

SECURITIES AND EXCHANGE COMMISSION

FORM S-1/A

General form of registration statement for all companies including face-amount certificate companies [amend]

Filing Date: **1999-09-10**
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FILER

SILICON IMAGE INC

CIK: **1003214** | IRS No.: **770517246** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **S-1/A** | Act: **33** | File No.: **333-83665** | Film No.: **99709945**
SIC: **3670** Electronic components & accessories

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CUPERTINO CA 95014-4976

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CUPERTINO CA 95014-4976
4088733111

REGISTRATION NO. 333-83665

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 3
TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SILICON IMAGE, INC.
(Exact name of registrant as specified in its charter)

<TABLE>			
<S>	DELAWARE	<C>	3674
	(State or other jurisdiction of incorporation or organization)		(Primary Standard Industrial Classification Code Number)
</TABLE>		<C>	77-0517246
			(I.R.S. Employer Identification Number)

10131 BUBB RD.
CUPERTINO, CALIFORNIA 95014
(408) 873-3111
(Address, including zip code, and telephone number, including area code, of
Registrant's principal executive offices)

DAVID D. LEE
PRESIDENT AND CHIEF EXECUTIVE OFFICER
10131 BUBB RD.
CUPERTINO, CALIFORNIA 95014
(408) 873-3111
(Name, address, including zip code, and telephone number, including area code,
of agent for service)

COPIES TO:

<TABLE>		<C>	
<S>	DENNIS R. DEBROECK, ESQ. SUSAN A. DUNN, ESQ. DAVID K. MICHAELS, ESQ. ANDREW Y. LUH, ESQ. PAMELA A. SERGEEFF, ESQ. FENWICK & WEST LLP TWO PALO ALTO SQUARE PALO ALTO, CA 94306 (650) 494-0600		JOHN A. FORE, ESQ. KATHLEEN B. BLOCH, ESQ. PAUL W. HARTZEL, ESQ. WILSON SONSINI GOODRICH & ROSATI, P.C. 650 PAGE MILL ROAD PALO ALTO, CA 94304 (650) 493-9300
</TABLE>			

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. / / _____

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / / _____

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / / _____

If this Form is a post-effective amendment filed pursuant to Rule 462(d)

under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / / _____

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. / / _____

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TITLE OF CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED (1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (2)	AMOUNT OF REGISTRATION FEE (3)
Common Stock, \$0.001 par value per share.....	4,485,000	\$10.00	\$44,850,000	\$12,468

- (1) Includes 585,000 shares that the underwriters have the option to purchase to cover over-allotments, if any.
- (2) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(a) under the Securities Act of 1933.
- (3) The Company paid a registration fee in the amount of \$12,510 with its filing on July 25, 1999.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

SUBJECT TO COMPLETION, DATED SEPTEMBER 10, 1999

The information in this prospectus is not complete and may be changed. We may not sell these securities until the Registration Statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

3,900,000 Shares

[SILICON IMAGE, INC. LOGO]

Common Stock

Prior to this offering, there has been no public market for our common stock. The initial public offering price is expected to be between \$8.00 and \$10.00 per share. We have applied to list our common stock on The Nasdaq Stock Market's National Market under the symbol "SIMG."

The underwriters have an option to purchase a maximum of 585,000 additional shares to cover over-allotments of shares.

INVESTING IN THE COMMON STOCK INVOLVES RISKS. SEE "RISK FACTORS" ON PAGE 5.

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	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS	PROCEEDS TO SILICON IMAGE
Per Share.....	\$	\$	\$
Total.....	\$	\$	\$

Delivery of the shares of common stock will be made on or about _____,

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

CREDIT SUISSE FIRST BOSTON

BANCOSTON ROBERTSON STEPHENS

DAIN RAUSCHER WESSELS

a division of Dain Rauscher Incorporated

The date of this prospectus is , 1999.

[Description of graphics on inside front cover page]

The inside front cover contains two pages of graphics. The graphic on the first page is entitled "Proliferating All-Digital Host Systems and Displays." The background of the entire graphic is a shadowy depiction of an engineering blueprint. The blueprint background is bordered on top and bottom by a mustard yellow bar which extends horizontally across the page. The title is centered in the top mustard yellow bar. Centered above the title is the Silicon Image logo. In the center of the page is the phrase "High-Speed Digital Communications." The word "Digital" is in bold letters. Above this phrase, from left to right, are the words "digital," "high speed" and "technology." Below this phrase, from left to right, are the words "communication" and "fast." These words are all on the border of the yellow mist oval, written in a slightly darker shade for a shadowed effect. Seven tubes curving upwards originate from this phrase in the center of the page and end at a horizontal series of graphics across the top of the page. These graphics appear below the title and run from the left side of the page to the right side of the page. A series of zeroes and ones is depicted inside each tube. The horizontal series of graphics above the tubes depict representations of a personal computer, a notebook computer, a set-top box, a gaming station, a DVD player, a handheld computer and a digital camcorder. The representations are labeled as follows: "PC," "Notebook," "Set-Top Box," "Gaming Station," "DVD," "Handheld Computer" and "Digital Camcorder." To the right of the "PC" and "Notebook" labels are logos depicting Silicon Image's PanelLink Technology. To the left of the center of the page is Silicon Image's PanelLink Technology logo. To the right of the logo is the label "PanelLink Digital." Below the logo and label is the phrase "High-Speed Digital Interconnect Technology." Below that is Silicon Image's DVC Architecture logo. Below the logo is the phrase "All-Digital Architecture to Enable Intelligent Displays." Below that phrase, in a vertical column appears the phrases "High Image Quality," "Low Cost" and "Ease of Use." From the phrase "High-Speed Digital Communications" in the center of the page, ten tubular-shaped arrows curve downwards and end at a horizontal series of graphics across the bottom of the page. A series of zeroes and ones is depicted inside each arrow. Each arrow ends above a different graphic. The horizontal series of graphics across the bottom of the page consists of a series of representations of a LCD monitor, a projector, a plasma display, a point of sale display, a kiosk, a digital CRT display, a HDTV display, a microdisplay and an automobile dashboard display. The representations are labeled as follows: "LCD Monitor," "Projector," "Plasma," "Point of Sale," "Kiosk," "Digital CRT," "HDTV," "Microdisplay" and "Automotive." To the right of the "LCD Monitor," "Projector," "Plasma," "Point of Sale" and "Kiosk" labels are logos depicting Silicon Image's PanelLink Technology. Under the "LCD Monitor" label and to the right of the PanelLink Technology logo is a logo depicting Silicon Image's DVC Architecture. To the right of the graphic labeled "Automotive," a large circle with smaller circles within it emanates from the curving tube farthest to the right. Above the circle is the title "The Future Intelligent Displays." On the left side, inside the circle, is an arrow pointing toward the inside of the circle and an arrow pointing away from the center of the circle. Inside the circle is a graphical representation of a flat panel display with a joystick, remote control and mouse. Centered at the bottom of the page in the bottom mustard yellow bar is the phrase "Our solution provides a seamless connection to all types of digital displays and integrates new features and functionality to enable intelligent displays." Centered below that phrase is the phrase "The PanelLink Digital logo and DVC symbols indicate host systems and displays currently shipping that include our high-speed digital communications products. The other host systems and displays shown represent potential markets for our products and technology." Within this phrase after the words "PanelLink Digital logo" appears the PanelLink Digital logo within parentheses.

The graphic on the second page is entitled "Semiconductor Solutions for High-Speed Digital Communications." The word "Digital" is in bold letters. This phrase appears on the background of a sunny sky. Below the title and to the left is a three-dimensional computer chip. The chip is located on top of the sun in the background. Inside the chip is the Silicon Image logo. Below the logo are the words "PanelLink." Below the chip is the representation of a highway. The highway is separated from the sunny sky background with a thick green line. The left lane and right lane of the highway are also separated by a thick green line. In the left lane of the highway is the sentence "The connection between host systems and displays is one of the last remaining analog holdouts." To the

right and slightly above this sentence is a graphic depicting a monitor. The monitor shows a picture of an old automobile. Below the graphic of the monitor is the phrase "Limited Functionality." To the right of the monitor, and connected by a curving line, is a computer with the words "Digital" and "Analog" inside of it. The words are separated by a series of vertical zeroes and ones. To the right of the computer graphic is the phrase "Video Data." Below the line connecting the monitor with the computer picture are the phrases "Flicker," "Fuzziness" and "Color Variation," which appear in a bullet list format. In the right lane of the highway, is a graphic depicting a purple computer, with the phrase "Pure Digital" on the right side panel and the PanelLink Technology logo on the front of the computer. To the right of the logo is the label "PanelLink Digital." To the right of and below the graphic of the computer is another graphic depicting the label "Storage Networks." Below the label is the phrase "1 Gigabit per second." The graphic labeled "Storage Networks" is connected to the computer graphic by a curving tube that is filled with a series of zeroes and ones. To the left and below the computer graphic is a white cloud-shaped graphic. Inside the cloud is a series of lines that intersect with large points at the ends of each line. The cloud-shaped graphic is connected to

the computer graphic by a curving tube that is filled with a series of zeroes and ones. Below the cloud shape is the label "Local Area Networks." Below that is the phrase "1 Gigabit per Second." To the right of the cloud-shaped graphic is a large curving tube, filled with a series of multicolored zeroes and ones, connecting the computer graphic to a graphic of a purple flat panel video display. Inside this flat panel display graphic is a picture of a formula one race car. On the bottom right hand corner of the flat panel display is the PanelLink Technology logo with the label "PanelLink Digital" to the right of the logo. To the left of the flat panel display graphic is Silicon Image's PanelLink Technology logo. To the right of the logo is the label "PanelLink Digital." Under this label is the phrase "Silicon Image's high-speed digital communications solutions eliminate the need for analog technology in host systems and displays." Below this phrase is Silicon Image's DVC Architecture logo. Below this logo is the phrase "All-Digital Architecture To Enable Intelligent Displays."

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YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS DOCUMENT OR TO WHICH WE HAVE REFERRED YOU. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT. THIS DOCUMENT MAY ONLY BE USED WHERE IT IS LEGAL TO SELL THESE SECURITIES. THE INFORMATION IN THIS DOCUMENT MAY ONLY BE ACCURATE ON THE DATE OF THIS DOCUMENT.

This preliminary prospectus is subject to completion prior to this offering. Among other things, this preliminary prospectus describes our company as we currently expect it to exist at the time of this offering.

EXCEPT AS OTHERWISE INDICATED, ALL INFORMATION IN THIS PROSPECTUS ASSUMES:

- THE UNDERWRITERS' OVER-ALLOTMENT OPTION WILL NOT BE EXERCISED;
- ALL OUTSTANDING SHARES OF PREFERRED STOCK ARE CONVERTED INTO SHARES OF COMMON STOCK UPON THE CONSUMMATION OF THIS OFFERING;
- THE REINCORPORATION OF SILICON IMAGE IN DELAWARE; AND
- THE ADOPTION OF VARIOUS NEW EMPLOYEE BENEFIT PLANS.

PanelLink-Registered Trademark- is a federally registered trademark of Silicon Image, Inc. Titles and logos of Silicon Image, Inc.'s products and services appearing in this prospectus, including PixelPrecision-TM-, Silicon Image-TM-, TMDS-TM-, the PanelLink Logo and the Silicon Image Logo, are trademarks or service marks of Silicon Image, Inc. and may be registered in other jurisdictions. Fujitsu and the Fujitsu logo are registered trademarks of Fujitsu Limited. Each trademark or service mark of any other company appearing in this prospectus belongs to its holder.

DEALER PROSPECTUS DELIVERY OBLIGATIONS

UNTIL , 1999 (25 DAYS AFTER THE COMMENCEMENT OF THIS OFFERING), ALL DEALERS THAT EFFECT TRANSACTIONS IN THESE SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS OFFERING, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE DEALER'S OBLIGATION TO DELIVER A PROSPECTUS WHEN ACTING AS AN UNDERWRITER AND WITH RESPECT TO UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

PROSPECTUS SUMMARY

YOU SHOULD READ THE FOLLOWING SUMMARY TOGETHER WITH THE MORE DETAILED INFORMATION AND FINANCIAL STATEMENTS AND NOTES THERETO APPEARING ELSEWHERE IN THIS PROSPECTUS.

THIS PROSPECTUS CONTAINS FORWARD-LOOKING STATEMENTS. THE OUTCOME OF THE EVENTS DESCRIBED IN THESE FORWARD-LOOKING STATEMENTS IS SUBJECT TO RISKS AND ACTUAL RESULTS COULD DIFFER MATERIALLY. THE SECTIONS ENTITLED "RISK FACTORS," "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" AND "BUSINESS," AS WELL AS DISCUSSIONS ELSEWHERE IN THIS PROSPECTUS, CONTAIN A DISCUSSION OF SOME OF THE FACTORS THAT COULD CONTRIBUTE TO THESE DIFFERENCES.

SILICON IMAGE, INC.

We develop and market semiconductors for applications that require cost-effective, integrated solutions for high-speed data communications. We are initially focusing our technology on the local interconnect between host systems, such as PCs, set-top boxes and DVD players, and digital displays, such as flat panel displays and CRTs. Our current products enable host systems to transmit digital video data and enable displays to receive and manipulate digital video data. As with other consumer electronic devices, such as digital cellular phones, significant benefits can be achieved by converting displays from analog to digital and by replacing conventional analog connections between host systems and displays with digital connections.

Recognizing the need for a cost-effective, high-speed digital display solution, we developed a digital interconnect technology and began shipping semiconductors for digital displays in 1997. To provide a worldwide, freely

available specification for an all-digital display solution, we, together with Intel, Compaq, IBM, Hewlett-Packard, NEC and Fujitsu, formed the Digital Display Working Group, or DDWG, to define such a specification based on our technology. In April 1999, the DDWG published the Digital Visual Interface, or DVI, specification, which defines a high-speed data communications link between host systems and digital displays. The formation of the DDWG and the release of the DVI specification have accelerated the shift of display technology to digital.

Our key products are based on our PanelLink digital interface technology and Digital Visual Controller architecture. PanelLink technology is our proprietary implementation of the DVI specification. The DVC architecture is our platform for developing products that integrate PanelLink receiver technology with additional functionality to enable low-cost, intelligent displays for the mass market. Our products eliminate the need for analog technology in host systems and displays, improve image quality and allow display manufacturers to increase the functionality of their products. Our solutions are:

High-speed--our technology enables data to be transmitted at the multi-gigabit rates needed to support high resolution displays;

Highly integrated--our products incorporate technology for high speed digital communications with functions such as digital image processing and display control; and

Cost-effective--we are able to produce products that provide multi-gigabit data transmission using standard foundry processes. Because our products integrate a number of functions in a single semiconductor, they eliminate the need for multiple components.

Our objective is to be a leading provider of semiconductor solutions that enable high-speed digital communications for targeted markets. Key elements of our strategy are to:

- Target the display market first
- Promote open industry standards
- Drive broad adoption of digital-ready host systems
- Increase the intelligence of displays through highly-integrated receiver solutions
- Maintain technology leadership
- Penetrate new markets and applications

As of June 30, 1999, we had shipped over four million units of our products. Our products are incorporated in host systems and displays sold by leading manufacturers such as Apple, ATI, Compaq, Diamond Multimedia, Fujitsu, Gateway, Hitachi, IBM, LG, NEC, Number Nine, Princeton Graphics, Samsung, Sharp, Toshiba and ViewSonic.

We incorporated in California on January 1, 1995 and reincorporated in Delaware in September 1999. Our address is 10131 Bubb Road, Cupertino, California 95014, and our telephone number is (408) 873-3111.

THE OFFERING

<TABLE>	
<S>	<C>
Common stock offered by Silicon Image.....	3,900,000 shares
Common stock to be outstanding after this offering.....	25,137,274 shares
Use of proceeds.....	For general corporate purposes, including working capital and capital expenditures, and for the repayment of the outstanding balance under our line of credit. See "Use of Proceeds."
Nasdaq National Market symbol.....	SIMG
</TABLE>	

In addition to the 25,137,274 shares of common stock to be outstanding after the offering, we have outstanding options and warrants to purchase a total of 2,062,819 shares of common stock as of August 31, 1999. We may issue additional shares under our equity plans and an agreement with Intel as described under

SUMMARY FINANCIAL DATA

The as adjusted balance sheet data summarized below reflects the receipt of the net proceeds from the sale of 3,900,000 shares of common stock offered by us at an assumed initial public offering price of \$9.00 per share after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us and the application of net proceeds from the offering. See "Use of Proceeds." The statement of operations data for the six months ended June 30, 1999 summarized below is unaudited.

