
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 8-K

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

Date of Report (Date of earliest event reported)
February 18, 2015

Lattice Semiconductor Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

000-18032
(Commission
File Number)

93-0835214
(IRS Employer
Identification No.)

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

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

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

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

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

The following statements relate to the 2014 fiscal year results of Lattice Semiconductor Corporation (“Lattice”) and are included in a confidential information memorandum that Lattice expects to provide to certain banks and other financing sources, as further described below in Item 7.01:

Lattice’s Consumer end market revenue decreased 8% in fiscal 2014, after increasing 180% in fiscal 2013. Consumer market revenue in 2014 decreased slightly due to declines in volume for certain of Lattice’s iCE40 products at a major OEM.

For fiscal 2014, Lattice’s Industrial end market revenue increased 14% when compared to fiscal 2013. This increase was primarily due to broad market strengthening in the second half of fiscal 2014, specifically in Europe and Japan.

Lattice’s revenue in the Communications end market is largely dependent on a small number of large telecommunications equipment providers. For fiscal 2014, Communications end market revenue increased 21% primarily driven by demand to support the telecommunications infrastructure build out in China, largely in the first half of 2014.

Americas revenue increased 2% in fiscal 2014 due to increased sales volumes of late life-cycle products in the Industrial end market, largely in the fourth quarter of 2014.

The increase in [research and development] expense in fiscal 2014, compared to fiscal 2013, was primarily due to increased engineering mask, project-based outside engineering services, variable compensation and amortization costs. More than 10% of these increases were offset by lower facility expenses.

The increase in [selling, general and administrative] expense in fiscal 2014 compared to fiscal 2013 was primarily due to increases in commissions as a result of improved revenue, increased stock compensation expense and increased legal and professional service expenses.

Lattice has over 7,800 customers, many of which are large, multi-national technology providers. A large portion of Lattice’s revenue depends on sales to a limited number of customers. During fiscal 2014, Samsung Electronics Co., Ltd. accounted for 19% of total revenue. Additionally its top five customers accounted for approximately 45% of its total revenue. If any of these relationships were to diminish, or if these customers were to develop their own solutions, or adopt an alternative solution or a competitor’s solution, Lattice’s results could be adversely affected.

Historically the largest percentage of its revenue has been derived from customers participating in the communications end market. A significant portion of that revenue comes from two large China-based telecommunication equipment providers. In fiscal 2013, the company experienced significant revenue growth in the consumer end market; as a result Samsung Electronics Co., Ltd. accounted for 19% of total revenue in 2014. Huawei was the only other individual OEM customer, from any end market that accounted for more than 10% of total revenue in 2014 at 12%.

The statements above should be read together with Lattice’s press release announcing its fourth quarter 2014 and fiscal year 2014 financial results, which is attached as an exhibit to its Form 8-K furnished on February 2, 2014, and with its Form 10-Q for the three and nine months ended September 27, 2014 and Form 10-K for its 2013 fiscal year.

Approximately 60% of total operating expenses are headcount related.

Item 7.01. Regulation FD Disclosure.

As previously reported, on January 26, 2015, Lattice, Silicon Image, Inc. (“Silicon Image”), and Cayabyab Merger Company, a wholly owned subsidiary of Lattice (“Merger Sub”), entered into an Agreement and Plan of Merger (the “Merger Agreement”). Pursuant to the Merger Agreement, and upon the terms and subject to the conditions thereof, Lattice has agreed to acquire Silicon Image (the “Proposed Acquisition”). Attached as Exhibit 99.1 to this Current Report on Form 8-K and incorporated by reference in this Item 7.01 is selected information contained in a confidential information memorandum that Lattice expects to provide to certain banks and other financing sources in connection with the Proposed Acquisition.

The information in this Current Report on Form 8-K (“Current Report”), including the exhibit attached hereto, is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of such section. The information in this Current Report, including the exhibits, shall not be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any incorporation by reference language in any such filing. This Current Report will not be deemed an admission as to the materiality of any information in this Current Report that is required to be disclosed solely by Regulation FD.

Exhibit 99.1 includes financial information of Silicon Image. Other than as specified in Exhibit 99.1, the Silicon Image financial information was obtained from Silicon Image and Lattice takes no responsibility for its accuracy or completeness.

Non-GAAP Financial Measures

Exhibit 99.1 includes financial measures, referred to as “Adjusted EBITDA” and “free cash flow,” that adjust earnings or income from operations for interest, taxes, depreciation and amortization and that exclude equity compensation expense, restructuring expenses and other specifically identified non-routine or non-recurring items or capital expenditures, and are therefore not calculated in accordance with accounting principles generally accepted in the United States (“GAAP”). Management believes that these non-GAAP financial measures provide meaningful supplemental information that enhances management’s, investors’ and prospective lenders’ ability to evaluate Lattice’s operating results and ability to repay its obligations.

These non-GAAP financial measures are not intended to be used in isolation and should not be considered a substitute for any other performance measure determined in accordance with GAAP. Investors and potential investors are cautioned that there are material limitations associated with the use of non-GAAP financial measures as an analytical tool, including that other companies may calculate similar non-GAAP financial measures differently than Lattice does, limiting their usefulness as a comparative tool. Lattice compensates for these limitations by providing specific information regarding the GAAP amounts excluded from the non-GAAP

financial measures. Lattice further compensates for the limitations of its use of non-GAAP financial measures by presenting comparable GAAP measures. Investors and potential investors are encouraged to review the reconciliation of non-GAAP financial measures contained within Exhibit 99.1 with Lattice's GAAP financial measures.

Forward-Looking Statements

Exhibit 99.1 contains forward-looking statements made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements regarding the timing and magnitude of synergies expected to be achieved as a result of the Proposed Acquisition, the sources and uses of funds expected to finance the Proposed Acquisition, and the opportunities that Lattice or Silicon Image or the combined companies may successfully achieve, including the ability to achieve revenues, Adjusted EBITDA or free cash flows on a basis consistent with the companies' fiscal year 2014 results. Forward-looking statements may contain words such as "expect," "believe," "may," "can," "should," "will," "forecast," "anticipate" or similar expressions, and include the assumptions that underlie such statements. These forward-looking statements are statements of management's opinion and are subject to various assumptions, risks, uncertainties and changes in circumstances. Actual results may vary materially from those expressed or implied in the statements herein or from historical results, due to changes in economic, business, competitive, technological and/or regulatory factors.

These forward-looking statements are statements of management's opinion and are subject to various assumptions, known and unknown risks, uncertainties and changes in circumstances that could cause actual results to differ materially from those expressed or implied by such statements, including but not limited to: the ability of the parties to complete the Offer or the Merger in a timely manner or at all; the availability of financing, including the financing contemplated by the amended and restated commitment letter among Lattice, Jefferies Finance LLC, HSBC Bank USA, N.A. and HSBC Securities (USA) Inc. on attractive terms or at all; Lattice's ability to successfully integrate the operations, product lines, technology and employees of Silicon Image and realize synergies from the Merger; and other risks described in Lattice's filings with the Securities and Exchange Commission, which can be accessed at the SEC web site, www.sec.gov. All forward-looking statements are based on management's estimates, projections and assumptions as of the date hereof. Lattice undertakes no obligation to update any forward-looking statements.

