employee performance review which is a fundamental step in the Focal process.

Q: Will Silicon Image employees be eligible for Focal?

A: No. Silicon Image employee compensation, stock and benefits are being evaluated as part of the integration process and not in our Focal process.

- Q: Will there be a Focal Merit Budget?
- A: Lattice has established a competitive merit and equity budget for this year's focal. We will proceed with Focal as planned. Similar to previous years, rewards will be communicated to employees along with their annual performance review.
- Q: Will our overall focal philosophy change?
- A: No. The fundamentals of the program will remain intact for the foreseeable future.

#### **BENEFITS**

- Q: Will there be any changes to my benefits package as a result of this transaction?
- A: For the most part we anticipate little to no change to our current benefit plans.
- Q: Will there be any changes to my stock plan?
- A: At this time there are no plans to change Lattice's stock plan.
- Q: Will there be any changes to the Lattice bonus plan?
- A: At this time we do not anticipate fundamental changes to Lattice CIP or SIP bonus plans. We will of course be required to update the financial targets and MBOs once the companies are combined.
- Q: I have booked vacation in the near future (approved PTO). Do I need to reschedule it?
- A: It's unlikely that you'll be asked to reschedule your vacation. In most situations we anticipate the ability to honor approved PTO.

#### **CONTACTS**

- Q: Who can address my questions and concerns?
- A: Seek out your HRBP or the senior management team in your department.
- Q: How often will we get updates?
- A: Expect updates on a regular basis as the process moves forward.

#### **ADDITIONAL INFORMATION**

This communication does not constitute an offer to buy or a solicitation of an offer to sell any securities. Cayabyab Merger Corporation ("Merger Sub") has filed a Tender Offer Statement on Schedule TO with U.S. Securities and Exchange Commission ("SEC") containing an offer to purchase all of the outstanding shares of common stock of Silicon Image for \$7.30 per share. The tender offer is being made solely by means of the offer to purchase, and the exhibits filed with respect thereto (including the letter of transmittal), which contain the full terms and conditions of the tender offer. **INVESTORS AND SECURITY HOLDERS OF SILICON IMAGE ARE URGED TO READ THESE AND OTHER DOCUMENTS FILED WITH THE SEC, AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THOSE DOCUMENTS, CAREFULLY IN**

**THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION.** Investors and security holders will be able to obtain free copies of these documents (if and when available) and other documents filed with the SEC by Merger Sub through the Web site maintained by the SEC at <http://www.sec.gov> or through Secretary, Lattice Semiconductor Corporation, 5555 NE Moore Court, Hillsboro, Oregon 97124-6421.

#### **FORWARD-LOOKING STATEMENTS**

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January 27, 2015

Customer/Channel Partner Announcement  
Mark Wadlington, CVP Worldwide Sales

In keeping with our 30+ year commitment to providing our Customers and Sales Partners with highly-differentiated solutions, Lattice Semiconductor is proud to announce that we have entered into a definitive agreement to acquire Silicon Image, a leading provider of wired and wireless application specific standard product (ASSP) connectivity solutions. The combined company will bring leading edge solutions and intellectual property, and unparalleled support, to the marketplace that we jointly serve. It is also important to note the combined company will represent a first-of-its-kind combination that is unique to the semiconductor industry. Never before has a single company been able to address the innovator, early-adopter market via FPGAs and capture mainstream revenue opportunities through ASSPs. The new combined company will have the right technology, the right products, and the right people at the right time in the market!

Until you hear otherwise, please continue to conduct your day to day business with Lattice or Silicon Image as you have done previously. Our transaction is subject to a number of contingencies, including the tender of sufficient shares by Silicon Image stockholders and regulatory approvals. Once these contingencies are satisfied, the integration of the two companies will take us several months to complete. I assure you that there will be no interruption in your supply or service. We will communicate frequently and openly during this process. As you may imagine, we are very excited about this acquisition and look forward to the many benefits it will bring to all of us.

Please contact me or Dan Byers, Sr Director Sales Operations, directly if you have any questions or concerns.

Mark Wadlington  
CVP Worldwide Sales  
Lattice Semiconductor Corporation  
mark.wadlington@latticesemi.com

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January 27, 2015

Foundry/OSAT/Logistics  
Rick White, CVP Operations/Supply Chain

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Please feel free to contact me or Fina Borda, VP Asia Operations, directly if you have any questions or concerns.

Rick White  
CVP Operations/Supply Chain  
Lattice Semiconductor Corporation  
rick.white@latticesemi.com

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