<TABLE>

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	YEAR ENDED DECEMBER 31,				SIX MONTHS ENDED JUNE 30,	
	1995	1996	1997	1998	1998	1999
	<C>	<C>	<C>	<C>	<C>	<C>
	(IN THOUSANDS, EXCEPT PER SHARE DATA)					
STATEMENT OF OPERATIONS DATA:						
Product revenue.....	\$ --	\$ 30	\$ 1,280	\$ 7,703	\$ 2,652	\$ 7,706
Development and license revenue.....	--	1,121	1,582	100	25	575
Cost of product revenue.....	--	5	851	4,314	1,711	3,328
Stock compensation and warrant expense.....	--	--	--	1,361	184	2,898
Net loss.....	(178)	(1,944)	(4,036)	(6,622)	(3,103)	(3,909)
Basic and diluted net loss per share.....	\$(0.51)	\$(0.98)	\$(1.14)	\$(1.39)	\$(0.72)	\$(0.73)
Weighted-average shares of common stock used to compute basic and diluted net loss per share.....	350	1,981	3,533	4,766	4,301	5,327

</TABLE>

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	JUNE 30, 1999	
	ACTUAL	AS ADJUSTED
	<C>	<C>
	(IN THOUSANDS)	
BALANCE SHEET DATA:		
Cash and short-term investments.....	\$ 12,647	\$ 43,133
Working capital.....	8,740	39,983
Total assets.....	16,014	46,500
Line of credit.....	757	--
Capital lease obligations, long-term.....	773	773
Total stockholders' equity.....	9,152	40,395

</TABLE>

RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISKS BEFORE MAKING AN INVESTMENT DECISION. YOU SHOULD CAREFULLY CONSIDER THESE RISK FACTORS, TOGETHER WITH ALL OF THE OTHER INFORMATION INCLUDED IN THIS PROSPECTUS, BEFORE YOU DECIDE TO PURCHASE SHARES OF OUR COMMON STOCK. THE RISKS AND UNCERTAINTIES DESCRIBED BELOW ARE NOT THE ONLY ONES WE FACE. ADDITIONAL RISKS AND UNCERTAINTIES NOT PRESENTLY KNOWN TO US OR THAT WE CURRENTLY DEEM IMMATERIAL MAY ALSO HARM OUR BUSINESS.

OUR LIMITED OPERATING HISTORY MAKES IT DIFFICULT TO EVALUATE OUR FUTURE PROSPECTS.

We were founded in 1995 and have a limited operating history, which makes an evaluation of our future prospects difficult. In addition, the revenue and income potential of our business and the digital display market are unproven. We began volume shipments of our first products, the SiI 100 and SiI 101, in the third quarter of 1997. The Digital Visual Interface specification, which is based upon technology developed by us and used in many of our products, was first published in April 1999. Accordingly, we face risks and difficulties frequently encountered by early-stage companies in new and rapidly evolving markets. If we do not successfully address these risks and difficulties, our business would be seriously harmed.

WE HAVE A HISTORY OF LOSSES AND MAY NOT BECOME PROFITABLE.

We incurred net losses of \$4.0 million in 1997, \$6.6 million in 1998 and \$3.9 million for the first six months of 1999, and we expect to continue to incur operating losses. As of June 30, 1999, we had an accumulated deficit of approximately \$16.7 million. In the future, we expect research and development expenses and selling, general and administrative expenses to increase. We will also incur substantial non-cash charges relating to the amortization of unearned

compensation and issuances of warrants. Although our revenues have increased in recent quarters, they may not continue to increase, and we may not achieve and subsequently sustain profitability. See "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

OUR QUARTERLY OPERATING RESULTS MAY FLUCTUATE SIGNIFICANTLY IN THE FUTURE DUE TO FACTORS RELATED TO OUR INDUSTRY AND THE MARKETS FOR OUR PRODUCTS.

Our quarterly operating results are likely to vary significantly in the future based on a number of factors related to our industry and the markets for our products over which we have little or no control. Any of these factors could cause our stock price to fluctuate. These factors include:

- the growth of the market for digital-ready host systems and displays;
- the evolution of industry standards;
- the timing and amount of orders from customers;
- the deferral of customer orders in anticipation of new products or enhancements by us or our competitors; and
- the announcement and introduction of products and technologies by our competitors.

These factors are difficult to forecast and could seriously harm our business.

OUR QUARTERLY OPERATING RESULTS MAY FLUCTUATE SIGNIFICANTLY IN THE FUTURE DUE TO FACTORS RELATED TO HOW WE MANAGE OUR BUSINESS.

Our quarterly operating results are likely to vary significantly in the future based on a number of factors related to how we manage our business. Any of these factors could cause our stock price to fluctuate. These factors include:

- our ability to manage product transitions;
- the mix of the products we sell and the distribution channels through which they are sold; and

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- the availability of production capacity at the semiconductor foundry that manufactures our products.

In the past, our introduction of new products and our product mix have affected our quarterly operating results. We also anticipate that the rate of orders from our customers may vary significantly from quarter to quarter. Our expenses and inventory levels are based on our expectations of future revenues, and our expenses are relatively fixed in the short term. Consequently, if revenues in any quarter do not occur when expected, expenses and inventory levels could be disproportionately high, and our operating results for that quarter and, potentially, future quarters may be harmed, adversely affecting the price of our stock. "Management's Discussion and Analysis of Financial Condition and Results of Operation."

GROWTH OF THE MARKET FOR OUR PRODUCTS DEPENDS ON THE WIDESPREAD ADOPTION AND USE OF THE DVI SPECIFICATION.

Our business strategy is based upon the rapid and widespread adoption of the DVI specification, which defines a high-speed data communication link between host systems and digital displays. We have faced challenges related to the acceptance of our products due to the incompatible technologies used by many host and display manufacturers. Due to the recent release of the DVI specification, we cannot predict whether or at what rate the DVI specification will be adopted by manufacturers of host systems and displays. To date, no complete DVI-compliant system that includes both a host system and a display has been shipped. Adoption of the DVI specification may be affected by the availability of DVI-compliant transmitters, receivers, connectors and cables necessary to implement the specification. Other specifications may also emerge, which could adversely affect the acceptance of the DVI specification. For example, a number of companies have promoted alternatives to the DVI specification which use other interface technologies, such as LVDS. LVDS, or Low Voltage Differential Signaling is a technology that is used in high speed data transmission, primarily for notebook PCs. Any delay in the widespread adoption of the DVI specification would seriously harm our business.

OUR SUCCESS IS DEPENDENT ON INCREASING SALES OF OUR RECEIVER AND DISPLAY CONTROLLER PRODUCTS, WHICH DEPENDS ON HOST SYSTEM MANUFACTURERS INCLUDING DVI-COMPLIANT TRANSMITTERS IN THEIR SYSTEMS.

Our success depends on increasing sales of our receiver and display controller products to display manufacturers. In 1998, over 75% of our product revenues resulted from the sale of transmitter products to manufacturers of host systems. While revenues from the sale of receivers and display controllers have increased in the past six months, transmitters continue to represent between 50% and 60% of our product revenues. To increase sales of our receiver and display controller products, we need manufacturers of host systems to incorporate DVI-compliant transmitters into their systems, making these systems digital-ready. Unless host systems are digital-ready, they will not operate with digital displays. If we are unable to increase revenues from receivers and display controllers, we would remain dependent on the market for transmitters, which we expect to become particularly competitive. This would seriously harm our business. See "Management's Discussion and Analysis of Financial Conditions and Results of Operations."

OUR SUCCESS WILL DEPEND ON THE GROWTH OF THE DIGITAL DISPLAY MARKET.

Our business depends on the growth of the digital display market, which is at an early stage of development. The potential size of this market and its rate of development are uncertain and will depend on many factors, including:

- the number of digital-ready host systems;
- the rate at which display manufacturers replace analog interfaces with DVI-compliant interfaces; and
- the availability of cost-effective semiconductors that implement a DVI-compliant interface.

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In addition, improvements to analog interfaces could slow the adoption of digital displays. The failure of the digital display market to grow for any reason would seriously harm our business.

GROWTH OF THE MARKET FOR OUR PRODUCTS DEPENDS ON AN INCREASE IN THE SUPPLY OF FLAT PANEL DISPLAYS AND A CORRESPONDING DECREASE IN THEIR PRICE.

In order for the market for many of our products to grow, flat panel displays must be widely available and affordable to consumers. Currently, there is a limited supply of flat panels, and increasing the supply of flat panels is a costly and lengthy process requiring significant capital investment. Accordingly, we do not expect the current shortage of flat panels or their high prices to change in the near term. In the past, the supply of flat panels has been cyclical. We expect this pattern to continue. Undercapacity in the flat panel market may limit our ability to increase our revenues.

WE NEED TO OBTAIN DESIGN WINS IN ORDER TO INCREASE OUR REVENUES.

Our future success will depend on manufacturers of host systems and displays designing our products into their systems. To achieve design wins--decisions by those manufacturers to design our products into their systems--we must define and deliver cost-effective, innovative and integrated semiconductor solutions. Once a manufacturer has designed a supplier's products into its systems, the manufacturer may be reluctant to change its source of components due to the significant costs associated with qualifying a new supplier. Accordingly, the failure to achieve design wins with key manufacturers of host systems and displays will seriously harm our business.

OUR LENGTHY SALES CYCLE CAN RESULT IN UNCERTAINTY AND DELAYS IN GENERATING REVENUES.

Because our products are based on new technology and standards, a lengthy sales process, typically requiring several months or more, is often required before potential customers begin the technical evaluation of our products. This technical evaluation can then exceed six months. It can take an additional six months before a customer commences volume shipments of systems that incorporate our products. However, even when a manufacturer decides to design our products into its systems, the manufacturer may never ship systems incorporating our products. Given our lengthy sales cycle, we experience a delay between the time we increase expenditures for research and development, sales and marketing efforts and inventory and the time we generate revenues, if any, from these expenditures. As a result, our business could be seriously harmed if a significant customer reduces or delays orders or chooses not to release products incorporating our products.

OUR PARTICIPATION IN THE DIGITAL DISPLAY WORKING GROUP REQUIRES US TO LICENSE SOME OF OUR INTELLECTUAL PROPERTY FOR FREE, WHICH MAY MAKE IT EASIER FOR OTHERS TO COMPETE WITH US.

We are a member of the DDWG which published and promotes the DVI specification. We have based our strategy on promoting and enhancing the DVI specification and developing and marketing products based on the specification and future enhancements. As a result:

- we must license for free specific elements of our intellectual property to others for use in implementing the DVI specification; and
- we may license additional intellectual property for free as the DDWG promotes enhancements to the DVI specification.

Accordingly, companies that implement the DVI specification in their products can use specific elements of our intellectual property for free to compete with us.

OUR RELATIONSHIP WITH INTEL DOES NOT GUARANTEE THAT INTEL WILL COOPERATE WITH US IN THE FUTURE.

In September 1998, Intel agreed to work with us to develop and promote adoption of the DVI specification and an enhanced version of the DVI specification. As part of this effort, Intel has been an important founder of, contributor to and promoter of the DDWG. We have benefited from Intel's

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cooperation and support. We cannot be sure that Intel will continue to devote attention and resources to the DDWG and the Silicon Image relationship. If Intel were to breach our agreements with them, it is possible that no adequate remedy would be available to us. For more information regarding our relationship with Intel, see "Certain Transactions--Transactions with Intel and Its Subsidiary, Chips and Technologies."

OUR RELATIONSHIP WITH INTEL INVOLVES COMPETITIVE RISKS.

We have entered into a patent cross-license with Intel in which each of us granted the other a license to use the grantor's patents, except in identified types of products. We believe that the scope of our license to Intel excludes our current products and anticipated future products. Intel could, however, exercise its rights under this agreement to use our patents to develop and market other products that compete with ours, without payment to us. Additionally, Intel's rights to our patents could reduce the value of our patents to any third party who otherwise might be interested in acquiring rights to use our patents in such products. Finally, Intel could endorse a competing digital interface, or develop its own proprietary digital interface, which would seriously harm our business. For more information regarding our relationship with Intel, see "Certain Transactions--Transactions with Intel and Its Subsidiary, Chips and Technologies."

WE DEPEND ON A FEW KEY CUSTOMERS AND THE LOSS OF ANY OF THEM COULD SIGNIFICANTLY REDUCE OUR REVENUES.

Historically, a relatively small number of customers and distributors have accounted for a significant portion of our product revenues. In 1998, sales of transmitter products to Mitac, a third party manufacturer, accounted for 54% of our total revenues, and ATI Technologies, a leading graphics board manufacturer, accounted for 12% of our total revenues. These manufacturers are significant suppliers to Compaq, who decided in 1998 to design our transmitters into some of its desktop personal computer models. In 1999, Compaq reduced the number of its product models that included our transmitters as a standard part. As a result, for the six month period ended June 30, 1999, sales to Mitac decreased to 13% of our total revenues and sales to ATI Technologies decreased to less than ten percent of our total revenues. Kanematsu, a Japanese distributor, accounted for 13% of our total revenues and Microtek, a Japanese distributor, accounted for 11% of our total revenues. As a result of customer concentration any of the following factors could seriously harm our business:

- a significant reduction, delay or cancellation of orders from one or more of our key customers or OEMs; or
- if one or more significant customers selects products manufactured by a competitor for inclusion in future product generations.

We expect our operating results to continue to depend on sales to or design decisions of a relatively small number of host system and display OEMs and their suppliers. See "Business-- Customers."

WE DO NOT HAVE LONG-TERM COMMITMENTS FROM OUR CUSTOMERS, AND WE ALLOCATE RESOURCES BASED ON OUR ESTIMATES OF CUSTOMER DEMAND.

Our sales are made on the basis of purchase orders rather than long-term purchase commitments. In addition, our customers may cancel or defer purchase orders. We manufacture our products according to our estimates of customer demand. This process requires us to make multiple demand forecast assumptions, each of which may introduce error into our estimates. If we overestimate customer demand, we may allocate resources to manufacturing products which we may not be able to sell. As a result, we would have excess inventory, which would increase our losses. Conversely, if we underestimate customer demand or if sufficient manufacturing capacity is unavailable, we would forego revenue

opportunities, lose market share and damage our customer relationships. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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OUR INCREASING DEPENDENCE ON SELLING THROUGH DISTRIBUTORS INCREASES THE RISKS AND COMPLEXITY OF OUR BUSINESS.

Over the past four quarters, the percentage of our product revenues attributable to distributors has increased substantially, from less than 10% in the quarter ended June 30, 1998 to nearly 60% in the quarter ended June 30, 1999. Much of this increase reflects design wins with new OEMs which rely on third-party manufacturers or distributors to provide inventory management and purchasing functions. Selling through distributors reduces our ability to forecast sales and increases the complexity of our business, requiring us to:

- manage a more complex supply chain;
- manage the level of inventory at each distributor;
- provide for credits, return rights and price protection;
- estimate the impact of credits, return rights, price protection and unsold inventory at distributors; and
- monitor the financial condition and credit worthiness of our distributors.

Any failure to manage these challenges could seriously harm our business.

COMPETITION IN OUR MARKETS MAY LEAD TO REDUCED SALES OF OUR PRODUCTS, INCREASED LOSSES AND REDUCED MARKET SHARE.

The high-speed communication, display and semiconductor industries are intensely competitive. These markets are characterized by rapid technological change, evolving standards, short product life cycles and decreasing prices. Our current products face competition from a number of sources including analog solutions, DVI-compliant solutions and other digital interface solutions. We expect competition in our market to increase. For example, Genesis Microchip has announced plans to introduce a DVI-compliant product that will compete with our DVCs and ATI Technologies has recently introduced a graphics controller chip that includes a DVI-compliant transmitter.

Many of our competitors have longer operating histories and greater presence in key markets, greater name recognition, access to large customer bases and significantly greater financial, sales and marketing, manufacturing, distribution, technical and other resources than we do. As a result, they may be able to adapt more quickly to new or emerging technologies and customer requirements or devote greater resources to the promotion and sale of their product than we may. In particular, well-established semiconductor companies, such as Analog Devices, Intel, National Semiconductor and Texas Instruments, may compete against us in the future. In addition, in the process of establishing our technology as an industry standard, and to ensure rapid adoption of the DVI specification, we have agreed to license specific elements of our intellectual property to others for free. We have also licensed elements of our intellectual property to Intel and other semiconductor companies and we may continue to do so. Competitors could use these elements of our intellectual property to compete against us. We cannot assure you that we can compete successfully against current or potential competitors, or that competition will not seriously harm our business by reducing sales of our products, increasing our losses and reducing our market share. See "Business--Competition" for additional information about our competitors and competition in our market.

OUR SUCCESS DEPENDS ON THE DEVELOPMENT AND INTRODUCTION OF NEW PRODUCTS, WHICH WE MAY NOT BE ABLE TO DO IN A TIMELY MANNER BECAUSE THE PROCESS OF DEVELOPING HIGH-SPEED SEMICONDUCTOR PRODUCTS IS COMPLEX AND COSTLY.

The development of new products is highly complex, and we have experienced delays in completing the development and introduction of new products on several occasions in the past, some of which exceeded six months. We expect to introduce new transmitter, receiver and controller products in the future. We also plan to develop our initial products designed for high-speed networking and storage

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applications. As our products integrate new, more advanced functions, they become more complex and increasingly difficult to design and debug. Successful product development and introduction depends on a number of factors, including:

- accurate prediction of market requirements and evolving standards, including enhancements to the DVI specification;
- development of advanced technologies and capabilities;
- definition of new products which satisfy customer requirements;

- timely completion and introduction of new product designs;
- use of leading-edge foundry processes and achievement of high manufacturing yields; and
- market acceptance of the new products.

Accomplishing all of this is extremely challenging, time-consuming and expensive. We cannot assure you that we will succeed. If we are not able to develop and introduce our products successfully, our business will be seriously harmed.