Notice to Investors

The information contained in this Current Report on Form 8-K, including the information contained in Exhibit 99.1, does not constitute an offer to buy or a solicitation of an offer to sell any securities. Lattice and Merger Sub have 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, Inc. 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, INC. 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 Lattice 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.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Selected information contained in a confidential information memorandum

SIGNATURES

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

LATTICE SEMICONDUCTOR CORPORATION

Date: February 18, 2015

By: /s/ Byron W. Milstead
Byron W. Milstead
Corporate Vice President, General Counsel
and Secretary

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Selected information contained in a confidential information memorandum

Lattice Semiconductor Corporation (“Lattice” or the “Company”) is a leader in low power, small form factor, low cost programmable logic devices serving primarily the consumer, industrial and communications end markets. For the 2014 fiscal year ended (“FYE”) Lattice generated Revenue and Adjusted EBITDA of \$366.1 million and \$77.3 million, respectively. As of February 17, 2015, Lattice had a market capitalization of \$732.6 million. Adjusted EBITDA is defined and reconciled in Section 8.

Silicon Image, Inc. (“Silicon Image”) is a leading provider of multimedia connectivity solutions and services for mobile, consumer electronics and PC markets. For FYE December 31, 2014, Silicon Image generated Revenue and Adjusted EBITDA of \$258.1 million and \$34.9 million, respectively.

Transaction Overview

On January 27, 2015, Lattice signed a definitive agreement to acquire Silicon Image for approximately \$600 million. Acquisition of Silicon Image will allow Lattice to increase scale, capture increased lifetime revenues, diversify end markets and customer base, broaden market opportunities and realize significant synergies. The combined company generated 2014 Pro Forma (“PF”) FYE Revenue of \$624.2 million and Adjusted EBITDA of \$148.8 million (inclusive of approximately \$36.6 million of estimated pro forma synergies).

To finance the acquisition, Jefferies Finance LLC, along with HSBC Securities (USA) Inc., committed \$350 million of financing to arrange and syndicate a \$350 million Senior Secured Term Loan (the “Term Loan”). The remainder of the sources of funds will come from existing balance sheet cash from Lattice and Silicon Image. Pro forma for the Transaction, Total and Net Debt to 2014 FYE December 31, 2014 Pro Forma Adjusted EBITDA of \$148.8 million will be approximately 2.4x and 1.4x, respectively.

Sources & Uses of Funds, Pro Forma Capitalization and Credit Statistics [table conformed]

(\$Millions)

Sources		Uses	
Sources	Amount	Uses	Amount
New Senior Secured Term Loan	\$ 350.0	Silicon Image Equity Purchase Price (1)	\$ 602.0
Cash From Balance Sheet	279.8	Advisory Fees and Expenses	16.4
Total Sources of Funds	\$ 629.8	Financing Fees, Expenses and OID	11.4
		Total Uses of Funds	\$ 629.8
Pro Forma Capitalization		Pro Forma Credit Statistics	
	Pro Forma FYE 2014		Pro Forma FYE 2014
Cash and Cash Equivalents	\$ 139.4	Total Debt	\$ 350.0
Indebtedness		Cash and Cash Equivalents	139.4
New Senior Secured Term Loan	\$ 350.0	Net Debt	\$ 210.6
Total Debt	\$ 350.0	Pro Forma Adjusted EBITDA	\$ 148.8
Market Capitalization (2)	\$ 732.6	Cash Interest Expense	\$ 17.5
Equity / Total Capitalization	67.7%	Net Debt / Pro Forma Adjusted EBITDA	1.4x
		Total Debt / Pro Forma Adjusted EBITDA	2.4x
		Pro Forma Adjusted EBITDA / Cash Interest Expense	8.5x

(1) Silicon Image Equity Purchase Price based on a per share purchase price of \$7.30 and 82.6 million fully diluted shares outstanding.

(2) As of February 17, 2015; based on a per share price of \$6.03 and 121.5 million fully diluted shares outstanding.

4.10 Litigation

In December 2014, Pabst Licensing GmbH & Co. KG, a non-practicing entity and as successor in interest to Rambus, Inc., commenced a civil action against the Company in the U.S. District Court for the District of Delaware, alleging that certain of the simulator or simulation products sold by the Company may infringe one or more of the patents held by Pabst. The complaint in this matter has not yet served on the Company and no discovery has been conducted with respect to the matter. At this stage of the proceedings, Lattice does not have an estimate of the likelihood or the amount of any potential exposure to the Company. The Company believes that it possesses defenses to these claims and intends to vigorously defend this litigation. It is reasonably possible that the actual losses may exceed the accrued liabilities, however, and the Company currently cannot estimate such amount.

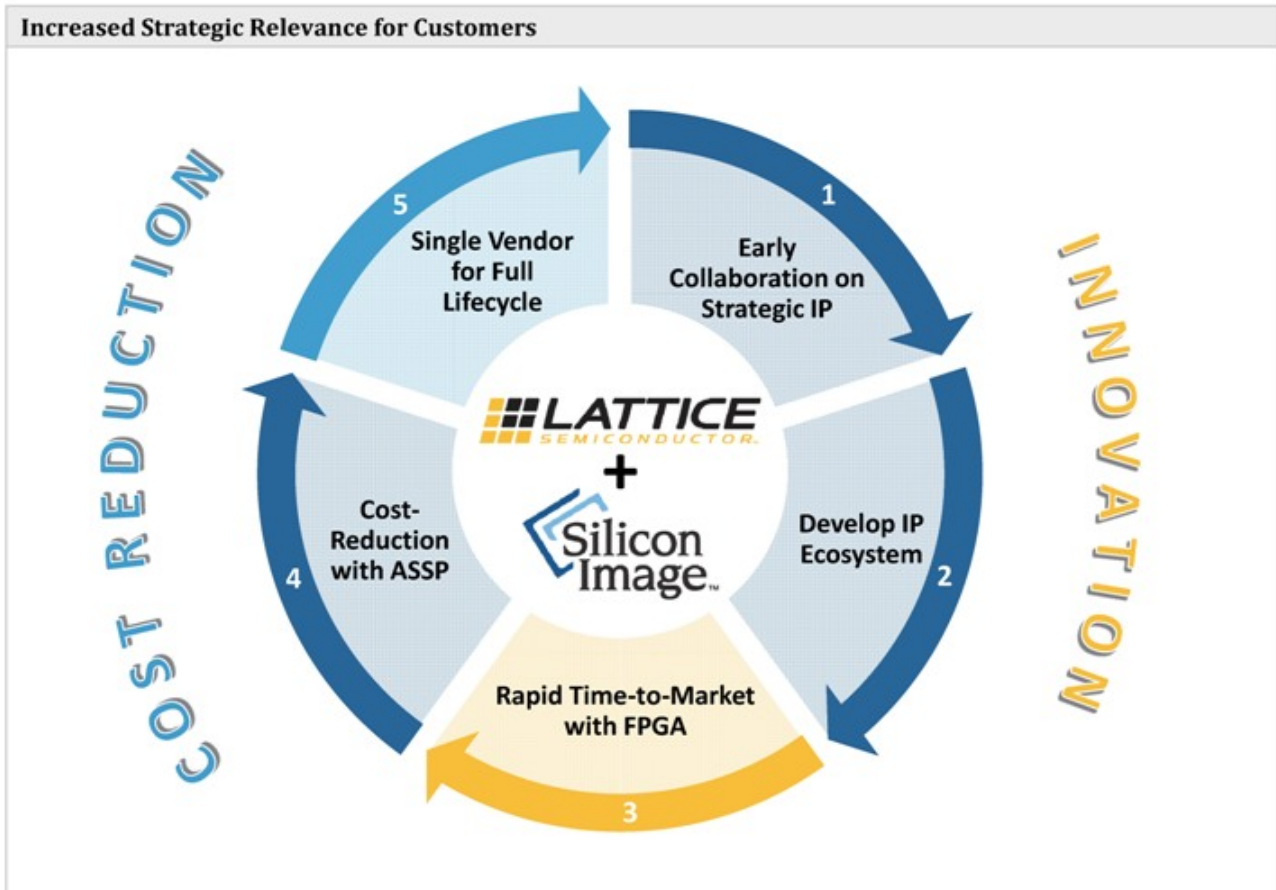
6.1 Investment Highlights For The Combined Companies