WE DEPEND ON A SINGLE THIRD-PARTY WAFER FOUNDRY TO MANUFACTURE ALL OF OUR PRODUCTS, WHICH REDUCES OUR CONTROL OVER THE MANUFACTURING PROCESS.

We do not own or operate a semiconductor fabrication facility. We rely on Taiwan Semiconductor Manufacturing Company, an outside foundry, to produce all of our semiconductor products. Our reliance on an independent foundry involves a number of significant risks, including:

- reduced control over delivery schedules, quality assurance, manufacturing yields and production costs;
- lack of guaranteed production capacity or product supply; and
- unavailability of, or delayed access to, next-generation or key process technologies.

We do not have a long-term supply agreement with Taiwan Semiconductor Manufacturing Company, or TSMC, and instead obtain manufacturing services on a purchase order basis. This foundry has no obligation to supply products to us for any specific period, in any specific quantity or at any specific price, except as set forth in a particular purchase order. Our requirements represent a small portion of the total production capacity of this foundry and Taiwan Semiconductor Manufacturing Company may reallocate capacity to other customers even during periods of high demand for our products. If Taiwan Semiconductor Manufacturing Company were to become unable or unwilling to continue manufacturing our products in the required volumes, at acceptable quality, yields and costs, in a timely manner, our business would be seriously harmed. As a result, we would have to identify and qualify substitute foundries, which would be time consuming and difficult, resulting in unforeseen manufacturing and operations problems. In addition, if competition for foundry capacity increases, our product costs may increase, and we may be required to pay significant amounts to secure access to manufacturing services.

We may qualify additional foundries in the future. If we do not qualify an additional foundry, we may be exposed to increased risk of capacity shortages due to our complete dependence on Taiwan Semiconductor Manufacturing Company. See "Business--Manufacturing."

WE DEPEND ON THIRD-PARTY SUBCONTRACTORS FOR ASSEMBLY AND TEST, WHICH REDUCES OUR CONTROL OVER THE ASSEMBLY AND TEST PROCESSES.

Our semiconductor products are assembled and tested by two independent subcontractors: Anam in Korea and Advanced Semiconductor Engineering in Taiwan and California. We do not have long-term agreements with either of these subcontractors and typically obtain services from them on a purchase order basis. Our reliance on these subcontractors involves risks such as reduced control over delivery schedules, quality assurance and costs. These risks could result in product shortages or increase

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our costs of manufacturing, assembling or testing our products. If these subcontractors are unable or unwilling to continue to provide assembly and test services and deliver products of acceptable quality, at acceptable costs and in a timely manner, our business would be seriously harmed. We would also have to identify and qualify substitute subcontractors, which could be time consuming and difficult and result in unforeseen operations problems.

OUR SEMICONDUCTOR PRODUCTS ARE COMPLEX AND ARE DIFFICULT TO MANUFACTURE COST-EFFECTIVELY.

The manufacture of semiconductors is a complex process. It is often difficult for semiconductor foundries to achieve acceptable product yields. Product yields depend on both our product design and the manufacturing process technology unique to the semiconductor foundry. Since low yields may result from either design or process difficulties, identifying yield problems can only occur well into the production cycle, when actual product exists which can be analyzed and tested.

We only test our products after they are assembled, as their high-speed nature makes earlier testing difficult and expensive. As a result, defects are not discovered until after assembly. This could result in a substantial number of defective products being assembled and tested, lowering our yields and increasing our costs. This would seriously harm our business.

DEFECTS IN OUR PRODUCTS COULD INCREASE OUR COSTS AND DELAY OUR PRODUCT SHIPMENTS.

Although we test our products, they are complex and may contain defects and errors. In the past we have encountered defects and errors in our products. Delivery of products with defects or reliability, quality or compatibility problems may damage our reputation and our ability to retain existing customers and attract new customers. In addition, product defects and errors could result in additional development costs, diversion of technical resources, delayed product shipments, increased product returns, and product liability claims against us which may not be fully covered by insurance. Any of these could seriously harm our business.

WE MUST ATTRACT AND RETAIN QUALIFIED PERSONNEL TO BE SUCCESSFUL, AND COMPETITION FOR QUALIFIED PERSONNEL IS INTENSE IN OUR MARKET.

Our success depends to a significant extent upon the continued contributions of our key management, technical and sales personnel, many of whom would be difficult to replace. The loss of one or more of these employees could seriously harm our business. We do not have key person life insurance on any of our key personnel. Although we have severance agreements with our Chief Executive Officer and with our Vice President of Business Strategy, we have employment agreements with our Executive Vice President of Marketing and Business Development, our Vice President of Finance and Administration and our Vice President of Worldwide Sales and customarily enter into employment offer letters with our new hires, none of such agreements obligates the employee to continue working for us.

Our success also depends on our ability to identify, attract and retain qualified technical, sales, marketing, finance and managerial personnel. Competition for qualified personnel is particularly intense in our industry and our location in Silicon Valley, California due to a number of factors, including the high concentration of established and emerging growth technology companies. This competition makes it difficult to retain our key personnel and to recruit new highly-qualified personnel. We have experienced, and may continue to experience, difficulty in hiring and retaining candidates with appropriate qualifications. If we do not succeed in hiring and retaining candidates with appropriate qualifications, our business could be seriously harmed. See "Management."

OUR DEPENDENCE ON ACADEMIC RESEARCHERS LOCATED IN KOREA COULD ADVERSELY AFFECT OUR ABILITY TO DEVELOP AND PROTECT KEY TECHNOLOGY.

Some of our key technology is developed by academic researchers at Seoul National University in Korea whom we have retained as consultants. These researchers operate under the direction of

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Dr. Jeong, a founder of Silicon Image and our Chief Technical Adviser. Since neither Dr. Jeong nor these researchers are our employees, we have limited control over their activities and can expect only limited amounts of their time to be dedicated to developing our technology. These researchers are also not actively involved in managing our business or in developing our products. They may also have relationships with other commercial entities, some of which could compete with us. Dr. Jeong and these researchers sign agreements which require them to keep our proprietary information and the results of their research confidential. However, we may not be able to keep this information confidential and its dissemination could seriously harm our business. Also, we generally obtain an assignment of intellectual property rights in technology that may result from these researchers' projects. However, the laws of Korea may not protect our intellectual property rights to the same extent as the laws of the United States. As a result, our dependence on these researchers could adversely affect our ability to develop and protect key technology. For additional information regarding our relationship with academic researchers located in Korea, see "Certain Transactions--Relationship with Dr. Jeong."

WE FACE FOREIGN BUSINESS, POLITICAL AND ECONOMIC RISKS BECAUSE A MAJORITY OF OUR PRODUCTS AND OUR CUSTOMERS' PRODUCTS ARE MANUFACTURED AND SOLD OUTSIDE OF THE UNITED STATES.

A substantial portion of our business is conducted outside of the United States and as a result, we are subject to foreign business, political and economic risks. All of our products are manufactured outside of the United States. Many of our customers are the manufacturers or suppliers for OEMs who have designed in our products. Many of these manufacturers and suppliers are located outside of the United States, primarily concentrated in Japan, Korea and Taiwan. Sales outside of the United States accounted for 94% of our revenues in

1997, 95% of our revenues in 1998 and 91% of our revenues in the first six months of 1999. We anticipate that sales outside of the United States will continue to account for a substantial portion of our revenue in future periods. Accordingly, we are subject to international risks, including:

- difficulties in managing distributors;
- difficulties in staffing and managing foreign operations;
- political and economic instability;
- adequacy of local infrastructure;
- difficulties in accounts receivable collections;

In addition, OEMs who design our semiconductors into their products sell them outside of the United States. This exposes us indirectly to foreign risks. Because sales of our products have been denominated to date exclusively in United States dollars, increases in the value of the United States dollar will increase the price of our products so that they become relatively more expensive to customers in the local currency of a particular country, leading to a reduction in sales and profitability in that country. A portion of our international revenues may be denominated in foreign currencies in the future, which will subject us to risks associated with fluctuations in those foreign currencies.

WE MAY BE UNABLE TO ADEQUATELY PROTECT OUR INTELLECTUAL PROPERTY.

We rely on a combination of patent, copyright, trademark and trade secret laws, as well as nondisclosure agreements and other methods to protect our proprietary technologies. We have been issued patents and have a number of pending United States patent applications. However, we cannot assure you that any patent will issue as a result of any applications or, if issued, that any claims allowed will be sufficiently broad to protect our technology. In addition, it is possible that existing or future patents may be challenged, invalidated or circumvented. It may be possible for a third party to copy or otherwise obtain and use our products, or technology without authorization, develop similar technology independently or design around our patents. Effective copyright, trademark and trade secret protection may be unavailable or limited in foreign countries.

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Disputes may occur regarding the scope of the license of our intellectual property we have granted to the DDWG participants for use in implementing the DVI specification in their products. These disputes may result in:

- costly and time consuming litigation; or
- the license of additional elements of our intellectual property for free.

OTHERS MAY BRING INFRINGEMENT CLAIMS AGAINST US WHICH COULD BE TIME-CONSUMING AND EXPENSIVE TO DEFEND.

In recent years, there has been significant litigation in the United States involving patents and other intellectual property rights. This litigation is widespread in the high-technology industry and is particularly prevalent in the semiconductor industry, where a number of companies aggressively use their patent portfolios by bringing numerous infringement claims. In addition, in recent years, there has been an increase in the filing of so-called "nuisance suits" alleging infringement of intellectual property rights, which pressure defendants into entering settlement arrangements to quickly dispose of such suits, regardless of their merits. We may become a party to litigation in the future to protect our intellectual property or as a result of an alleged infringement of others' intellectual property. These lawsuits could subject us to significant liability for damages and invalidate our proprietary rights. These lawsuits, regardless of their success, would likely be time-consuming and expensive to resolve and would divert management time and attention. Any potential intellectual property litigation also could force us to do one or more of the following:

- stop selling products or using technology that contain the allegedly infringing intellectual property;
- attempt to obtain a license to the relevant intellectual property, which license may not be available on reasonable terms or at all; and
- attempt to redesign those products that contain the allegedly infringing intellectual property.

If we are forced to take any of these actions, we may be unable to manufacture and sell our products, which could seriously harm our business.

THE CYCLICAL NATURE OF THE SEMICONDUCTOR INDUSTRY MAY LEAD TO SIGNIFICANT VARIANCES IN THE DEMAND FOR OUR PRODUCTS.

In the past, the semiconductor industry has been characterized by significant downturns and wide fluctuations in supply and demand. Also, the industry has experienced significant fluctuations in anticipation of changes in general economic conditions, including economic conditions in Asia. This cyclical nature has led to significant variances in product demand and production capacity. It has also accelerated erosion of average selling prices per unit. We may experience periodic fluctuations in our future financial results because of changes in industry-wide conditions.

WE ARE GROWING RAPIDLY, WHICH STRAINS OUR MANAGEMENT AND RESOURCES.

We are experiencing a period of significant growth that will continue to place a great strain on our management and other resources. We have grown from 50 employees on January 1, 1999 to 76 employees on August 31, 1999. To manage our growth effectively, we must:

- implement and improve operational and financial systems;
- train and manage our employee base;
- attract and retain qualified personnel with relevant experience; and
- lease additional facilities within the next six months.

We must also manage multiple relationships with customers, business partners, the DDWG and other third parties, such as our foundry and test partners. Moreover, we will spend substantial amounts

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of time and money in connection with our rapid growth and may have unexpected costs. Our systems, procedures or controls may not be adequate to support our operations and we may not be able to expand quickly enough to exploit potential market opportunities. Our future operating results will also depend on expanding sales and marketing, research and development and administrative support. If we cannot attract qualified people or manage growth effectively, our business would be seriously harmed.

THE YEAR 2000 PROBLEM MAY ADVERSELY AFFECT US BY CAUSING FAILURES IN OUR INTERNAL SYSTEMS OR IN SYSTEMS USED BY OUR SUPPLIERS, DISTRIBUTORS OR CUSTOMERS.

The Year 2000 problem is the potential for system and processing failure of date-related data as a result of computer-controlled systems that use two digits rather than four to define a year in the date field. Many computer hardware systems and software applications could fail or create erroneous results unless corrected so that they can correctly process data related to the year 2000 and beyond. Failures by our internal systems, or by systems used by our suppliers, distributors or customers, could seriously harm our business. In particular, the infrastructure of foreign countries where our products are manufactured or our customers are located may be subject to disruption or failure as a result of the Year 2000 problem. For additional information concerning this risk and our assessment of its impact, see "Management's Discussion and Analysis of Financial Condition and Results of Operations--Year 2000 Compliance."

STOCKHOLDERS MAY NOT AGREE WITH MANAGEMENT REGARDING THE USE OF THE NET PROCEEDS OF THIS OFFERING.

Our management has broad discretion as to how to spend the net proceeds from this offering and may spend those proceeds in ways with which our stockholders may not agree. We cannot assure you that our investments and use of the net proceeds of this offering will yield favorable returns or results. See "Use of Proceeds."

PROVISIONS IN OUR CHARTER DOCUMENTS AND DELAWARE LAW COULD PREVENT OR DELAY A CHANGE IN CONTROL OF SILICON IMAGE AND MAY REDUCE THE MARKET PRICE OF OUR COMMON STOCK.

Provisions of our certificate of incorporation and bylaws may discourage, delay or prevent a merger or acquisition that a stockholder may consider favorable. These provisions include:

- authorizing the issuance of preferred stock without stockholder approval;
- providing for a classified board of directors with staggered, three-year terms;
- prohibiting cumulative voting in the election of directors;
- requiring super-majority voting to amend some provisions in our certificate of incorporation and bylaws;

- limiting the persons who may call special meetings of stockholders; and
- prohibiting stockholder actions by written consent.

Provisions of Delaware law also may discourage, delay or prevent someone from acquiring or merging with us. See "Description of Capital Stock--Preferred Stock" and "--Anti-takeover Provisions."

EXISTING STOCKHOLDERS OWN A LARGE PERCENTAGE OF OUR VOTING STOCK, WHICH MAY ALLOW THEM TO CONTROL THE ELECTION OF DIRECTORS AND APPROVAL OR DISAPPROVAL OF SIGNIFICANT CORPORATE ACTIONS FOLLOWING THIS OFFERING.

Immediately after the offering, it is anticipated that our executive officers, directors and other principal stockholders will beneficially own or control, directly or indirectly approximately 49.8% of the outstanding shares of common stock. As a result, if these persons act together, they will significantly influence, and will likely control, the election of our directors and approval or disapproval of our significant corporate actions. This influence over our affairs might be adverse to the interests of other

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stockholders. In addition, the voting power of these stockholders could have the effect of delaying or preventing a change in control of Silicon Image. See "Principal Stockholders."

OUR COMMON STOCK HAS NOT BEEN PUBLICLY TRADED AND WE EXPECT THAT THE PRICE OF OUR STOCK MAY FLUCTUATE SUBSTANTIALLY.

Recently, the stock prices of technology companies similar to Silicon Image have been quite volatile. Moreover, prior to this offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations between the underwriters and us. You may not be able to resell your shares at or above the initial public offering price. The market price of our common stock may fluctuate significantly in response to a number of factors, including:

- actual or anticipated fluctuations in our operating results;
- changes in expectations as to our future financial performance;
- changes in financial estimates of securities analysts;
- changes in market valuations of other technology companies;
- announcements by us or our competitors of significant technical innovations, design wins, contracts, standards or acquisitions; and
- the operating and stock price performance of other comparable companies.

Due to these factors, the price of our stock may decline and the value of your investment would be reduced. In addition, the stock market experiences extreme volatility that often is unrelated to the performance of particular companies. These market fluctuations may cause our stock price to decline regardless of our performance.

OUR BUSINESS MAY BE HARMED BY CLASS ACTION LITIGATION DUE TO STOCK PRICE VOLATILITY.

In the past, securities class action litigation often has been brought against a company following periods of volatility in the market price of its securities. Companies in the semiconductor industry and other technology industries are particularly vulnerable to this kind of litigation due to the high volatility of their stock prices. Accordingly, we may in the future be the target of securities litigation. Securities litigation could result in substantial costs and could divert our management's attention and resources.

FUTURE SALES OF OUR COMMON STOCK IN THE PUBLIC MARKET MAY DEPRESS OUR STOCK PRICE.

After this offering, we will have outstanding 25,137,274 shares of common stock. Sales of a substantial number of shares of our common stock in the public market following this offering could cause our stock price to decline. All the shares sold in this offering will be freely tradable. Of the remaining 21,237,274 shares of common stock outstanding after this offering, approximately 19,083,588 shares will be eligible for sale in the public market beginning 180 days after the effective date of this offering. The remaining 2,153,686 shares

will become freely tradable at various times thereafter. In addition, the sale of these shares could impair our ability to raise capital through the sale of additional stock. See "Shares Eligible for Future Sale."

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "intend," "potential" or "continue" or the negative of such terms or other comparable terminology. These statements are only predictions. We cannot guarantee future results, levels of activity, performance or achievements. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risk outlined under "Risk Factors" and elsewhere in this prospectus.

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USE OF PROCEEDS

The net proceeds to us from the sale of the 3,900,000 shares of common stock offered by us will be approximately \$31.2 million or approximately \$36.1 million if the underwriters' over-allotment option is exercised in full, at an assumed initial public offering price of \$9.00 per share and after deducting estimated underwriting discounts and commissions and the estimated offering expenses payable by us.

We intend to use the net proceeds from this offering primarily for general corporate purposes, including working capital and capital expenditures, and for the repayment of the outstanding balance under our line of credit. As of June 30, 1999, the outstanding balance under our line of credit was \$757,000, bearing interest at a rate of 8.25% per year. We may use a portion of the net proceeds from this offering to acquire or invest in businesses, technologies or services that are complementary to our business. However, we have no present plans or commitments and are not engaged in any negotiations with respect to any transactions of this type.

The amounts that we use for working capital purposes will vary significantly depending on a number of factors. We will retain broad discretion in the allocation and use of the net proceeds of this offering. Pending their use, we intend to invest the net proceeds in short-term, interest-bearing, investment-grade securities.

The principal purposes of this offering are to increase our working capital, create a public market for our stock, increase our visibility and facilitate future access by us to public equity markets.

DIVIDEND POLICY

We have never declared or paid cash dividends on shares of our capital stock. We intend to retain any future earnings to finance future growth and do not anticipate paying cash dividends in the future. In addition, the terms of our line of credit prohibit us from paying cash dividends on our capital stock without prior consent of the lender.

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CAPITALIZATION

The following table sets forth our capitalization as of June 30, 1999:

- on an actual basis;
- on a pro forma basis to reflect the conversion of all outstanding shares of preferred stock into 11,657,000 shares of common stock and the filing of our amended and restated certificate of incorporation upon completion of this offering; and
- on a pro forma as adjusted basis to reflect the sale of 3,900,000 shares of common stock in this offering at an assumed initial public offering price of \$9.00 per share, after deducting estimated underwriting discounts and commissions and the estimated offering expenses payable by us and the application of the net proceeds from the offering. See "Use of Proceeds."

<TABLE>
<CAPTION>

JUNE 30, 1999

PRO FORMA

	ACTUAL	PRO FORMA	AS ADJUSTED
<S>	<C>	<C>	<C>
	(IN THOUSANDS, EXCEPT SHARE DATA)		
Cash and short term investments.....	\$ 12,647	\$ 12,647	\$ 43,133
Line of credit.....	\$ 757	\$ 757	\$ --
Capital lease obligations, long-term.....	\$ 773	\$ 773	\$ 773
Stockholders' equity			
Convertible preferred stock, \$0.001 par value; 10,065,000 shares authorized, 9,560,000 shares issued and outstanding, actual; 5,000,000 shares authorized, none issued or outstanding, pro forma and pro forma as adjusted.....	10	--	--
Common stock, \$0.001 par value; 21,500,000 shares authorized, 9,463,000 shares issued and outstanding, actual; 75,000,000 shares authorized, 21,120,000 shares issued and outstanding, pro forma; 75,000,000 shares authorized, 25,020,000 shares issued and outstanding, pro forma as adjusted.....	9	21	25
Additional paid-in capital.....	34,796	34,794	66,033
Notes receivable from stockholders.....	(1,461)	(1,461)	(1,461)
Unearned compensation.....	(7,513)	(7,513)	(7,513)
Accumulated deficit.....	(16,689)	(16,689)	(16,689)
Total stockholders' equity.....	9,152	9,152	40,395
Total capitalization.....	\$ 9,925	\$ 9,925	\$ 41,168

</TABLE>

The number of shares of common stock outstanding set forth in the table above excludes the following:

- 1,149,000 shares issuable upon the exercise of outstanding stock options, at a weighted average exercise price of \$0.53 per share;
- 317,856 shares issuable upon the exercise of outstanding warrants, at a weighted average exercise price of \$2.08 per share, and 142,857 shares issuable upon exercise of a warrant at an exercise price of \$0.35 a share that we are obligated to issue upon satisfaction of a milestone as described under "Certain Transactions--Transactions with Intel and Its Subsidiary, Chips and Technologies;"
- 2,689,000 shares available for future issuance under our 1995 Equity Incentive Plan, 1999 Equity Incentive Plan and 1999 Employee Stock Purchase Plan, subject to automatic annual increases each January 1 as described under "Management--Employee Benefit Plans;" and
- Subsequent to June 30, 1999 and through August 31, 1999, we granted options to purchase a total of 753,000 shares of common stock at a weighted average exercise price of \$5.60.

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DILUTION

As of June 30, 1999, our pro forma net tangible book value was approximately \$9.2 million, or \$0.43 per share of common stock. Pro forma net tangible book value per share represents the amount of our total tangible assets less total liabilities, divided by 21,120,274 shares of common stock outstanding after giving effect to the conversion of all outstanding shares of preferred stock into shares of common stock upon completion of this offering. Dilution in net tangible book value per share represents the difference between the amount per share paid by purchasers of shares of our common stock in this offering and the net tangible book value per share of our common stock immediately following this offering.

After giving effect to the receipt of the net proceeds from the sale of the 3,900,000 shares of our common stock at an assumed initial public offering price of \$9.00 per share and after deducting estimated underwriting discounts and commissions and the estimated offering expenses, our pro forma net tangible book value as of June 30, 1999 would have been approximately \$40.4 million, or \$1.61 per share. This represents an immediate increase in pro forma net tangible book

value of \$1.18 per share to existing stockholders and an immediate dilution of \$7.39 per share to new investors purchasing shares at the initial public offering price. The following table illustrates the per share dilution:

<TABLE>			
<S>		<C>	<C>
Assumed initial public offering price per share.....			\$ 9.00
Pro forma net tangible book value per share as of June 30, 1999.....	\$ 0.43		
Increase per share attributable to new investors.....	1.18		

Pro forma net tangible book value per share after this offering.....			1.61

Dilution per share to new investors.....		\$ 7.39	

</TABLE>			

The following table summarizes as of June 30, 1999, on the pro forma basis described above, the number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid by existing stockholders and by new investors purchasing shares of common stock in this offering, before deducting underwriting discounts and commissions and the estimated offering expenses:

<TABLE>						
<CAPTION>						
		SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE
		NUMBER	PERCENT	AMOUNT	PERCENT	PER SHARE
		-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Existing stockholders.....	21,120,274	84%	\$ 23,043,000	40%	\$	1.09
New investors.....	3,900,000	16	35,100,000	60		9.00
	-----	---	-----	---		
Total.....	25,020,274	100%	\$ 58,143,000	100%		
	-----	---	-----	---		
	-----	---	-----	---		
</TABLE>						

The above discussion and tables assume no exercise of any stock options or warrants for common stock outstanding as of June 30, 1999. As of June 30, 1999, there were options outstanding to purchase a total of 1,149,000 shares of common stock at a weighted average exercise price of \$0.53 per share and warrants outstanding to purchase a total of 317,856 shares of common stock with a weighted average exercise price of \$2.08 per share. In addition, upon satisfaction of a milestone, we are obligated to issue a warrant for an additional 142,857 shares exercisable at \$0.35 per share. Subsequent to June 30, 1999 and through August 31, 1999, we granted options to purchase a total of 753,000 shares of common stock at a weighted average exercise price of \$5.60. If any of these options or warrants are exercised, there will be further dilution to new public investors. Please see "Capitalization," "Management-- Employee Benefit Plans," "Certain Transactions--Transactions with Intel and Its Subsidiary, Chips and Technologies" and Note 8 of Notes to Financial Statements.

SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with, and are qualified by reference to, our financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this prospectus. The statement of operations data for the years ended December 31, 1996, 1997 and 1998 and six months ended June 30, 1999, and the balance sheet data as of December 31, 1997 and 1998 and June 30, 1999, are derived from, and are qualified by reference to, our audited financial statements which are included elsewhere in this prospectus. The statement of operations data for the year ended December 31, 1995, and the balance sheet data as of December 31, 1995 and 1996 are derived from our audited financial statements which are not included in this prospectus. The statement of operations data for the six months ended June 30, 1998 are derived from our unaudited financial statements which are included elsewhere in this prospectus. In the opinion of management, the unaudited financial statements have been prepared on the same basis as the audited financial statements and contain all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of our results of operations for these periods and financial condition at that date. The historical results presented below are not necessarily indicative of future results. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31,				SIX MONTHS ENDED JUNE 30,	
	1995	1996	1997	1998	1998	1999
	<C>	<C>	<C>	<C>	<C>	<C>
(IN THOUSANDS, EXCEPT PER SHARE DATA)						
STATEMENT OF OPERATIONS DATA:						
Revenue:						
Product revenue.....	\$ --	\$ 30	\$ 1,280	\$ 7,703	\$ 2,652	\$ 7,706
Development and license revenue.....	--	1,121	1,582	100	25	575
Total revenue.....	--	1,151	2,862	7,803	2,677	8,281
Cost and operating expenses:						
Cost of product revenue.....	--	5	851	4,314	1,711	3,328
Research and development.....	--	1,307	3,176	4,524	1,956	3,060
Selling, general and administrative.....	180	1,811	2,990	4,335	1,906	3,052
Stock compensation and warrant expense.....	--	--	--	1,361	184	2,898
Total operating expenses.....	180	3,123	7,017	14,534	5,757	12,338
Loss from operations.....	(180)	(1,972)	(4,155)	(6,731)	(3,080)	(4,057)
Interest income.....	3	32	171	242	31	210
Interest expense and other, net.....	(1)	(4)	(52)	(133)	(54)	(62)
Net loss.....	\$ (178)	\$ (1,944)	\$ (4,036)	\$ (6,622)	\$ (3,103)	\$ (3,909)
Net loss per share:						
Basic and diluted.....	\$ (0.51)	\$ (0.98)	\$ (1.14)	\$ (1.39)	\$ (0.72)	\$ (0.73)
Weighted average shares.....	350	1,981	3,533	4,766	4,301	5,327
Pro forma net loss per share(1):						
Basic and diluted (unaudited).....				\$ (0.46)		\$ (0.23)
Weighted average shares (unaudited).....				14,483		16,984

</TABLE>

<TABLE>
<CAPTION>

	DECEMBER 31,				JUNE 30,	
	1995	1996	1997	1998	1999	
	<C>	<C>	<C>	<C>	<C>	
(IN THOUSANDS)						
BALANCE SHEET DATA:						
Cash and short-term investments.....	\$ 802	\$ 2,271	\$ 2,773	\$ 11,497	\$ 12,647	
Working capital.....	715	846	1,530	8,953	8,740	
Total assets.....	926	3,175	4,371	14,774	16,014	
Line of credit.....	--	--	372	757	757	
Capital lease obligations, long term.....	--	10	--	300	773	
Total stockholders' equity.....	839	1,658	2,593	9,852	9,152	

</TABLE>

(1) Pro forma net loss per share has been calculated assuming the conversion of our preferred stock into shares of common stock, as if such conversion had occurred at the beginning of the period.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

THE FOLLOWING DISCUSSION SHOULD BE READ IN CONJUNCTION WITH THE FINANCIAL STATEMENTS AND THE NOTES TO THE FINANCIAL STATEMENTS INCLUDED IN THIS PROSPECTUS. THIS PROSPECTUS CONTAINS FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. OUR ACTUAL RESULTS COULD DIFFER SIGNIFICANTLY FROM THOSE PROJECTED IN THE FORWARD-LOOKING STATEMENTS AS A RESULT OF MANY FACTORS, INCLUDING THOSE DISCUSSED IN "RISK FACTORS," "BUSINESS" AND ELSEWHERE IN THIS PROSPECTUS. WE ASSUME NO OBLIGATION TO UPDATE THE FORWARD-LOOKING STATEMENTS OR SUCH FACTORS.

OVERVIEW

We develop and market semiconductors for applications that require cost-effective integrated solutions for high-speed data communications. We are initially focusing our technology on the local interconnect between host systems and digital displays, including flat panel displays and digital CRTs. The products we have shipped to date enable host systems to transmit digital video data and displays to receive and manipulate digital video data. These products are based on our PanelLink digital interface technology and Digital Visual Controller architecture. They enable our customers to introduce all-digital displays, thereby eliminating the need for analog technology in both host systems and displays.

From our inception in 1995 through the first half of 1997, we were primarily engaged in developing our first generation PanelLink digital transmitter and receiver products and our high-speed digital interconnect technology, establishing our digital interface technology as an open standard and building strategic customer and foundry relationships. During that period, we derived substantially all of our revenue from development contracts providing for the joint development of technologies for high-speed digital communication and of panel controllers for flat panel displays, and license fees from licenses of our high-speed digital interconnect technology. We have incurred losses in each year since inception, as well as for the six months ended June 30, 1999. At June 30, 1999, we had an accumulated deficit of \$16.7 million.

In the third quarter of 1997, we began shipping our first generation PanelLink digital transmitter and receiver products in volume. Since that time, we have derived predominantly all of our revenue from the sale of our PanelLink products. We have introduced two new generations of transmitter and receiver products providing higher speed and increased functionality since the first generation PanelLink products. In the first quarter of 1999, we introduced our first generation digital display controller product based on our DVC architecture. Our digital display controller products integrate our receiver with digital image processing and display controller technology, providing a solution to enable intelligent displays for the mass-market.

We focus our sales and marketing efforts on achieving design wins with leading host system and display OEMs worldwide. We rely on a combination of direct sales personnel, distributors, and manufacturer's representatives throughout the world to sell our products. We recognize revenue from product sales to direct customers upon shipment. Reserves for sales returns and allowances are recorded at the time of shipment. Our sales to distributors are made under agreements allowing for returns or credits under some circumstances and we defer recognition of revenue on sales to distributors until we estimate that the products are resold by the distributor to the end user. These estimates are based upon reports from these distributors and our analysis of these distributor reports as well as other information obtained by us.

Development and license revenues have been primarily derived from two development contracts and a limited number of patent and technology licenses. Development and license revenues are recognized as development milestones are met or as license fees are earned. We do not anticipate that development and license revenue will be material in the future.

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Historically, a relatively small number of customers and distributors have accounted for a significant portion of our product revenue. Our top five customers, including distributors, accounted for 90.6% of product revenue in 1998 and 57.7% of product revenue in the six-month period ended June 30, 1999. Recently, the percentage of our revenue attributable to sales to distributors has increased substantially. Much of this increase reflects revenue from design wins with new OEMs which rely on third-party manufacturers or distributors to provide inventory management and purchasing functions. See "Risk Factors--We depend on a few key customers and the loss of any of them could significantly reduce our revenue" and "--Our increasing dependence on selling through distributors increases the risks and complexity of our business."

In addition, a significant portion of our products are sold overseas. Sales to customers in Asia, including distributors, accounted for 69.1% of product revenue in 1998 and 72.1% of product revenue in the six-month period ended June 30, 1999. Although the percentage of our revenues derived from some countries, such as Canada, Korea and Taiwan, has varied significantly from period to period, this is largely due to design wins with specific customers that incorporate our products into systems that are sold worldwide. Accordingly, the variability in our sales in these countries is not necessarily indicative of any geographic trends. See Note 10 of Notes to Financial Statements. Since many manufacturers of flat panel displays and personal computers are located in Asia, we expect that a majority of our product revenues will continue to be represented by sales to customers in that region. In addition, we have recently increased our selling efforts in Japan. All revenue to date has been denominated in U.S. dollars. See "Risk Factors--We face foreign business, political and economic risks because a majority of our products and our customers' products

are manufactured and sold outside of the United States."

Product gross margin increased over the past several quarters due to increasing overall average selling prices and decreasing product costs. The increase in average selling prices was due to increases in sales of higher-bandwidth products to a broader customer base, and increases in sales of our receiver products. We anticipate that our product gross margin may fluctuate and may decline.

We are a "fabless" semiconductor company--that is, we do not own our own manufacturing, assembly and test facilities. Instead, we use independent contractors to perform wafer manufacturing and assembly and test operations. This approach allows us to focus on defining, developing, and marketing our products and significantly reduces the amount of capital we need to invest in manufacturing assets. See "Risk Factors--We depend on a single third-party wafer foundry to manufacture all our products, which reduces our control over the manufacturing process" and "--We depend on third-party subcontractors for assembly and test, which reduces our control over the assembly and test processes."

We will incur substantial stock compensation expense in future periods which represents non-cash charges incurred as a result of the issuance of stock options to employees and consultants. With respect to stock options granted to employees, such charges are recorded based on the difference between the deemed fair value of the common stock and the option exercise price of such options at the date of grant, which is amortized under the accelerated method over the option vesting period. At June 30, 1999, the amount of employee unearned compensation was \$7.5 million which will be amortized in future periods. The charge related to options granted to consultants is calculated at the end of each reporting period based upon the Black-Scholes model, which approximates fair value and is amortized based on the term of the consulting agreement or service period. The amount of the charge in each period can fluctuate depending on our stock price and volatility.