- Acquisition provides Lattice with unique opportunity to become a global leader in low power connectivity solutions
 - Complementary and additive FPGA and ASSP product offerings with robust IP portfolios
- Complementary Acquisition**
- Longer revenue cycles from formalizing IP standards to early product adoption to long-tail product maturity phase
 - Quicker time to market driven by early engagements with OEMs and development of plug-and-play modular technologies
 - Significant run-rate synergies of approximately \$36.6 million from gaining R&D efficiencies and streamlining sales organization
- Differentiated IP and Product Portfolio with Higher Lifetime Revenue Opportunity**
- Leader in setting industry standards such as HDMI®, MHL® and WirelessHDM™
 - More than 1,192 patents provide a defensible market position in both mature and emerging markets
 - Strong pipeline of new products and IP: HDMI 2.0, USB 3.1, MHL 3.0, super MHL, Millimeter-Wave wireless connectivity
 - Forefront of Millimeter-Wave wireless connectivity through Snap, WiGig and backhaul
 - Broad end-market exposure across consumer (44%), industrial (22%), communications (24%) and licensing (10%)
- Diversified Revenues**
- Geographic revenue diversity: 47.2% in Asia (excluding Korea and Japan), 20.8% in Korea, 11.4% in Japan, 11.1% in Europe, and 8.0% in Americas, and 1.6% in the rest of the world (based on ship-to location)
 - More than 54 different products sold to over 8,000 global customers
 - Top 5 customers contribute approximately 46% of revenues
- Strong Tier 1 Customer Relationships**
- Blue chip customer base includes multiple large and well-respected OEMs
 - Long-standing customer relationships
 - Product portfolio is focused on stable and growing end-markets
- Attractive Industry Fundamentals with Significant Barriers to Entry**
- Smartphone, tablets and wearables are expected by IDC to grow 11%, 5% and 78% CAGR 2013-2018, respectively
 - Overall semiconductor industry is expected to grow ~4% while FPGA is expected to grow ~7% and consumer FPGA is expected to grow ~9%
 - ~25% of high-end smartphones and ~40% of DTVs shipped in 2014 have MHL
 - New products aligned with industry trends of moving to wireless connectivity
 - Barriers to entry include existing relationships, evolving technology, and complex software requirements
 - Strong cash flow driven by high-margin (56%-60% gross margin), limited capital expenditures due to fabless model and modest working capital requirements
- Low Leverage with High Free Cash Flow Generation**
- High variable cost model allows significant financial flexibility
 - Attractive liquidity profile driven by large cash balance of \$139 million at close and strong free cash flow generation
 - Realization of significant synergies for a target EBITDA margin of over 25% by 2017
 - Total leverage of 2.4x and net leverage at close of 1.4x with the ability to de-lever rapidly
 - \$36.6 million run-rate synergies expected to be realized by first year
- Significant Operational Synergies**
- Approximately \$4.3 million from S&M, \$27.9 million from R&D, and \$4.4 million from G&A
 - Reduced wafer costs due to higher volume as well as reduced assembly & test costs
- Multiple Growth Vectors**
- Combined company has multiple growth vectors that will drive revenue and cash flow growth

6.2 Complementary Acquisition

Two trends dominate in driving the market demand for low-power, small-footprint, and low-cost connectivity solutions: the rapid increase in the number and types of Internet-connected devices and electronics OEMs striving to differentiate their products in terms of size, form factor, and energy efficiency. In addition, rapid technological development and short OEM product launch cycles contributes to the value proposition of a leading provider of connectivity solutions with the breadth in product offerings to address the entire lifecycle of OEM products. Lattice's acquisition of Silicon Image will be the first to bring FPGA and ASSP capabilities under a single company, creating a global leader in low-power, small-footprint, and low-cost connectivity solutions with a superior value proposition to customers.


The combined company will be able to achieve significant scale, with revenues and adjusted EBITDA over \$600 million and \$140 million, respectively. Due to the complementary product offerings of FPGAs and ASSPs allowing the company to offer advantages of both programmable and industry-accepted optimized solutions, the combined company will also be able to draw revenues from a greater portion of an OEM product's lifecycle. Furthermore, as Lattice and Silicon Image share overlaps in end-markets and customers, the combined company will be able to realize significant synergies and further drive EBITDA expansion.




6.3 Differentiated IP and Product Portfolio with Higher Lifetime Revenue Opportunity

Silicon Image has a substantial IP portfolio of media connectivity solutions that has gained industry-wide recognition. HDMI and MHL are examples of key IP products that have proliferated as the industry standard for video and audio connectivity, with 4 billion and 750 million products shipped to date for HDMI and MHL, respectively. Continued upgrades of the current industry-leading standards, such as HDMI 2.0, USB 3.1, MHL 3.0 and superMHL, will sustain the revenue opportunities of the current IP portfolio. In addition, the combined company will invest in the emerging 60GHz wireless market, including formats such as WirelessHD, WiGig and Snap.


Strong Combined IP and Product Portfolio




IP Ecosystem Development



Programmability



















Wired Connectivity



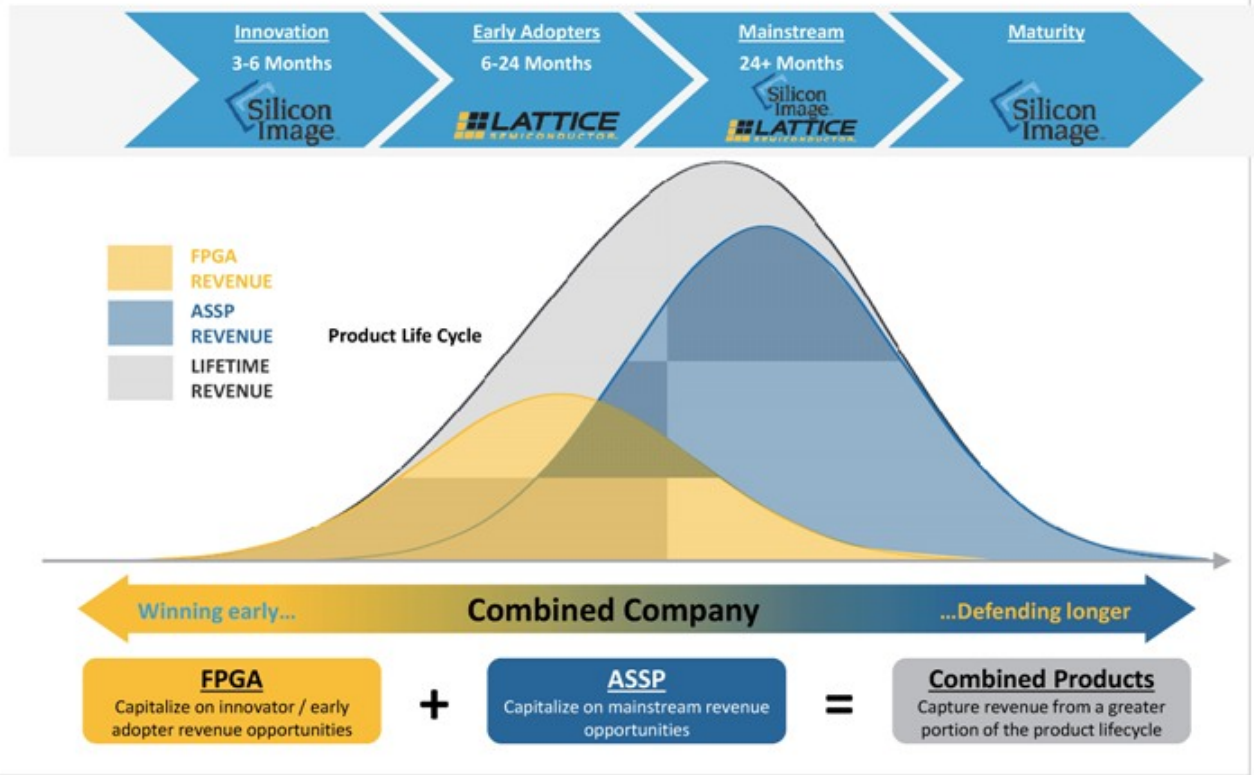
Wireless Connectivity

Compelling Technology Enabling Innovative Products

      	 <p>Industrial Video Camera</p>  <p>SFF Pluggable Transceiver</p>  <p>Mobile/IoT Display</p>	 <p>HD, 4K and 8K DTV's</p>  <p>A/V Receivers</p>  <p>Smartphones</p>	 <p>Connectorless Devices (HDMI / USB3 / DisplayPort)</p>  <p>Tri-band Mobility (WiGig / 802.11ad)</p>  <p>UltraBook / Docking (WiGig / 802.11ad)</p>
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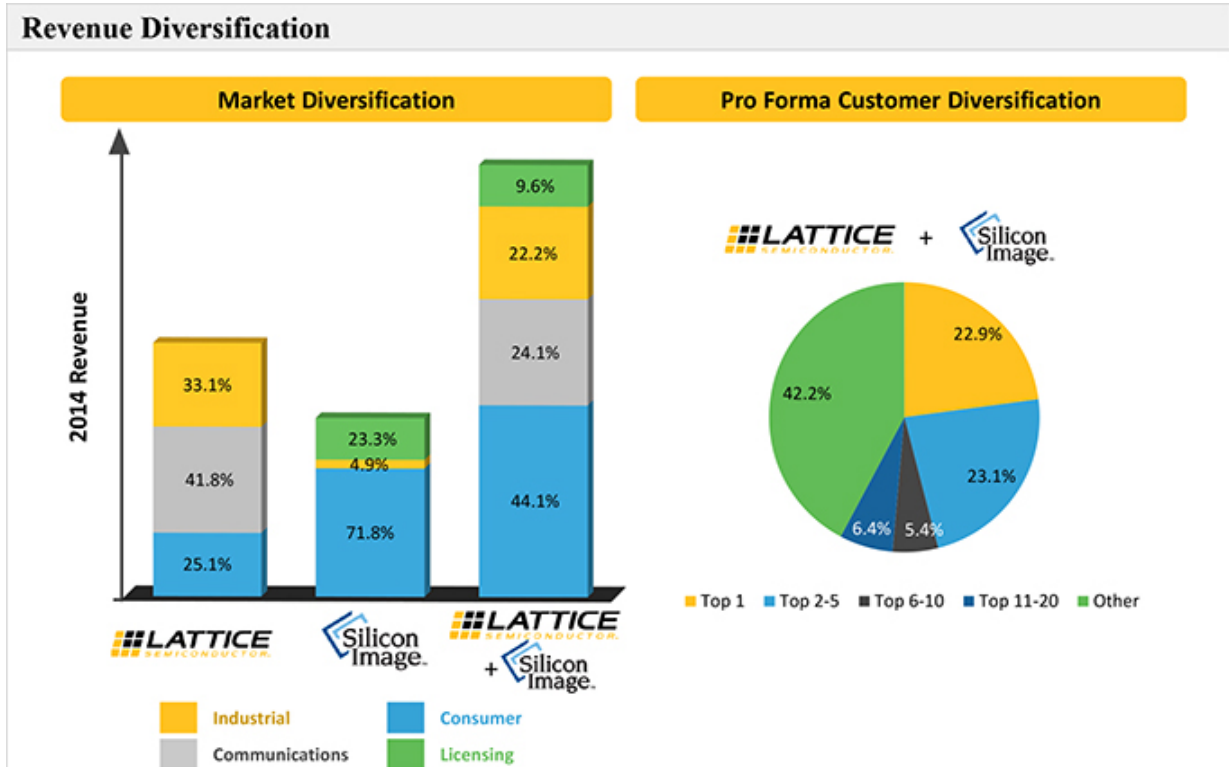
In addition to a more comprehensive IP portfolio, the combined company will be able to deliver connectivity solutions that are relevant over a wide range of applications and a longer period of an OEM product's lifecycle. Given their programmability, FPGAs that arrive off-the-shelf can be customized by an OEM manufacturer for any logic function, resulting in easy implementation and modification of functions and a rapid time-to-market. By contrast, ASSPs, which must be specifically engineered for products and applications, are slower to reach the market but offer advantages in cost, scale, and performance. By combining the benefits of FPGAs and ASSPs, the combined company will be able to bring solutions to market more quickly and hold onto those design wins throughout the products life cycle.