Charges associated with the fair value of warrants issued to Intel were expensed as Intel progressed towards achievement of a milestone. In September 1998, we entered into several agreements with Intel Corporation. Under the terms of these agreements, we issued to Intel two warrants, each to purchase 142,857 shares of our common stock. The first warrant was issued in September 1998 and was immediately exercisable at an exercise price of \$3.50 per share. The second warrant was issued in

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September 1998 and became exercisable on March 31, 1999 at an exercise price of \$0.35 per share. Charges associated with the fair value of the warrants issued to Intel were expensed as Intel progressed towards achievement of a milestone. We are obligated to issue an additional warrant to Intel for 142,857 shares of our common stock exercisable at \$0.35 per share upon satisfaction of a milestone. In the event that we issue this warrant, we will record an expense which will be equal to the fair value of the warrant at the time of issuance. The size of this expense may be significant and will be dependent on the price and volatility of our stock at that time. Please see "Certain Transactions--Transactions with Intel and Its Subsidiary, Chips and Technologies" and "Risk Factors--Our relationship with Intel does not guarantee that Intel will cooperate with us in the future" and "--Our relationship with Intel involves competitive risks" for a description of our agreements with Intel and risks of the relationship.

Substantially all of our sales are made on the basis of purchase orders rather than long-term agreements. In addition, the sales cycle for our products is long which may cause us to experience a delay between the time we incur expenses and the time we generate revenue from these expenditures. We intend to increase our investment in research and development, selling, general and administrative functions and inventory as we seek to expand our operations. We anticipate the rate of new orders may vary significantly from quarter to quarter. Consequently, if anticipated sales and shipments in any quarter do not occur when expected, expenses and inventory levels could be disproportionately high, seriously harming our operating results for that quarter and, potentially, future quarters. See "Risk Factors--Our quarterly operating results may fluctuate significantly in the future due to factors related to how we manage our business" and "--Our lengthy sales cycle can result in uncertainty and delays in generating revenues."

RESULTS OF OPERATIONS

The following table sets forth statement of operations data expressed as a percentage of total revenue for the periods indicated.

<TABLE>
<CAPTION>

SIX MONTHS ENDED

	YEAR ENDED DECEMBER 31,			JUNE 30,	
	1996	1997	1998	1998	1999
<S>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA:					
Revenue:					
Product revenue.....	2.6%	44.7%	98.7%	99.1%	93.1%
Development and license revenue.....	97.4	55.3	1.3	0.9	6.9
Total revenue.....	100.0	100.0	100.0	100.0	100.0
Cost and operating expenses:					
Cost of product revenue.....	0.4	29.7	55.3	63.9	40.2
Research and development.....	113.6	111.0	58.0	73.1	37.0
Selling, general and administrative.....	157.3	104.5	55.6	71.2	36.8
Stock compensation and warrant expense.....	0.0	0.0	17.4	6.9	35.0
Total operating expenses.....	271.3	245.2	186.3	215.1	149.0
Loss from operations.....	(171.3)	(145.2)	(86.3)	(115.1)	(49.0)
Interest income.....	2.8	6.0	3.1	1.2	2.5
Interest expense and other, net.....	(0.4)	(1.8)	(1.7)	(2.0)	(0.7)
Net loss.....	(168.9)%	(141.0)%	(84.9)%	(115.9)%	(47.2)%

</TABLE>

SIX MONTHS ENDED JUNE 30, 1998 AND 1999

PRODUCT REVENUE. Product revenue increased 191%, from \$2.7 million for the six months ended June 30, 1998 to \$7.7 million for the six months ended June 30, 1999. The increase in product revenue was derived primarily from significantly higher unit shipments of transmitters and receivers, driven by increased market acceptance of digital-ready host systems and displays. The increase in unit volume resulted primarily from new design wins with new customers in Japan as demand for flat panel displays was particularly strong in that region. In addition, in the six months ended June 30, 1999, a larger proportion of our revenue was derived from sales of receiver products, which are generally higher-priced than transmitter products.

DEVELOPMENT AND LICENSE REVENUE. Development and license revenue increased from \$25,000 for the six months ended June 30, 1998 to \$575,000 for the six months ended June 30, 1999. In the first quarter of 1999, we recognized \$550,000 of development revenue, which represented amounts previously recorded as deferred revenue under a contract for the development of display technology that was terminated during the period when the other party, a Korean corporation, decided to reduce its research and development expenses. We do not expect development and license revenue to represent a material portion of total revenue in the future.

COST OF PRODUCT REVENUE. Cost of product revenue consists primarily of the costs of manufacturing, assembly and test of our semiconductor devices and our related overhead costs. Product gross margin (product revenue minus cost of product revenue, as a percentage of product revenue) increased from 35.5% for the six month period ended June 30, 1998 to 56.8% for the six month period ended June 30, 1999. The increase in product gross margin was due to higher average selling prices and lower unit product costs. The increase in average selling prices was due to an increase in sales of higher-speed products, an increase in sales to customers that were not eligible for volume discounts, and an increase in sales of our higher-priced receiver products. The reduction in product costs was primarily the result of more efficient designs and lower manufacturing costs. We anticipate that our product gross margin may decrease from current levels in future periods as a result of increased competition in our markets.

RESEARCH AND DEVELOPMENT. R&D consists primarily of compensation and associated costs relating to development personnel, consultants and prototypes. R&D was \$2.0 million, or 73.1% of total revenue for the six months ended June 30, 1998, and \$3.1 million or 37.0% of total revenue for the six months ended June 30, 1999. The increase in absolute dollars was primarily due to the hiring of additional development personnel and outside consultants and an increase in prototyping costs. Our research and development staff increased from 14 at June 30, 1998 to 23 at June 30, 1999. We expect that R&D will continue to significantly increase in absolute dollars in the future.

SELLING, GENERAL AND ADMINISTRATIVE. SG&A consists primarily of employee salaries, sales commissions, and marketing and promotional expenses. SG&A was \$1.9 million, or 71.2% of total revenue, for the six months ended June 30, 1998, and \$3.1 million or 36.8% of total revenue for the six months ended June 30, 1999. SG&A increased in absolute dollars due primarily to hiring of additional personnel, expanded sales and marketing activities related to the further broadening of our customer and product base in 1999 and increased sales

commissions. Our sales and marketing staff increased from 13 at June 30, 1998 to 23 at June 30, 1999, and administrative and finance staff increased from 10 at June 30, 1998 to 12 at June 30, 1999. We expect that SG&A will continue to increase in absolute dollars as we hire additional personnel, expand our sales and marketing efforts, pay increased sales commissions and incur costs associated with being a public company.

STOCK COMPENSATION AND WARRANT EXPENSE. Stock compensation and warrant expense was \$184,000, or 6.9% of total revenue for the six months ended June 30, 1998, and \$2.9 million, or 35.0% of total revenue for the six months ended June 30, 1999. A substantial portion of the increase was due to the

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amortization of unearned compensation related to the vesting of employee stock options, and additional amounts related to progress made towards the achievement of a milestone on a warrant issued to Intel.

INTEREST INCOME. Interest income increased from \$31,000 in the six months ended June 30, 1998 to \$210,000 for the six months ended June 30, 1999. This increase was principally due to higher average cash balances resulting from the net proceeds of the sale of convertible preferred stock in the third quarter of 1998.

INTEREST EXPENSE. Interest expense increased from \$54,000 in the six months ended June 30, 1998 to \$62,000 for the six months ended June 30, 1999. This increase was the result of an increase in the average outstanding debt and an increase in fixed assets held under a capital lease.

PROVISION FOR INCOME TAXES. We have not recorded a provision for federal or state income taxes through June 30, 1999 since we have experienced net tax losses since inception. We have recorded a valuation allowance for the full amount of our net deferred tax assets, as the future realization of the tax benefit is not likely.

At June 30, 1999 we had net operating loss carry-forwards for federal and state tax purposes. For federal tax purposes our net operating loss carry-forwards were approximately \$16.1 million and our state tax carry-forwards were \$5.4 million. These federal and state tax loss carry-forwards are available to reduce future taxable income and expire at various dates into fiscal 2019. Under the provisions of the Internal Revenue Code, some substantial changes in our ownership may limit the amount of net operating loss carry-forwards that could be utilized annually in the future to offset taxable income.

YEAR ENDED DECEMBER 31, 1996, 1997 AND 1998

PRODUCT REVENUE. Product revenue increased from \$30,000 in 1996 to \$1.3 million in 1997, and increased to \$7.7 million in 1998. In April 1997, we began shipping our initial PanelLink transmitter and receiver products. Product revenue increased from 1997 to 1998 primarily as a result of significantly higher unit shipments of transmitters. The increase was primarily due to sales to Mitac and ATI. These manufacturers are significant suppliers to Compaq, with whom we had a major design win for our transmitter in 1998.

DEVELOPMENT AND LICENSE REVENUE. Development and license revenue was \$1.1 million in 1996, \$1.6 million in 1997 and \$100,000 in 1998. Development and license revenue in 1996 and 1997 was primarily derived from two significant development contracts entered into in 1996. We also derived revenue from license fees paid during these years for licenses of our high-speed digital interconnect technology.

COST OF PRODUCT REVENUE. Product gross margin increased from 33.5% in 1997 to 44.0% in 1998. In 1996 product gross margin was 83.3% on \$30,000 of product revenue. The increase in product gross margin in 1998 was primarily due to higher average selling prices resulting from the introduction of new products and a reduction in product costs. Product costs declined due to a general decrease in the prices charged by contract manufacturers of semiconductors, and improvements in the yields achieved in manufacturing our products. Cost of product revenue increased as a percentage of total revenue in each year primarily due to decreases in our development and license revenue as a percentage of total revenue.

RESEARCH AND DEVELOPMENT. R&D was \$1.3 million, or 114% of total revenue for 1996, \$3.2 million, or 111% of total revenue for 1997, and \$4.5 million, or 58.0% of total revenue for 1998. The increases in absolute dollars were primarily due to the hiring of additional development personnel and outside consultants and an increase in prototyping costs. Our research and development staff increased from six at December 31, 1996 to 12 at December 31, 1997 and 17 at December 31, 1998.

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SELLING, GENERAL AND ADMINISTRATIVE. SG&A was \$1.8 million, or 157% of total revenue for 1996, \$3.0 million, or 104% of total revenue for 1997, and \$4.3 million, or 55.6% of total revenue for 1998. The year to year increases in absolute dollars were due primarily to the hiring of additional personnel, increased sales commissions, expanded marketing activities for our initial product introductions in 1997 and the broadening of our customer and product base in 1998. Our sales and marketing staff increased from six at December 31, 1996 to 11 at December 31, 1997 to 16 at December 31, 1998, and our administrative and finance staff increased from seven at December 31, 1996 to nine at December 31, 1997 to 11 at December 31, 1998.

STOCK COMPENSATION AND WARRANT EXPENSE. Stock compensation and warrant expense was \$1.4 million, or 17.4% of total revenue in 1998. A substantial portion of the expense in 1998 was due to the amortization of unearned compensation related to the vesting of employee stock options, and additional amounts were related to progress made towards the achievement of milestones on warrants issued to Intel.

INTEREST INCOME. Interest income was \$32,000 in 1996, \$171,000 in 1997 and \$242,000 in 1998. In each year, the increase in interest income was primarily due to interest earned on higher average cash balances.

INTEREST EXPENSE. Interest expense was \$4,000 in 1996, \$52,000 in 1997 and \$133,000 in 1998. The increases in interest expense were primarily due to higher average debt balances.

PROVISION FOR INCOME TAXES. We have not recorded a provision for federal or state income taxes in 1996, 1997 and 1998 as we have experienced net tax losses since inception.

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QUARTERLY RESULTS OF OPERATIONS

The following table presents selected quarterly financial information for each of the six quarters ended June 30, 1999. This information is unaudited but, in our opinion, reflects all adjustments, consisting only of normal recurring adjustments that we consider necessary for a fair presentation of this information in accordance with generally accepted accounting principles. These quarterly results are not necessarily indicative of future results.

<TABLE>
<CAPTION>

	THREE MONTHS ENDED					
	MAR. 31, 1998	JUN. 30, 1998	SEP. 30, 1998	DEC. 31, 1998	MAR. 31, 1999	JUN. 30, 1999
	(IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA:						
Revenue:						
Product revenue.....	\$ 1,051	\$ 1,601	\$ 2,014	\$ 3,037	\$ 3,486	\$ 4,220
Development and license revenue.....	--	25	25	50	575	--
Total revenue.....	1,051	1,626	2,039	3,087	4,061	4,220
Cost and operating expenses:						
Cost of product revenue.....	607	1,104	1,140	1,463	1,578	1,750
Research and development.....	1,008	948	1,140	1,428	1,441	1,619
Selling, general and administrative.....	824	1,082	1,165	1,264	1,339	1,713
Stock compensation and warrant expense.....	38	146	554	623	1,391	1,507
Total operating expenses.....	2,477	3,280	3,999	4,778	5,749	6,589
Loss from operations.....	(1,426)	(1,654)	(1,960)	(1,691)	(1,688)	(2,369)
Interest income.....	22	9	84	127	87	123
Interest expense and other, net.....	(13)	(42)	(38)	(40)	(29)	(33)
Net loss.....	\$ (1,417)	\$ (1,687)	\$ (1,914)	\$ (1,604)	\$ (1,630)	\$ (2,279)
AS A PERCENTAGE OF TOTAL REVENUE:						
Revenue:						
Product revenue.....	100.0%	98.5%	98.8%	98.4%	85.8%	100.0%
Development and license revenue.....	0.0	1.5	1.2	1.6	14.2	0.0
Total revenue.....	100.0	100.0	100.0	100.0	100.0	100.0
Cost and operating expenses:						
Cost of product revenue.....	57.8	67.9	55.9	47.4	38.9	41.4
Research and development.....	95.9	58.3	55.9	46.3	35.5	38.4
Selling, general and administrative.....	78.4	66.5	57.1	40.9	33.0	40.6
Stock compensation and warrant expense.....	3.6	9.0	27.2	20.2	34.2	35.7
Total operating expenses.....	235.7	201.7	196.1	154.8	141.6	156.1

Loss from operations.....	(135.7)	(101.7)	(96.1)	(54.8)	(41.6)	(56.1)
Interest income.....	2.1	0.6	4.1	4.1	2.2	2.9
Interest expense and other, net.....	(1.2)	(2.6)	(1.9)	(1.3)	(0.7)	(0.8)
Net loss.....	(134.8)%	(103.7)%	(93.9)%	(52.0)%	(40.1)%	(54.0)%

</TABLE>

PRODUCT REVENUE. Product revenue increased from the preceding quarter in each of the six quarters ended June 30, 1999. The increase in product revenue was derived primarily from significantly higher unit shipments driven by increased market acceptance of digital-ready host systems and displays

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and the addition of new customers and distributors. In addition, in the first two quarters of 1999, a larger proportion of our revenue was derived from sales of receiver products, which are generally higher-priced than transmitter products. A majority of our product revenue in the second, third and fourth quarters of 1998 consisted of sales of transmitters to Mitac and ATI. These manufacturers are suppliers to Compaq, with whom we had a design win in early 1998. Our combined product revenue from Mitac and ATI significantly declined in the first and second quarters of 1999. See "Risk Factors-- We depend on few key customers and the loss of any of them could significantly reduce our revenue."

DEVELOPMENT AND LICENSE REVENUE. In the first quarter of 1999, we recognized \$550,000 of development revenue, which represented amounts previously recorded as deferred revenue under a development contract that was terminated during the period. In addition, we received other revenue from patent licenses during the last three quarters of 1998 and the first quarter of 1999.

COST OF PRODUCT REVENUE. The following table sets forth product gross margin for the six quarters ended June 30, 1999.

<TABLE>
<CAPTION>

	THREE MONTHS ENDED					
	MAR. 31, 1998	JUN. 30, 1998	SEP. 30, 1998	DEC. 31, 1998	MAR. 31, 1999	JUN. 30, 1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Product gross margin:.....	42.2%	31.0%	43.4%	51.8%	54.7%	58.5%

</TABLE>

Product gross margin decreased in the second quarter of 1998 to 31.0% primarily due to establishing reserves for the return of non-saleable products under a distribution agreement that expired in that quarter. In the fourth quarter of 1998, the product margin increase to 51.8% was primarily attributable to decreases in transmitter product costs. The increases in product margin in the first two quarters of 1999 are primarily a result of continued increases in overall average selling prices due to continued increases in the breadth of our customer base, continued increases in receiver products sold, and product cost reductions. Cost of product revenue as a percentage of total revenue has varied from quarter to quarter, primarily due to changes in our product gross margin and changes in our development and license revenue.

RESEARCH AND DEVELOPMENT. R&D increased, in general, in absolute dollars primarily due to the hiring of additional development personnel and consultants, and an increase in prototyping costs.

SELLING, GENERAL AND ADMINISTRATIVE. SG&A has increased quarter to quarter in absolute dollars primarily due to hiring additional personnel, increased sales commissions and expanded marketing activities to broaden our customer base and product mix.

STOCK COMPENSATION AND WARRANT EXPENSE. Stock compensation and warrant expense increased in each quarter primarily as a result of option grants to employees and increases in the associated amortization of unearned compensation related to the vesting of employee stock options. In the third and fourth quarter of 1998 and the first quarter of 1999, we incurred additional expenses related to the progress made by Intel towards the achievement of milestones on warrants issued to them.

LIQUIDITY AND CAPITAL RESOURCES

Since our inception, we have financed operations through a combination of private sales of convertible preferred stock, lines of credit and capital lease financing. At June 30, 1999, we had \$8.7 million in working capital and \$12.6 million in cash, cash equivalents and short-term investments.