Higher Lifetime Revenues



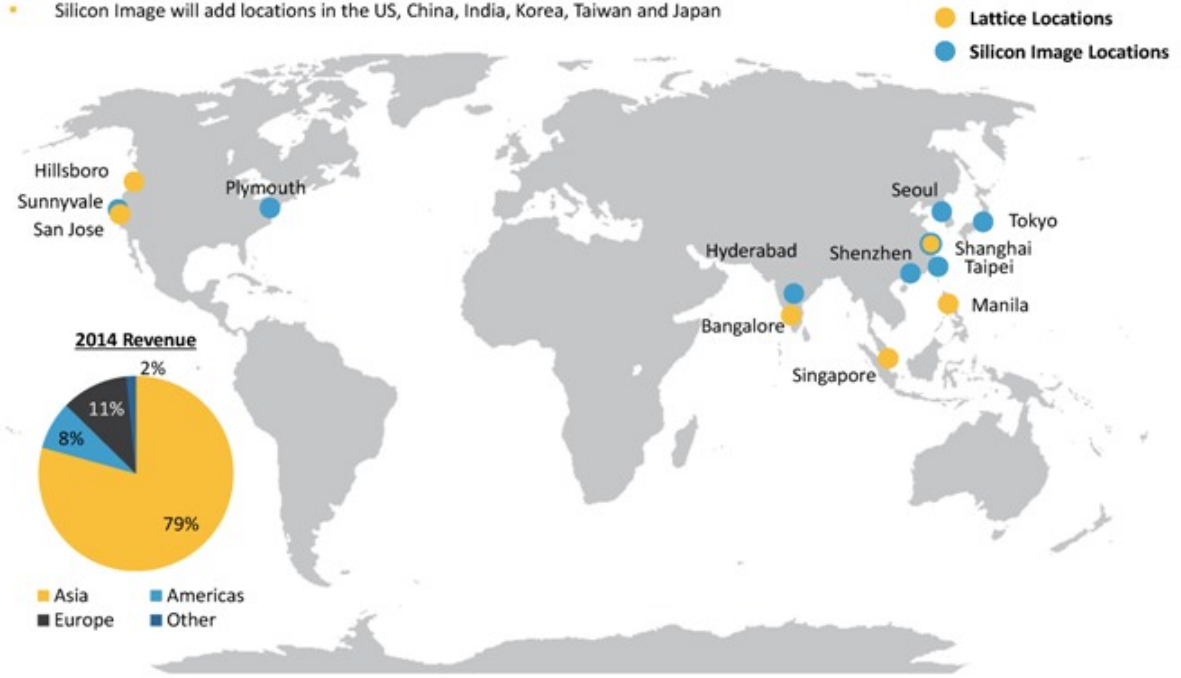
6.4 Diversified Revenues

Lattice serves a range of end-markets, limiting idiosyncratic risk factors. However, over time, Lattice has been increasing its emphasis on the consumer market, which is the most rapidly growing end-market for semiconductor devices. The acquisition of a primarily consumer-focused Silicon Image accelerates Lattice's growth in the consumer segment, while maintaining a balanced exposure to revenue streams from various end-markets and boosting licensing revenues.



Increased Global Footprint

- Lattice has 3 development centers, 2 operations centers and a corporate headquarters location in 5 countries
- Silicon Image will add locations in the US, China, India, Korea, Taiwan and Japan



The combined company's broad global reach extends from the United States and throughout Asia. Silicon Image has several locations globally, including in the United States, China, India, Korea, Taiwan and Japan.

6.5 Strong Tier 1 Customer Relationships

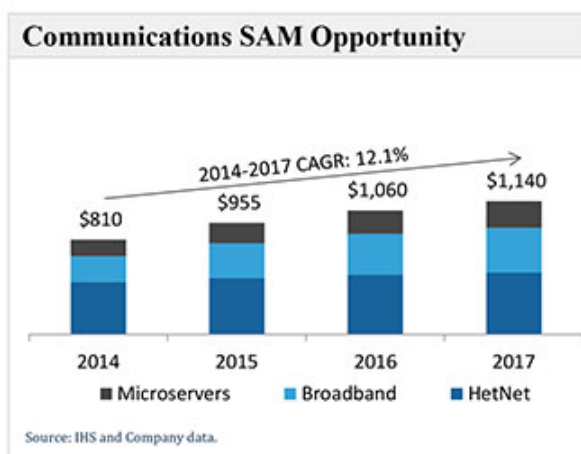
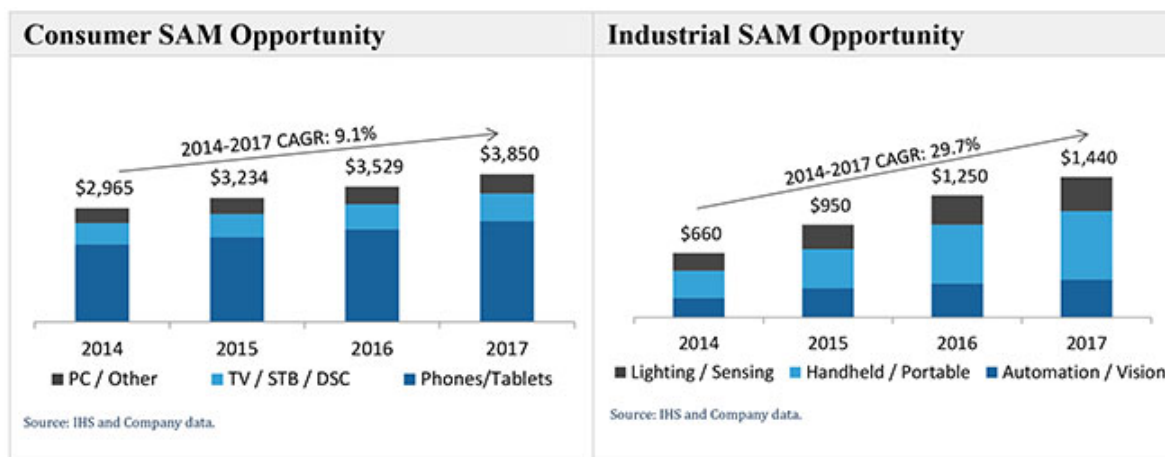
The combined company's customer base includes multiple large and well-respected OEMs across the consumer, industrial and communications end-markets. Lattice's leadership in low-power connectivity solutions and Silicon Image's widely-accepted IP standards have resulted in long-standing relationships with top OEMs. In addition, the combined company has a significantly more diversified customer base, driving substantially reduced customer concentration.



6.6 Attractive Industry Fundamentals with Significant Barriers to Entry

The combined company is exposed to a number of favorable trends in the end-markets that it serves. Its serviceable addressable markets in the communications and industrial verticals are forecasted by IHS to grow at a CAGR of 29.7% and 12.1%, respectively, from 2014 to 2017. The combined company's consumer segment is expected to continue to benefit from exposure to the tailwinds of the smartphone, tablet, and wearables markets which are expected by IDC to grow at 11%, 5%, and 78%, respectively, from 2013 to 2018. The combined company is well-positioned in its IP and product portfolio to capture the growth in wireless Internet-enabled devices.

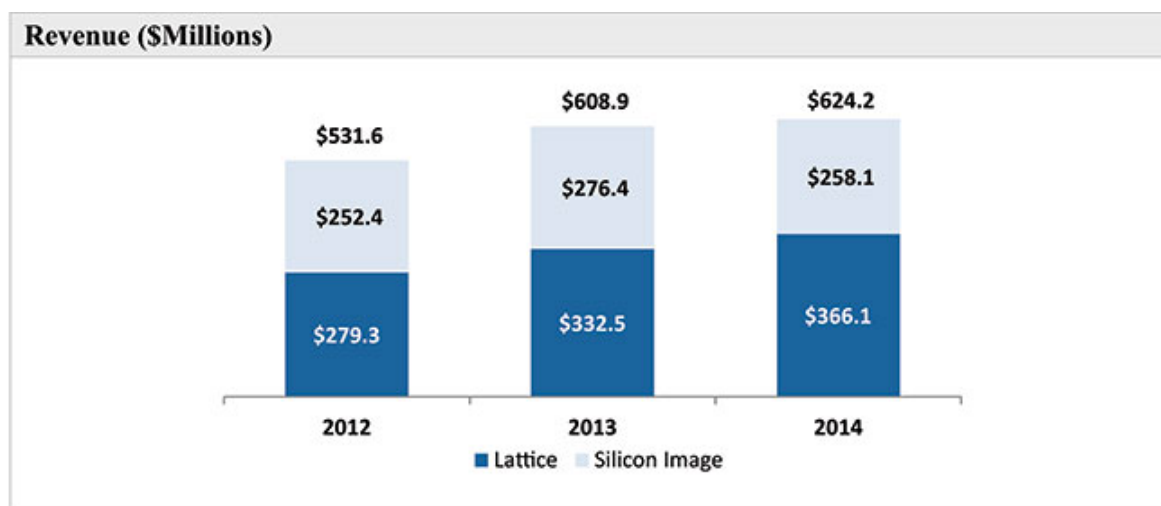
The time and expertise required to develop an IP ecosystem and a relevant product offering is a key barrier to entry that separates the combined company's market position versus those of competitors. As IP and ASSP products require industry standardization, the value proposition of the combined company increases with its scale and leadership, making the emergence of new competitors particularly difficult. The history of relationships with existing customers, many of whom have used Lattice and Silicon Image solutions for numerous previous generations of their products, further strengthens the combined company's market position.



6.7 Low Leverage with High Free Cash Flow Generation

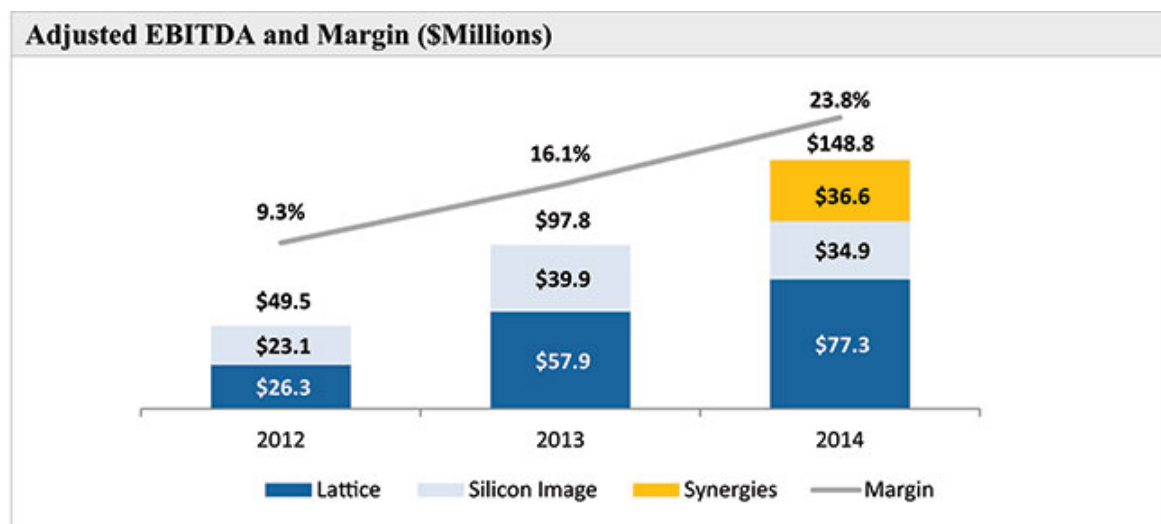
Revenue Performance

Combined Revenue has increased at an 8.4% CAGR from \$531.6 million in FY2012 to \$624.2 million in FY2014.



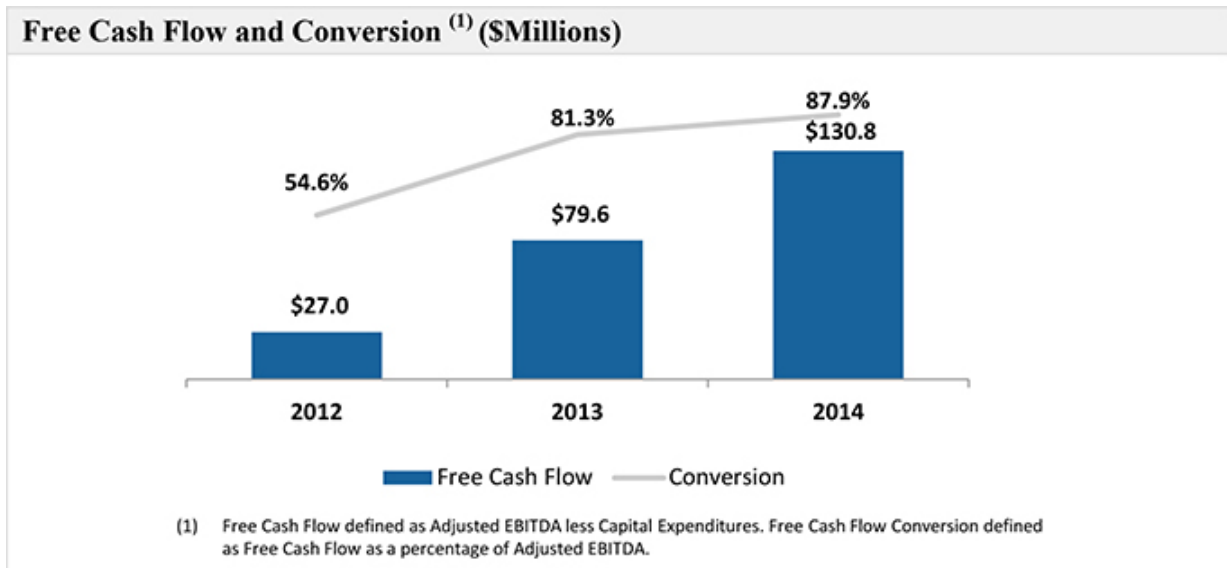
Adjusted EBITDA and Adjusted EBITDA Margin

Both Lattice and Silicon Image have announced various restructuring programs since 2012 to keep the margin structure efficient. This steadfast focus on cost management has led to a boost in Pro Forma Adjusted EBITDA margins, from 9.3% to 23.8% over the 2012 – 2014 timeframe. Adjusted EBITDA also grew at a CAGR of 50.6% from 2012 to 2014, exclusive of pro forma synergies.