We used cash in our operating activities in the amount of \$505,000 in 1996, \$4.5 million in 1997 and \$3.7 million in 1998. In 1996, 1997 and 1998, cash used for operating activities was attributable primarily to the net loss in each year. Our operating activities provided cash in the amount of \$269,000 during the six months ended June 30, 1999. The increase in cash for this period was primarily a result

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of an increase in accounts payable and deferred margin on sales to distributors, partially offset by the net loss and a decrease in accrued liabilities and deferred revenue. Accounts payable increased as a result of an overall increase in our inventory levels and operating expenses, as our business has grown, as well as the timing of our disbursements within each period. The deferred margin on sales to distributors increased as a result of an overall increase in the amount of shipments to distributors, as our revenue recognition policy is to defer recognition of revenue on sales to distributors until we estimate that the products are sold by the distributor to the end customer. The amount of our accounts receivable at each period-end varies, primarily due to the timing of our shipments within the period. To date, we have not experienced any material collection difficulties.

We used cash in our investing activities in the amount of \$724,000 in 1996, \$300,000 in 1997 and \$1.7 million in 1998. In 1996 and 1997, cash used in investing activities was attributable to purchases of property and equipment. In 1998, the use of cash was attributable to purchases of short-term investments and property and equipment. For the six months ended June 30, 1999, cash used by investing activities was \$673,000 which was primarily attributable to purchases of short-term investments.

Net cash provided by financing activities was \$2.7 million in 1996, \$5.3 million in 1997, \$12.8 million in 1998 and \$994,000 in the first six months of 1999. In 1996, 1997 and 1998, cash provided by financing activities was primarily attributable to proceeds from the issuance of convertible preferred stock. In 1999, cash provided by financing activities was primarily attributable to proceeds from the financing of property and equipment and the exercise of stock options.

In December 1998, we entered into a line of credit agreement, which provides for borrowings of up to \$4.0 million based on and secured by eligible accounts receivable. Borrowings accrue interest at the bank's commercial lending rate plus 0.25%, which equaled 8.25% at June 30, 1999. On June 30, 1999, we were in compliance with all line of credit covenants, we had borrowed \$757,000 under this line of credit and an additional \$755,000 was available for borrowing. This line of credit expires in April 2000. In February 1999, we entered into a \$2.5 million capital lease line that allows for the leasing of equipment and software over 33 to 42 month terms. The stated interest rate under this lease line is 8.0%. The lease line expires in October 2000. On June 30, 1999, we were in compliance with all lease line covenants and we had borrowed \$841,000 under this lease line.

We lease equipment and software under short-term and long-term leases with terms ranging from one to three years. We intend to exercise purchase options at the end of the lease terms for a minimal cost. We also plan to spend up to approximately \$3.0 million during the next 12 months for test equipment, potential tenant improvements and additional equipment and software. We lease our facility under a noncancelable operating lease which expires in December 2002. We currently intend to relocate our headquarters to larger facilities and are actively seeking rental space. We will incur additional costs related to any relocation and may have to pay rent on two leases for a period of time.

We believe that the net proceeds from this offering, together with existing cash balances and funds available under our existing credit facilities, will be sufficient to meet our capital requirements for at least the next 12 months. After this period, capital requirements will depend on many factors, including the levels at which we maintain inventory and accounts receivable, costs of securing access to adequate manufacturing capacity and increases in our operating expenses. To the extent that funds generated by this offering, together with existing resources and cash from operations, are insufficient to fund our future activities, we may need to raise additional funds through public or private equity or debt financing. Additional funds may not be available, or if available, we may not be able to obtain them on terms favorable to us or our stockholders. See "Use of Proceeds."

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QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISKS

INTEREST RATE RISK

Our cash equivalents and short-term investments are exposed to financial market risk due to fluctuation in interest rates, which may affect our interest income and the fair market value of our investments. We manage the exposure to financial market risk by performing ongoing evaluations of our investment portfolio and investing in short-term investment-grade corporate securities. These securities are highly liquid and generally mature within 12 months from our purchase date. Due to the short maturities of our investments, the carrying value approximates the fair value. In addition, we do not use our investments for trading or other speculative purposes.

We have performed an analysis to assess the potential effect of reasonably possible near-term changes in interest and foreign currency exchange rates. The effect of such rate changes is not expected to be material to our results of operations, cash flows or financial condition. All transaction to date have been denominated in United States dollars.

As of June 30, 1999, our cash included money market securities. Due to the short duration of our investment portfolio, an immediate 10% change in interest rates would not have a material effect on the fair market value of our portfolio. Therefore, we would not expect our operating results or cash flows to be affected to any significant degree by the effect of a sudden change in market interest rates on our securities portfolio.

FOREIGN CURRENCY EXCHANGE RISK

Substantially all of our sales are denominated in U.S. dollars and as a result, we have relatively little exposure to foreign currency exchange risk with respect to any of our sales. We do not currently enter into forward exchange contracts to hedge exposures denominated in foreign currencies or any other derivative financial instruments for trading or speculative purposes. The effect of an immediate 10% change in exchange rates would not have a material impact on our future operating results or cash flows.

YEAR 2000 COMPLIANCE

We are aware of the widely publicized problems associated with computer systems as they relate to the Year 2000. Many existing computer hardware systems and software applications, and embedded computer chips, software and firmware in control devices use only two digits to identify a year in the date field, without considering the impact of the upcoming change in the century. Others do not correctly process "leap year" dates. As a result, such system applications and devices could fail or create erroneous results unless corrected so that they can correctly process data related to the Year 2000 and beyond. These problems are expected to increase in frequency and severity as the Year 2000 approaches.

We have commenced our business risk assessment of the impact that the Year 2000 problem may have on our operations. As business conditions warrant, this assessment may be revised as new information is made available to us. To date, we have identified the following four key areas of our business that may be affected:

PRODUCTS. We have evaluated each of our products and believe that they do not contain date sensitive functionality. We cannot determine whether all of our customers' products into which our products are incorporated will be Year 2000 compliant because we have little or no control over the design, production and testing of our customers' products.

THIRD-PARTY SUPPLIERS. We rely, directly and indirectly, on external systems utilized by our suppliers for the management and control of fabrication, assembly and test of our products. To date, we

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have received responses from our key suppliers, including our most significant supplier Taiwan Semiconductor Manufacturing Company, which indicate that each believes that it has adequately addressed its Year 2000 issue or is in the process of developing and implementing mediation plans. In addition, we have identified our key products and may increase our inventory levels of these products during the fourth calendar quarter of this year. For such products, we expect increased demand in 2000 and therefore we do not expect the additional inventory to have a material effect on our business.

INTERNAL INFRASTRUCTURE. We are conducting an assessment of internal software applications and computer hardware. The Year 2000 compliance of hardware including networks, telecommunications equipment, workstations and other items is nearing completion. Most of the software applications used by us are generally recent versions of vendor supported, commercially available products. Because most of the software applications used by us are generally recent versions of vendor supported, commercially available products, we have not incurred, and do not expect in the future to incur, significant costs to upgrade these applications as Year 2000 compliant versions are released by the respective vendors. We will continue to seek certifications that products installed are Year 2000 ready, and are targeting October 1999 to complete this

process.

FACILITY SYSTEMS. Systems such as utilities, sprinklers, test equipment and security at our facilities may also be affected by the Year 2000 problem. We have commenced assessing the business risks and costs of remediating the Year 2000 problem on our facility related systems. We estimate that our total cost of completing any required modifications, upgrades or replacements of these systems will not have a material adverse effect on our business or results of operations. We currently expect to complete the remediation of our facility systems by October 30, 1999.

DISTRIBUTOR AND CUSTOMER READINESS. Distributor and customer readiness focuses on Year 2000 compliance of customer support and inventory management systems including the development of contingency plans where appropriate, as well as the ability of our distributors and customers to continue to conduct business. We are working with our distributors and customers in this effort and anticipate completing this program by October 1999.

We presently estimate that the total cost of addressing our Year 2000 issues will not exceed \$100,000. This estimate was derived utilizing numerous assumptions, including the assumption that we have already identified our most significant Year 2000 issues and that the plans of our third party suppliers, distributors and customers will be fulfilled in a timely manner without cost to us. However, these assumptions may not be accurate, and actual results could differ materially and adversely from those anticipated after completion of remediation, testing, and contingency planning phases.

We are currently developing contingency plans to address those Year 2000 issues that may pose a significant risk to our ongoing operations. We currently expect to complete these contingency plans by October 1999. Such plans could include accelerated replacement of affected equipment software and systems, the use of back up test and assembly suppliers and buffer inventories or the implementation of manual procedures to compensate for system deficiencies. However, any contingency plans we implement may not succeed or may not be adequate to meet our needs without materially impacting our operations. In addition, the delays and inefficiencies inherent in conducting operations in an alternative manner could materially and adversely affect our results of operations. More specifically, if our third party suppliers or our distributors were to lose power, or the ability to ship product as a result of Year 2000 related issues, we would be exposed to missing customer shipments and potentially lose revenues and profits. We believe the likelihood of losing revenue and profits from difficulties resulting from Year 2000 issues is low.

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INFLATION

The impact of inflation on our business has not been material for the fiscal years ended December 31, 1996, 1997 and 1998, or the six months ended June 30, 1999.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Statement on Financial Accounting Standards, or SFAS, No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES. SFAS No. 133 establishes a new model for accounting for derivatives and hedging activities and supersedes and amends a number of existing accounting standards. SFAS No. 133 requires that all derivatives be recognized in the balance sheet at their fair market value, and the corresponding derivative gains or losses be either reported in the statement of operations or as a deferred item depending on the type of hedge relationship that exists with respect to such derivative. We do not currently enter into forward exchange contracts to hedge exposures denominated in foreign currencies or any other derivative financial instruments for trading or speculative purposes.

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BUSINESS

THIS PROSPECTUS CONTAINS FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. OUR ACTUAL RESULTS MAY DIFFER SIGNIFICANTLY FROM THE RESULTS DISCUSSED IN THESE FORWARD-LOOKING STATEMENTS. FACTORS THAT MAY CAUSE SUCH A DIFFERENCE INCLUDE, BUT ARE NOT LIMITED TO, THOSE DISCUSSED IN "RISK FACTORS."

We develop and market semiconductors for applications that require cost-effective, integrated solutions for high-speed data communications. We are initially focusing our technology on the local interconnect between host systems, such as PCs, set-top boxes and DVD players, and digital displays, such as flat panel displays and CRTs. Our current products enable host systems to transmit digital video data and enable displays to receive and manipulate digital video data. As with other consumer electronic devices, such as digital cellular phones, significant benefits can be achieved by converting displays from analog to digital and by replacing conventional analog connections between host systems and displays with digital connections.

Two prominent trends in the electronics industry are the increasing demand for bandwidth and the transition of electronic systems from analog to digital. Bandwidth, which is often measured in terms of megabits per second, represents the amount of data that can be transmitted across a medium in a given period of time. In attempts to address the increasing demand for bandwidth, new communications standards such as Fast Ethernet, SONET and Fibre Channel have been adopted, and new classes of communications semiconductors have been developed to implement these standards. The second trend, the shift from analog to digital, has made information easier to reliably store, transmit and manipulate. It has also reduced manufacturing costs, improved quality and enhanced functionality through the addition of new features that were unavailable or not practical with analog technologies. For example, many features, such as messaging, paging and security, became more feasible as wireless phones converted from analog to digital.

As with wireless phones, significant benefits can be achieved by replacing analog displays with digital displays. To enable this transition, displays require digital communication with the host system. Until recently, however, there was no commercially viable standard that addressed the challenges of enabling digital communications between host systems, such as PCs, set-top boxes and DVD players, and video displays, such as flat panel displays and CRTs. A principal reason that such a standard did not exist was the substantial technical challenge of developing a cost-effective high-bandwidth solution capable of transmitting data at the multi-gigabit rates needed to link the host system to a high-resolution display. This rate is 50 times faster than the Fast Ethernet networking standard and 500 times faster than cable modems. In the absence of a digital standard, host systems, though processing data in digital form, have been forced to convert that data to analog form before transmitting it to the display. Consequently, the functionality of display devices has changed little since the introduction of analog cathode ray tubes.

Recognizing the need for a cost-effective, high-bandwidth digital display solution, Silicon Image developed a digital interconnect technology and began shipping semiconductor products for digital displays in 1997. To provide a worldwide, open specification for an all-digital display solution, Silicon Image, together with Intel, Compaq, IBM, Hewlett-Packard, NEC and Fujitsu, formed the Digital Display Working Group to define such a specification based on Silicon Image's technology. In April 1999, the DDWG published the Digital Visual Interface specification, which defines a high-speed serial data communication link between host systems and displays. Silicon Image authored major portions of the DVI specification. Today, over 50 companies, including systems manufacturers, graphics semiconductor companies and monitor manufacturers are participants in the DDWG, and many are developing hardware and software products designed to be compliant with the DVI specification.

<TABLE>			
<S>	<C>	<C>	<C>
DDWG MEMBERSHIP DDWG PROMOTERS			
Compaq	Hewlett-Packard	Intel	Silicon Image
Fujitsu	IBM	NEC	

<TABLE>					
<S>	<C>	<C>	<C>	<C>	<C>
DDWG PARTICIPANTS					

<CAPTION>						
HOST SYSTEM	ADD-IN BOARD	DISPLAY	PROJECTOR	SEMICONDUCTOR	OTHER	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Apple Computer	ATI Technologies	Amtran Technology	Lightware	Analog Devices	Amphenol	
Gateway	AVED Display	Daewoo Electronics	Proxima	Ardent	Aurora Systems	
MaxVision	ELSA AG	FED Corporation	Sanyo Electric	Technologies	Foxconn (Hon Hai)	
Multi Q	I-O Data	Hitachi	Seiko Epson	Avance Logic	Precision	
Toshiba	Number Nine	Hosiden		Chrontel	JAE Electronics	
	S3	LG Electronics		Innovative	Joinsoon Electronic	
	STB Systems	EIZO Nanao		Semiconductors	MNC International	
	VMIC	Nokia Display		Pixel Fusion	Molex Incorporated	
		Philips Monitors		Pixelworks	Rainbow Optics	
		Princeton Graphics		Real 3D	Tai-Sol Electronics	
		Van Koeveering		Rendition		
		Xerox		Sage		
				Silicon Magic		
				Silicon Motion		
				SP3D Chip Design		

</TABLE>

The formation of the DDWG and the release of the DVI specification have accelerated the shift of display technology to digital. The market research firm DisplaySearch projects that the number of desktop LCD monitors shipped annually will grow from five million units in 1999 to 18 million units in 2003. DisplaySearch further estimates that the digital interface will rapidly gain market share over analog for desktop LCDs, from 14% in the first quarter of 1999 to 69% in the first quarter of 2001. In addition, three of the five largest desktop CRT manufacturers are developing digital CRTs compliant with the DVI specification. According to Stanford Resources, Inc., the overall market for desktop CRTs will grow from 83 million units in 1999 to 115 million units in 2003. In response to projected growth in the market for digital displays, manufacturers are seeking to differentiate their products by adding functionality and intelligence to their displays. Consequently, these companies are looking for semiconductor solutions that combine high-speed digital communications technology with the functionality required to enable intelligent displays for the mass market.

THE SILICON IMAGE SOLUTION

Silicon Image designs, develops and markets semiconductor solutions for high-speed digital communications. Our technology is designed for applications that require cost-effective, high-speed integrated solutions for data transmission, such as the local interconnect between host systems and digital displays, high-speed networking and data storage. Our initial products enable host systems to transmit digital video data and allow displays to receive and manipulate digital video data.

Our key products are based on our PanelLink digital interface technology and Digital Visual Controller architecture. PanelLink technology is our proprietary implementation of the DVI specification to provide a high-speed serial digital link between hosts and digital displays. The DVC architecture is our platform for developing controllers which integrate PanelLink receiver technology with additional functionality to enable intelligent displays for the mass market. Key features of our solution include:

- HIGH-SPEED INTERFACE. Our PanelLink technology transmits data over three high-speed serial channels at up to 1.67 gigabits per second per channel for an aggregate speed of approximately five gigabits per second. PanelLink technology supports such speeds over twisted-pair copper wire at distances of up to 10 meters and permits direct coupling with fiber optic interconnect modules for longer distance data transmission.

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- LOW COST OF SYSTEM IMPLEMENTATION. PanelLink technology operates at full speed over inexpensive twisted-pair copper wire. In addition, our products are manufactured using cost-effective standard foundry processes and low-cost plastic packaging. Our all-digital interconnect solution eliminates the need for additional components currently required in digital displays to convert data from analog to digital and to remove errors associated with the conversion.

- SYSTEM LEVEL INTEGRATION. Our solution combines high-speed digital communication technology with system-level functionality, including digital image processing and display control. Our DVC architecture is designed to support the integration of additional functions. Furthermore, all of its elements can be provided using the same CMOS--Complementary Metal Oxide Semiconductor--manufacturing processes, simplifying this integration.

- SCALABILITY. We offer products that support a wide range of standard display resolutions, from VGA (640 x 480 pixels) to SXGA (1280 x 1024 pixels). Support for these resolutions requires our solution to transmit and receive data at speeds ranging from 250 megabits to 1.12 gigabits per second per channel. We have recently demonstrated new products that support the 1.65 gigabit per second per channel speed necessary to support advanced ultra-high resolution UXGA (1600 x 1200 pixels) flat panel displays. We plan to commercially introduce these new products in the fourth quarter of 1999.

Our solution enables our customers to introduce digital display products, thereby eliminating the need for analog technology in both the host system and display. This provides a number of benefits to our customers:

- LOWER COST FOR MASS MARKET ADOPTION. The low cost of implementing our PanelLink technology helps our customers offer intelligent displays targeting the consumer market.
- EASE OF USE. Use of our all-digital solution enables "plug and play"

connection of any digital display to any digital-ready host system--that is, no configuration must be done by the end-user.

- IMPROVED VISUAL EXPERIENCE. Our high-bandwidth solution enables the transmission of data-intensive video images in digital form, without degradation of image quality. Because our solution is all-digital, it eliminates the errors associated with the use of an analog interface, such as flicker, fuzziness and color variation.
- ABILITY TO ADD NEW FEATURES AND DIFFERENTIATE PRODUCTS. Our technology enables our customers to add new features and functions to their displays and to offer differentiated products. For example, one of our existing products enables image quality to be directly controlled in the display rather than in the host system. In addition, our products are programmable, allowing our customers to configure image processing and user interface functions.
- ACCELERATED TIME TO MARKET. By using our products instead of developing solutions internally, our customers can shorten their design time for digital display products. The highly integrated nature of our products simplifies the design of digital displays.

SILICON IMAGE STRATEGY

Our objective is to be a leading provider of semiconductors that enable high-speed digital communications and optimize cost per bandwidth across targeted communications markets. Key elements of our strategy are to:

TARGET THE DISPLAY MARKET FIRST

While our technologies are applicable to solving the needs of multiple markets, we have initially chosen to focus our efforts on being the leading provider of high-speed solutions for the large and

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rapidly growing digital display market. Relative to other data communication applications, the digital display interface demands a particularly high-speed, low cost solution that operates over a wide range of transmission speeds. Our technology effectively addresses these demands and incorporates many additional features and capabilities. Companies shipping displays which incorporate our products include Apple, Compaq, Fujitsu, Gateway, Hitachi, IBM, NEC, Princeton Graphics, Sharp and ViewSonic.

PROMOTE OPEN INDUSTRY STANDARDS

We believe that the widespread acceptance of the DVI specification and subsequent enhancements to this specification will lead to broader market penetration of digital displays in many different applications, help us maintain our leadership position and create new opportunities for us. We are one of the seven founding members of the DDWG and a member of its governing board. We authored major portions of the DVI specification and developed the core technology upon which the specification is based. We intend to continue to actively participate in defining and promoting open industry standards. We believe that our participation will provide us with valuable insight and relationships and assist us in rapidly bringing new standards-based products to market.

DRIVE BROAD ADOPTION OF DIGITAL-READY HOST SYSTEMS

We believe that broad adoption of digital-ready host systems will drive the widespread transition to all-digital displays. Accordingly, we aggressively market our host-based transmitter products and promote the adoption of the DVI specification, in order to expand the market for our receiver and display controller products. To date, we have shipped over 3.5 million units of our Panellink transmitter products. In the PC industry, we have achieved transmitter design wins with leading host system OEMs, including Compaq, Fujitsu, Hitachi, IBM and NEC, and with makers of video graphics accelerators, including ATI Technologies, Diamond Multimedia and Number Nine. While continuing to focus on the PC industry, we intend to follow a similar strategy for other host systems, such as set-top boxes, game consoles and DVD players.

INCREASE THE INTELLIGENCE OF DISPLAYS THROUGH HIGHLY INTEGRATED RECEIVER SOLUTIONS

We believe the conversion to end-to-end digital displays allows a significant amount of functionality to shift from the host system to the display and the addition of new capabilities to the display. Our display controllers integrate additional functionality with our receiver technology to enable a new class of intelligent displays and allow display vendors to differentiate and increase the value of their products. We are focusing a substantial amount of our product development, marketing and sales efforts on DVI-compliant display controllers.

MAINTAIN TECHNOLOGY LEADERSHIP

We are the inventor of the technology upon which the DVI specification is based and have substantial experience in the design, manufacture and deployment of semiconductor products incorporating this high-speed data communications technology. We are developing our fourth generation of transmitter and receiver products and believe that this experience provides us with significant competitive advantages. In particular, our broadband clock and data recovery technology in our receivers exceeds the reliability specifications established in various multi-gigabit communication standards. The advanced nature of our high-speed digital design allows us to integrate significant functionality with high-speed communications capabilities using industry-standard, low-cost CMOS processes. We intend to continue to focus significant resources on maintaining and extending our technology leadership.

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PENETRATE NEW MARKETS AND APPLICATIONS

We intend to use our core technical competencies and relationships with key partners and customers to develop solutions for additional markets. We believe our technology is well suited to many applications requiring high bandwidth and system level integration. To address these opportunities, we are focusing on developing products and technologies for new markets, primarily the gigabit networking and high-speed serial interface storage markets.

STRATEGIC RELATIONSHIPS

As part of our business strategy, we have established strategic relationships with key customers and partners.

INTEL RELATIONSHIP

In September 1998, Silicon Image entered into an agreement with Intel Corporation to work together to develop and promote adoption by the PC industry of a complete digital display interface based on our PanelLink technology. As part of the strategic relationship, Intel became an equity investor in Silicon Image and the companies entered into a patent cross license and other agreements. See "Certain Transactions--Transactions with Intel and Its Subsidiary, Chips and Technologies."

DIGITAL DISPLAY WORKING GROUP

Silicon Image, together with Intel, Compaq, IBM, Hewlett-Packard, NEC and Fujitsu, announced the formation of the DDWG in October 1998. Subsequently, the parties entered into a Promoter's Agreement in which they agreed to:

- define, establish and support the DVI specification, an open industry specification for an all-digital display solution;
- encourage broad and open industry adoption of the DVI specification, in part by creating an implementer's forum that others may join in order to receive information and support relating to the DVI specification; and
- invite third parties to enter into a Participant's Agreement in order to consult on the content, feasibility and other aspects of the DVI specification.

JOINT DEVELOPMENT OF DIGITAL CRTS

We have been collaborating with Acer, ADI Corp. and Samsung, three of the world's top five CRT monitor manufacturers, in their design and development of CRTs incorporating DVI-compliant DVCs that we are developing and expect to introduce commercially in the first half of 2000. These manufacturers, as well as NEC and ViewSonic, recently demonstrated digital CRTs that incorporate these DVCs.

BRANDING RELATIONSHIPS

Currently, we have branding relationships with Compaq, NEC and Sharp. In exchange for rebates or other consideration, these manufacturers use the PanelLink brand on their products, product boxes, product collateral and web sites.

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MARKETS

Our current target markets consist of host systems, including PCs, set-top boxes and DVD players, and displays, including flat panel displays and CRTs. In addition, we believe our technologies are well suited to new markets such as high-speed networking and storage applications.

HOST SYSTEMS

PERSONAL COMPUTERS

Dataquest projects that the desktop personal computer market will grow from 89 million units in 1999 to 150 million units in 2003. Several large PC manufacturers, including Compaq, Fujitsu, Hitachi and IBM, are shipping digital-ready desktop PCs which incorporate our semiconductor products. Based on the number of transmitters we have shipped, we estimate that more than three million digital-ready PCs have shipped over the last 18 months.

Dataquest projects that the notebook PC market will grow from 17 million units in 1999 to 29 million units in 2003. We believe that there are two opportunities for DVI-compliant digital interfaces in the notebook PC market: replacement of the external analog video-out interface and replacement of the internal interface to the notebook display.

SET-TOP BOXES AND DVD PLAYERS

Selantek Market Research projects that the digital set-top box market will grow from 19 million units in 1999 to 56 million units in 2002. High definition content is driving the demand for higher quality displays, such as high-definition televisions based on CRTs, digital projectors and flat panel displays. The interface to such a high definition display/television requires a digital link that provides high-speed data transmission in order to preserve the digital image quality. While no digital interface specification has been defined, the DVI specification is well-suited to the needs of this market. We believe there is a significant opportunity for DVI-compliant transmitter products in this market. We also believe that DVD players would similarly benefit from a single digital interface standard. Selantek Market Research projects that the DVD player market will grow from four million units in 1999 to 25 million units in 2003.

DISPLAYS

DISPLAYS FOR DESKTOP COMPUTERS

Stanford Resources, Inc. projects that the market for desktop CRTs will grow from 83 million units in 1999 to 115 million in 2003. The DVI specification is designed to enable digital CRTs. CRT manufacturers Acer, ADI Corp. and Samsung, which Stanford Resources, Inc. estimates together shipped over 18 million CRT monitors in 1998, are developing DVI-compliant digital CRTs. ViewSonic has also announced plans to market DVI-compliant digital CRTs.

DisplaySearch projects that the market for desktop LCDs will grow from nearly five million units in 1999 to 18 million units in 2003. DisplaySearch further projects that the digital interface will rapidly gain market share over analog for desktop LCDs, from 14% in the first quarter of 1999 to 69% in the first quarter of 2001.

Until recently, graphics processing capabilities were provided by a separate semiconductor in the desktop computer. Several major semiconductor companies have announced that they are developing products that integrate these capabilities with other system functions such as the computer's central processing unit. We believe that this trend will limit the display-specific functionality provided by the host system, and will create an opportunity for digital display OEMs to provide more advanced or specialized capabilities in the display. We believe that the market growth for digital desktop displays, as

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well as the trend towards increasing the capabilities of the display, provides a significant market opportunity for DVI-compliant display controller products.

DISPLAYS FOR WIDE-SCREEN TV SYSTEMS

Stanford Resources, Inc. projects that the market for wide format display systems, including HDTV display systems, will grow from eight million units in 1999 to over 14 million units in 2003. We believe wide format display systems will benefit from use of a digital interface and all-digital image processing.

DISPLAYS FOR OTHER APPLICATIONS

In addition to PC applications, LCD displays are used in automobile navigation, automobile televisions, industrial displays, kiosks and point-of-sale displays. DisplaySearch projects that the combined market for

automobile navigation and television displays will grow from three million units in 1998 to seven million units in 2003. DisplaySearch projects that the market for industrial displays will grow from five million units in 1998 to nine million units in 2003. Currently these displays use a variety of interfaces. We believe the markets for these displays would benefit from a single industry standard digital interface. We believe that the DVI specification can address the interface requirements of these markets.

HIGH-SPEED NETWORKING AND STORAGE APPLICATIONS

Dataquest projects that the overall number of Gigabit Ethernet ports for high-speed networks will grow from over two million in 1999 to over 22 million in 2003. Dataquest also projects that the market for high-bandwidth hard disk drive solutions, which use high-speed interfaces such as Serial ATA and Fibre Channel, will grow from 1.5 million units in 1999 to over 114 million units in 2003. Our core technology allows data transmission at 1.67 gigabits per second over twisted-pair copper wire in display applications. We believe our technology is well-suited to address the high bandwidth requirements of the gigabit networking and high-speed serial interface storage markets.

CUSTOMERS

We have achieved design wins with many leading host system and display manufacturers. To date, we have shipped over four million semiconductor devices, including transmitters, receivers and controllers. Our products have been designed into host systems and displays from the following companies:

<S>	<C>	<C>
HOST SYSTEM COMPANIES		DISPLAY SYSTEM COMPANIES
PCS	LCD DISPLAYS	PROJECTORS
ACER*	ACER*	COMPAQ
COMPAQ	APPLE	CTX*
FUJITSU	COMPAQ	NEC
HITACHI	FUJITSU	PROXIMA
IBM	GATEWAY	SANYO
MITAC*	HITACHI	SHARP
NEC	IBM	
SHARP	LG ELECTRONICS*	LCD PANELS
TOSHIBA	MATSUSHITA	LG LCD
	MITAC*	SAMSUNG
GRAPHICS ADD-IN BOARDS	NEC	TOSHIBA
ATI	PRINCETON GRAPHICS	
DIAMOND MULTIMEDIA	SAMSUNG ELECTRONICS*	
ELSA	VIEWSONIC	
LEADTEK		
MATROX		
NUMBER NINE		
3DLABS		

* These companies sell unbranded products to other companies which incorporate our products.

We focus our sales and marketing efforts on achieving design wins with leading host system and display OEMs. In most cases, these OEMs outsource manufacturing functions to third parties. Therefore, once we have won the design, we typically help these third party manufacturers rapidly bring the design to production. Once the design is complete, we sell our products to these third party manufacturers either directly or indirectly through distributors. In 1998, sales to Mitac, a third party manufacturer, accounted for 54% of our total revenues, and ATI, a leading graphics board manufacturer, accounted for 12% of our total revenues. These manufacturers are significant suppliers to Compaq, with whom we had a major design win for our transmitter in 1998. For the six month period ended June 30, 1999, Mitac accounted for 13% of our total revenues, Kanematsu, a Japanese distributor, accounted for 13% of our total revenues and Microtek, a Japanese distributor, accounted for 11% of our total revenues. For a description of the risk of our customer concentration, see "Risk Factors--We depend on a few key customers and the loss of any of them could significantly reduce our revenues."

Recently, the percentage of our revenues attributable to sales through distributors has increased substantially. Much of this increase reflects design wins with new OEMs which rely on third-party manufacturers or distributors to provide inventory management and purchasing functions. See "Risk Factors--Our increasing dependence on selling through distributors increases the risks and complexity of our business."

PRODUCTS

Silicon Image designs, develops and markets semiconductors for high-speed digital communications. We have chosen to focus initially on the digital display market because it is a rapidly growing and potentially large market in which we are a technology leader. All of our current products are manufactured using low-cost, standard foundry CMOS processes at Taiwan Semiconductor Manufacturing Corporation in Taiwan. In addition to our primary products, we develop and sell reference design kits that represent application examples for incorporation of our products into our customers' equipment. By providing these reference design kits, we can assist the manufacturer in achieving easier and faster transitions from initial prototype designs through final production releases. Our primary products are transmitters for host systems and receivers and display controllers for displays. In 1998, over 75% of our product revenues resulted from the sale of transmitter products to manufacturers of host systems. While revenues from the sale of receivers and display controllers have increased in the past six months, transmitters continue to represent between 50% and 60% of our product revenues.

HOST SYSTEM PRODUCTS

Our Panellink transmitters reside in the host system and take digital video data from a graphics source, convert it to DVI-compliant digital output and transmit that output to a receiver in the display. We market discrete transmitters to manufacturers of PC motherboards, graphics boards and other applications such as point-of-sale terminal systems. Our transmitters operate at speeds of 0.75 to 3.36 gigabits per second, supporting resolutions from VGA to SXGA, and we have recently demonstrated a transmitter product which operates at a maximum speed of five gigabits per second, which supports UXGA resolution (1600 x 1200 pixels) in flat panel displays. Our transmitters directly interface with video graphics processors from companies such as 3Dfx, 3Dlabs, ATI, Intel, Matrox, nVidia, S3 and Trident and have been included in PC systems from leading companies such as Compaq, Fujitsu and NEC. As part of our strategy to drive the broad adoption of digital-ready host systems, we have licensed our transmitter technology to other semiconductor companies and we intend to do so in the future.

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Our host system products are:

PRODUCT	MAXIMUM RESOLUTION	PANELLINK TRANSMITTERS MAXIMUM BANDWIDTH	TARGET MARKETS	INTRODUCTION DATE
SiI 100 Tx	XGA (1040x768 pixels)	2.04 Gbps	Point-of-sale terminals	Q2 1997
SiI 140 Tx	High-refresh XGA (1040x768 pixels)	2.58 Gbps	PC motherboards and add-in boards	Q4 1997
SiI 150 Tx	SXGA (1280x1024 pixels)	3.36 Gbps	PC motherboards, add-in boards and flat panel displays	Q3 1998
SiI 154 Tx	SXGA (1280x1024 pixels)	3.36 Gbps	PC motherboards and add-in boards	Q1 1999
SiI 164 Tx	UXGA (1600x1200 pixels)	5 Gbps	PC motherboards and add-in boards	Q4 1999*

* Anticipated commercial introduction date.

DISPLAY SYSTEM PRODUCTS

We have three families of display products: Panellink receivers, Digital Visual Controllers and Intelligent Panel Controllers.

PANELLINK RECEIVERS

Our Panellink receivers reside in the display and receive DVI-compliant input and restore the digital video data. We market receivers to manufacturers of flat panel displays, CRTs, projectors and point-of-sale terminals. Our receivers operate at speeds from 0.75 to 3.36 Gbps, supporting resolutions from VGA to SXGA, and we have recently demonstrated a receiver product which operates at a maximum speed of five gigabits per second, which supports UXGA resolution (1600 x 1200 pixels) in flat panel displays. To ensure reliable data transmission, our receivers have been designed to exceed many of technical requirements of the DVI specification, such as having a lower pixel error rate than the DVI specification. Our receivers have been included in display systems from leading manufacturers such as Compaq, Fujitsu, Hitachi, IBM, NEC, Princeton Graphics, Proxima, Sanyo, Sharp and ViewSonic.