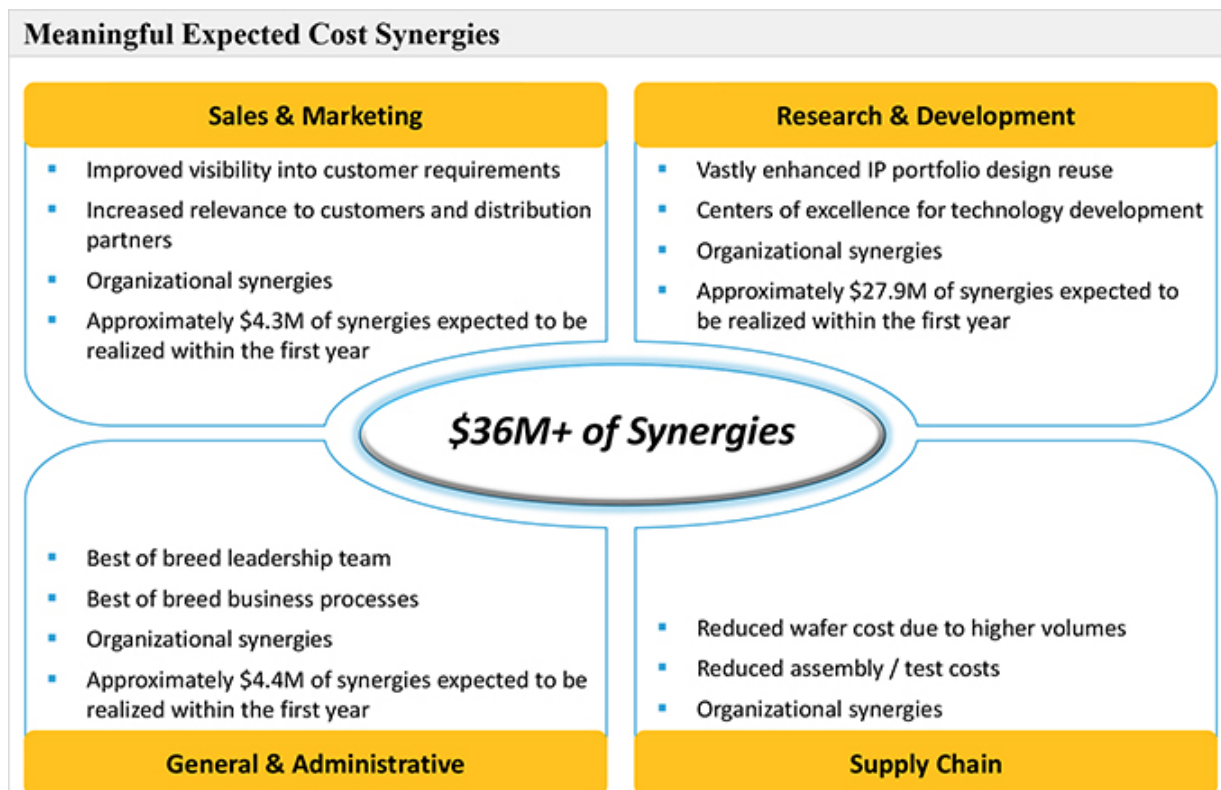
Free Cash Flow and Capital Expenditure

Free cash flow for the combined company has grown from \$27.0 million to \$130.8 million from 2012 – 2014, representing a 120.1% CAGR. This cash generating profile has been generated through historically low capex requirements at approximately \$20 million per year due to the fabless manufacturing models of both Lattice and Silicon Image.



6.8 Significant Operational Synergies

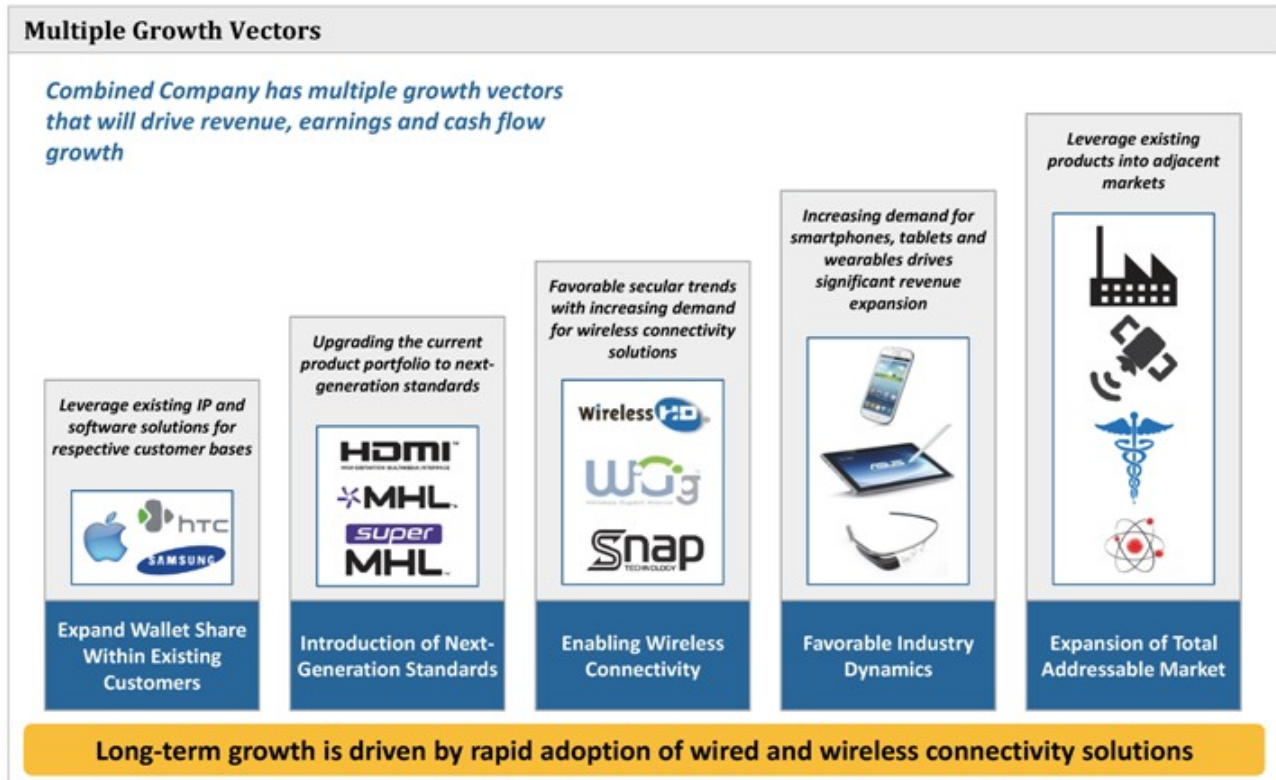
Economies of scale for the combined entity drive meaningful synergies across multiple cost centers aggregating to approximately \$36.6 million. Lattice expects to begin to achieve these synergies in the first year and be on a \$36.6 million run-rate by the end of the first year. Management expects Sales & Marketing expenses to be reduced by approximately \$4.3 million through greater visibility into customer requirements, increased relevance to distribution partners and customers, and various organizational synergies. Management expects Research & Development costs to benefit approximately \$27.9 million from design reuse, centers of excellence, as well as various organizational synergies. In addition, Management expects General & Administrative costs to be reduced by approximately \$4.4 million through improved business processes and organizational synergies. Finally, Management sees additional potential cost synergies due to higher volumes reducing average wafer costs, as well as reduced assembly and test costs.



6.9 Multiple Growth Vectors

The combined company has multiple growth vectors that will drive revenue, earnings and cash flow growth, including:

- Driving existing products, IP and software solutions across the combined customer base. A complementary FPGA and ASSP product portfolio enables the combined company to serve customers' full product lifecycle where each company, on a standalone basis, could not
- Upgrading the current product portfolio to next-generation standards
- Favorable secular trends with increasing demand for wireless connectivity solutions. The combined company operates as the forefront of Millimeter-Wave wireless connectivity through Snap, WiGig and backhaul products and technologies
- Increasing demand for smartphones, tablets and wearables driving significant revenue expansion
- Leveraging existing products into adjacent markets such as Internet of Things, medical and industrials



8.1 Lattice Historical Financial Summary

(\$ in millions)	2010	2011	2012	2013	2014
Total revenue	\$297.8	\$318.4	\$ 279.3	\$332.5	\$366.1
Costs and expenses					
Cost of products sold	117.9	129.8	128.5	154.3	159.9
Research and development	60.3	71.9	77.6	81.0	88.1
Selling, general and administrative	64.4	68.8	72.3	67.1	73.5
Amortization of intangible assets	—	0.5	4.2	3.0	2.9
Restructuring expense	0.0	6.1	6.0	0.4	0.0
Total costs and expenses	242.6	277.1	288.6	305.7	324.5
Income from operations	\$ 55.1	\$ 41.3	(\$ 9.4)	\$ 26.8	\$ 41.6
Other income (loss), net	2.5	1.4	0.5	(0.3)	1.3
Income before taxes	\$ 57.6	\$ 42.7	(\$ 8.9)	\$ 26.5	\$ 42.9
Income tax expense (benefit)	0.5	(35.5)	20.7	4.2	(5.6)
Net income (loss)	\$ 57.1	\$ 78.2	(\$ 29.6)	\$ 22.3	\$ 48.6

8.2 Silicon Image Historical Financial Summary

(\$ in millions)	2010	2011	2012	2013	2014
Total revenue	\$191.3	\$ 221.0	\$ 252.4	\$276.4	\$258.1
Cost of revenue and operating expenses					
Cost of product revenue	77.5	90.0	109.8	112.9	100.5
Cost of licensing revenue	0.3	0.8	0.6	0.9	0.0
Research and development	55.3	66.5	77.4	77.0	72.0
Selling, general and administrative	46.7	55.3	57.4	64.7	63.7
Restructuring expense	3.3	2.3	0.1	1.8	3.5
Amortization and impairment of acq.-related intangible assets	0.1	10.1	0.6	1.1	2.5
Total cost of revenue and operating expenses	183.2	225.0	246.0	258.5	242.1
Income from operations	\$ 8.2	(\$ 4.0)	\$ 6.4	\$ 18.0	\$ 15.9
Gain from sale of a privately held company investment	—	—	—	—	4.1
Proceeds from legal settlement	—	—	—	1.3	—
Other than temporary impair. of a privately-held company invest.	—	—	(7.5)	(1.5)	—
Interest income and other, net	3.6	1.9	1.7	1.2	1.2
Income before taxes and equity in net loss of an unconsol. affil.	\$ 11.8	(\$ 2.1)	\$ 0.6	\$ 18.9	\$ 21.2
Income tax expense (benefit)	3.6	8.6	10.0	7.0	(21.0)
Equity in net loss of an unconsolidated affiliate	—	1.0	1.8	0.5	0.2
Net income (loss)	\$ 8.2	(\$ 11.6)	(\$ 11.2)	\$ 11.5	\$ 42.1
Less: Net income (loss) attributable to noncontrolling interest	—	—	—	—	(0.1)
Net income (loss) attributable to common stockholders	\$ 8.2	(\$ 11.6)	(\$ 11.2)	\$ 11.5	\$ 42.1

Jefferies HSBC 

8.3 Pro Forma Adjusted EBITDA Reconciliation

(\$ in millions)

	2012			2013			2014		
	Lattice	Silicon Image	Combined	Lattice	Silicon Image	Combined	Lattice	Silicon Image	Combined
Net Income	(\$ 29.6)	(\$ 11.2)	(\$ 40.8)	\$ 22.3	\$ 11.5	\$ 33.8	\$ 48.6	\$ 42.1	\$ 90.6
Equity in net loss of an unconsolidated affiliate	—	1.8	1.8	—	0.5	0.5	—	0.2	0.2
Income tax expense (benefit)	20.7	10.0	30.7	4.2	7.0	11.1	(5.6)	(21.0)	(26.6)
Interest and other expense (income)	(0.5)	(1.7)	(2.2)	0.3	(1.2)	(0.9)	(1.3)	(1.2)	(2.6)
Other than temporary impairment of a privately-held company investment	—	7.5	7.5	—	1.5	1.5	—	—	—
Proceeds from legal settlement	—	—	—	—	(1.3)	(1.3)	—	—	—
Gain from sale (A)	—	—	—	—	—	—	—	(4.1)	(4.1)
Income from operations	(\$ 9.4)	\$ 6.4	(\$ 3.0)	\$ 26.8	\$ 18.0	\$ 44.7	\$ 41.6	\$ 15.9	\$ 57.5
Depreciation and amortization	22.1	7.4	29.6	20.8	9.4	30.2	22.2	11.6	33.8
Stock-based compensation (B)	7.5	9.2	16.7	9.5	10.5	20.0	12.8	10.0	22.8
Restructuring and severance expenses (C)	6.0	0.1	6.1	0.8	2.1	2.9	0.6	3.8	4.5
Restructuring estimate if implemented in Q1 2014 (D)	—	—	—	—	—	—	—	5.8	5.8
Sales of infringement suit rights for non-core IP (E)	—	—	—	—	—	—	—	(7.0)	(7.0)
Royalty buyout (F)	—	—	—	—	—	—	—	(4.5)	(4.5)
Other adjustments	—	—	—	—	—	—	—	(0.7)	(0.7)
Adjusted EBITDA	\$ 26.3	\$ 23.1	\$ 49.5	\$ 57.9	\$ 39.9	\$ 97.8	\$ 77.3	\$ 34.9	\$ 112.2
Synergies (G)									
R&D									27.9
Operations / Sales									4.3
Administrative									0.6
Legal									0.9
Leases									3.0
Total Synergies									\$ 36.6
Pro Forma Adjusted EBITDA	\$ 26.3	\$ 23.1	\$ 49.5	\$ 57.9	\$ 39.9	\$ 97.8	\$ 77.3	\$ 34.9	\$ 148.8
Capital Expenditures	13.6	8.9	22.5	12.5	5.8	18.3	10.3	7.7	18.0
Free Cash Flow(1)	\$ 12.7	\$ 14.3	\$ 27.0	\$ 45.4	\$ 34.2	\$ 79.6	\$ 67.0	27.1	\$ 130.8
% of Pro Forma Adjusted EBITDA	48.3%	61.6%	54.6%	78.4%	85.6%	81.3%	86.7%	77.8%	87.9%

(1) Free Cash Flow defined as Adjusted EBITDA less Capital Expenditures.

- A. **Gain from sale:** Gain on Silicon Image's minority interest shares in company acquired by a third party in July 2014
- B. **Stock-based compensation:** Non-cash item
- C. **Restructuring and severance expenses:** One-time restructuring and severance expenses in period
- D. **Restructuring estimate if implemented in Q1 2014:** Expected cost savings due to restructuring announced in late 2014 based upon Lattice estimates; actual cost savings may vary
- E. **Sales of infringement suit rights for non-Core IP:** Silicon Image entered into agreements with a third-party patent aggregator to sell the rights to defend certain non-core patents owned by Silicon Image
- F. **Royalty buyout:** In September 2014, Silicon Image entered into a royalty prepayment and settlement agreement whereby a third party bought out certain royalty streams
- G. **Synergies:**

[Redacted]