Our receiver products are:

PRODUCT	MAXIMUM RESOLUTION	PANELLINK RECEIVERS MAXIMUM BANDWIDTH	TARGET MARKETS	INTRODUCTION DATE
SiI 101 Rx	XGA (1040x768 pixels)	2.04 Gbps	Point-of-sale terminals	Q2 1997
SiI 141 Rx	high-refresh XGA (1040x768 pixels)	2.58 Gbps	PC motherboards and add-in boards	Q4 1997
SiI 151 Rx	SXGA (1280x1024 pixels)	3.36 Gbps	Flat panel displays	Q3 1998
SiI 161 Rx	UXGA (1600x1200 pixels)	5 Gbps	PC motherboards and add-in boards	Q1 2000*

* Anticipated commercial introduction date

DIGITAL VISUAL CONTROLLERS

To enable intelligent displays and consistently deliver a high-quality digital visual experience, we have developed the Digital Visual Controller architecture. The DVC architecture is our platform for

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development of system-level semiconductors that can deliver value-added functionality to our display customers. Our DVC architecture includes three functional layers:

[LOGO]

There is a rectangle comprised of four connected jigsaw puzzle pieces. The puzzle piece furthest to the left is red and inside the piece is Silicon Image's Panellink Technology logo. To the right of the logo is the phrase "Panellink Digital." The left side of the graphic contains graphical representations, arranged from top to bottom, of a personal computer, a notebook computer and a DVD player. Each of these representations is connected to the "Panellink" puzzle piece by a thick line filled with a series of zeroes and ones. The rectangle labeled "Panellink" is connected on the right side to another puzzle piece, which is yellow, labeled "pixelprecision." Inside the puzzle piece and above the label "pixelprecision" is Silicon Image's PixelPrecision logo. The puzzle piece labeled "PixelPrecision" is connected on the right side to a blue puzzle piece with the words "Display Adaption" inside it. The "Display Adaption" puzzle piece is connected to another red puzzle piece which is horizontally subdivided into four smaller puzzle pieces. These smaller puzzle pieces are labeled, from top to bottom, "Flat Panel Monitor," "Projector," "Digital CRT" and "Future." A thick line filled with zeroes and ones extends from the right of the "Flat Panel Monitor" puzzle piece to a graphical representation of a flat panel display. A thick line filled with zeroes and ones extends from the right of the "Projector" puzzle piece to a graphic labeled "Projector." A thick line filled with zeroes and ones extends from the right of the "Digital CRT" puzzle piece to a graphical representation of a digital CRT monitor.

- THE INTERFACE LAYER. This allows the display to receive digital data from any DVI-compliant host system. This layer includes our Panellink receiver technology. We anticipate that in the future this layer will support additional input and output capabilities to allow the display to communicate with the host system or other peripherals.
- THE DIGITAL VIDEO PROCESSING LAYER. This includes our PixelPrecision, all-digital, image processing technology for functions such as on-screen display and scaling--that is, switching readily from low to high resolutions. This layer takes advantage of the reliable digital data delivered from the host system across the Panellink interface to produce high image quality at low cost. We anticipate that in the future this layer will contain functions such as frame rate conversion and support for multiple video streams.
- THE DISPLAY ADAPTION LAYER. This layer formats and optimizes the output from the Digital Video Processing Layer for use on multiple display types, such as LCDs and CRTs. Our development plans are to support additional display types such as plasma displays and micro displays. In addition, the display adaption layer provides capabilities such as gamma correction, which allows the manufacturer to change the image contrast to match the characteristics of the individual display.

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DVCS FOR FLAT PANEL DISPLAYS. In June 1999, we announced the SiI 801-- the first product implementing our DVC architecture. The SiI 801 is designed specifically for high-volume, XGA resolution, flat panel displays. With the SiI 801, a flat panel display supports a full range of digital input resolutions from VGA to XGA, while scaling the input resolutions to the full XGA resolution of the display, for a high-quality, full-screen visual experience. The SiI 801 is the first single-chip solution that provides all the necessary interface, image processing and control functions required for an all-digital flat panel display. In the first quarter of 2000, we expect to introduce the SiI 851, which is designed to support input resolutions up to SXGA and to enhance the functionality of our Display Adaption Layer. As single-chip solutions, our DVCs for flat panel displays lower overall cost, increase reliability, occupy less board space and simplify board design and layout. Our DVCs are included in displays from leading manufacturers such as Compaq and NEC.

DVCS FOR CRTS. We have been collaborating with several leading CRT manufacturers in their design and development of digital CRTs. Using the DVC architecture, we are focusing on developing products to enable DVI-compliant digital CRTs.

Our DVC products are:

DIGITAL VISUAL CONTROLLER (DVC)					
PRODUCT	MAXIMUM RESOLUTION	MAXIMUM BANDWIDTH	KEY FEATURES	TARGET MARKETS	INTRODUCTION DATE
SiI 801 DVC	XGA (1040x768 pixels)	2.58 Gbps	- Scaling - On-screen display - Power management	Flat panel displays	Q2 1999
SiI 851 DVC	SXGA (1280x1024 pixels)	3.36 Gbps	- Scaling - On-screen display - Power management - Gamma correction - Dithering	Flat panel displays	Q1 2000*
SiI 901 DVC	UXGA (1600x1200 pixels)	5 Gbps	- Integrated digital-to-analog converter	Digital CRT Progressive scan TV	Q2 2000*

* Anticipated commercial introduction date.

INTELLIGENT PANEL CONTROLLERS

Our IPCs reside on the LCD module and receive digital input that complies with either the DVI specification or the LVDS standard (a standard which is commonly used in notebook PCs). Our IPCs then restore the video data format and directly interface with LCD module electronics. In addition, our IPC products contain functionality which simplifies the design of LCD modules by providing programmable timing controls, and support resolutions from VGA to XGA. We market IPCs to manufacturers of LCDs for use in notebook and flat panel displays.

Our panel controller products are:

INTELLIGENT PANEL CONTROLLER (IPC)					
PRODUCT	MAXIMUM RESOLUTION	MAXIMUM BANDWIDTH	KEY FEATURES	TARGET MARKETS	INTRODUCTION DATE
SiI 201 IPC	XGA (1040x768 pixels)	2.04 Gbps	- PanelLink Receiver	LCDs for notebook PCs and flat panel	Q3 1998

SiI 211 IPC	XGA (1040x768 pixels)	2.94 Gbps	- LCD timing controller - LVDS Receiver - LCD timing controller	displays LCDs for notebook PCs and flat panel displays	Q4 1999*
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</TABLE>

* Anticipated commercial introduction date.

SILICON IMAGE TECHNOLOGY

We believe that our key technical competencies are our high-speed serial link technology, semiconductor design expertise, display systems expertise and high-speed applications expertise.

HIGH-SPEED SERIAL LINK TECHNOLOGY

Serial link technology is the basis for the physical layer, which performs the electrical signalling, in several data communication protocols, including Ethernet, Fibre Channel and Asynchronous Transfer Mode. This technology converts data into a serial stream that is transmitted sequentially at a constant rate and then reconstituted into its original form. Our high-speed serial link technology includes a number of proprietary elements designed to address the significant challenge of ensuring that the data sent to the display can be accurately recovered after it has been separated and

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transmitted in serial streams over three separate wires. These include proprietary oversampling techniques to reduce errors in distinguishing data from noise and parallel data recovery algorithms to recover data from the serial streams. In order to enable the display to recognize this data at the proper time and rate, our digital serial link technology uses a digital phase-locked loop combined with a unique phase detecting and tracking method in order to monitor the timing of the data. These circuit techniques allow for mostly digital implementation of a high speed serial link that can be manufactured using standard CMOS processes. We can readily apply our high-speed serial link technology to all three types of serial transmission methods currently used in communications systems: synchronous, asynchronous, and plesiochronous. Synchronous systems, which allow data and the clock, which contains timing information, to be transmitted simultaneously, are appropriate for short-range communication links such as computer input/output devices and backplane buses. Asynchronous systems, in which only data is sent, are appropriate for mid- to long-range communication links or optical communications. Plesiochronous systems send only data, but adjust the data flow to effectively achieve the result of a synchronous transmission. These systems are appropriate for applications such as processor-to-processor links and general input/output where the sender and the receiver operate at slightly different clock frequencies.

HIGH-SPEED SEMICONDUCTOR DESIGN EXPERTISE

Our circuit designers are skilled in the design of high-speed, low-power and mixed-signal CMOS semiconductors. We use advanced design techniques, including low-power serializer, current mode driver and common mode canceler, to develop high-speed, highly integrated semiconductors which can be manufactured using conventional low-cost packages and can transmit and receive data using inexpensive cables and connectors. Our design methodology combines logic synthesis and full-custom mixed-signal design, allowing us to develop small, cost-effective semiconductors.

DISPLAY SYSTEMS EXPERTISE

Our display systems expertise ranges from display technology, driver and system design to display processing, testing and system integration. In addition to experience in existing display technologies, our active involvement within the display community contributes to our understanding of emerging display technologies.

HIGH-SPEED APPLICATIONS EXPERTISE

We have developed extensive expertise, at the semiconductor and system design levels, in solving problems related to designing systems using high-speed semiconductor devices such as electromagnetic compliance. Our expertise in solving electromagnetic compliance-related problems enables us to make our semiconductor products easier for our customers to design into their systems. In addition to providing semiconductor solutions, we assist our customers throughout the system design process, enabling them to reduce their time-to-market.

RESEARCH AND DEVELOPMENT

We have assembled a core team of engineers and technologists who have

extensive experience in the areas of high-speed circuit design, digital imaging and LCD panels and LCD panel electronics. As of June 30, 1999, we had 23 employees in the engineering department, including 13 with Ph.Ds.

From our inception until 1998, our internal research and development efforts focused primarily on the development of our core PanelLink technology and our initial transmitter and receiver products and we began our first panel controller product. In 1998, we improved our PanelLink technology and developed new transmitter and receiver products, focusing on providing both higher speeds and improved ease of use. We also began development of our DVC architecture. In 1999, we have focused

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our internal research and development efforts on further advancing our PanelLink technology and DVC architecture and adding new features and functionality to our display products.

Some of our key technology is developed by academic researchers at Seoul National University in Korea whom we have retained as consultants. These researchers operate under the direction of Dr. Jeong, a founder of Silicon Image and our Chief Technical Adviser. Significant portions of our high-speed serial link technology were developed under the direction of Dr. Jeong. He continues to direct our research and development efforts in Korea which focus on applying our core technology to new markets, such as high-speed networking and storage.

We have invested, and expect that we will continue to invest, significant funds on research and development activities. Our research and development expenses were approximately \$1.3 million in 1996, \$3.2 million in 1997, \$4.5 million in 1998 and \$3.1 million in the first six months of 1999. For more information regarding the risks of our research and development efforts, see "Risk Factors--Our success depends on the development and introduction of new products, which we may not be able to do in a timely manner because the process of developing high-speed semiconductor products is complex and costly" and "--Our dependence on academic researchers located in Korea could adversely affect our ability to develop and protect key technology."

SALES AND MARKETING

We sell our products through a direct sales force and indirectly through distributors and manufacturer's representatives. As of June 30, 1999, our sales and marketing organizations included 23 employees in North America, Europe and Asia, and our network of distributors and manufacturer's representatives included seven in Asia, seven in Europe and four in North America.

Our sales and marketing strategy is to achieve design wins with key industry leaders to help accelerate both the adoption of the DVI specification in host systems and the conversion to end-to-end digital display systems. We believe that superior field applications and engineering support are key to building long-term relationships with leading OEMs and third-party manufacturers. Sales personnel and applications engineers are dedicated to key customers to promote close communication and provide a high-level of technical support.

Our marketing efforts focus primarily on promoting adoption of the DVI specification, working closely with other DDWG members, participating in industry trade shows and forums, and entering into branding relationships to build awareness of the PanelLink brand.

MANUFACTURING

WAFER FABRICATION

Our semiconductor products are fabricated using standard CMOS processes, which permits us to engage independent wafer foundries to fabricate our semiconductors. By outsourcing our manufacturing requirements, we are able to avoid the high cost of owning and operating a semiconductor wafer fabrication facility. This allows us to focus our resources on the design and marketing of our products. We currently outsource all of our wafer manufacturing to Taiwan Semiconductor Manufacturing Company, or TSMC. However, we do not have a long-term agreement with Taiwan Semiconductor Manufacturing Company. If Taiwan Semiconductor Manufacturing Company were unable or unwilling to meet our requirements, our business would be seriously harmed. See "Risk Factors--We depend on a single third-party wafer foundry to manufacture all of our products, which reduces our control over the manufacturing process" and "--Our semiconductor products are complex and are difficult to manufacture cost-effectively."

Our devices are currently fabricated using both 0.5 micron, double-layer

metal and 0.35 micron, triple-layer metal processes. We continuously evaluate the benefits and feasibility of migrating to a smaller geometry process technology in order to reduce costs and improve performance.

ASSEMBLY AND TEST

After wafer fabrication, die are assembled into packages and the finished products are tested. Our products are designed to use low-cost standard packages and to be tested with widely-available semiconductor test equipment. We outsource all of our packaging and test requirements to Anam in Korea and ASE in Taiwan and California. For a description of risks presented by our dependence on third-party subcontractors, see "Risk Factors--We depend on third-party subcontractors for assembly and test, which reduces our control over the assembly and test processes."

The high-speed nature of our products makes it difficult to test our products in a cost-effective manner before they are assembled. Since the fabrication yields of our products have historically been high and the costs of our packaging have historically been low, we test our products after they are assembled. Defects are not discovered until that time. Our operations personnel closely review the process control monitor information provided to us by our foundry. To ensure quality, we have firmly established guidelines for rejecting wafers that we consider unacceptable. To date, bypassing wafer probe testing has not caused us to experience higher final test failures or lower yields. However, lack of wafer probe testing could have adverse effects in case there are problems with the wafer processing. See "Risk Factors--Our semiconductor products are complex and are difficult to manufacture cost-effectively."

QUALITY ASSURANCE

We focus on product quality through all stages of the design and manufacturing process. Our designs are subjected to in-depth circuit simulation at temperature, voltage and processing extremes before being committed to silicon. We pre-qualify each of our subcontractors. This pre-qualification process consists of a series of industry standard environmental product stress tests, as well as an audit and analysis of the subcontractor's quality system and manufacturing capability. We also participate in quality and reliability monitoring through each stage of the production cycle by reviewing electrical parametric data from our wafer foundry and assembly subcontractors. We closely monitor wafer foundry production to ensure consistent overall quality, reliability and yield levels. The facilities of our independent foundry and assembly and test subcontractors have achieved ISO 9000 certification.

INTELLECTUAL PROPERTY

Our success and future revenue growth will depend, in part, on our ability to protect our intellectual property. We rely on a combination of patent, copyright, trademark and trade secret laws, as well as nondisclosure agreements and other methods to protect our proprietary technologies. We have been issued four United States patents. These patents expire in 2016, subject to our payment of periodic maintenance fees. We have filed 17 additional United States patent applications. Three of these 17 applications have been allowed by the U.S. Patent and Trademark Office. We cannot assure you that any valid patent will issue as a result of any applications or, if issued, that any claims allowed will be sufficiently broad to protect our technology. We also generally control access to and distribution of our documentation and other proprietary information. Despite our precautions, it may be possible for a third party to copy or otherwise obtain and use our products, or technology without authorization, develop similar technology independently or design around our patents. See "Risk Factors--We may be unable to adequately protect our intellectual property."

Upon our inception, we licensed serial link technology from Dr. Jeong, a founder of Silicon Image and our Chief Technical Adviser. Our current license to this technology is worldwide and, except in case of bankruptcy or material breach, perpetual and irrevocable. Dr. Jeong granted rights in this technology to other companies before licensing it to Silicon Image. Dr. Jeong has agreed, however, not to grant additional rights to any third parties. Under our license, we can develop and sell products based on the serial link technology, and sublicense others to do the same. The serial link technology is a high-speed communication interconnect technology which is an important element of all of our

products and enables them to efficiently transmit data in serial stream at high speeds. See "Certain Transactions" for additional information regarding our license agreement with Dr. Jeong.

A significant portion of our technology is developed by consultants based in Korea. While our agreements with these consultants provide for the assignment of

all intellectual property rights in their work product to us, Korean law may not effectively provide the same level of protection of our intellectual property rights as United States law. Effective copyright, trademark and trade secret protection may be unavailable or limited in foreign countries. See "Risk Factors--Our dependence on academic researchers located in Korea could adversely affect our ability to develop and protect key technology."

An important part of our strategy has been to participate in the development of digital display standards, which we believe are critical to broad market acceptance of digital display technology. In June 1997, the Video Electronics Standards Association, commonly referred to as VESA, incorporated elements of our Panellink technology into its Plug and Display Standard for notebook and flat panel displays. In 1998, we decided that broad market acceptance of our technology would require a more comprehensive standard sponsored by leading semiconductor and display manufacturers. As a result, we worked with Intel, Compaq, IBM, Hewlett-Packard, NEC and Fujitsu to form the DDWG.

Our participation in the DDWG requires that we grant the right to others to use specific elements of our intellectual property in implementing the DVI specification in their products at no cost, in exchange for an identical right to use specific elements of their intellectual property for this purpose. This reciprocal free license covers the external behavior of the host and display. It does not, however, extend to the internal methods by which such behavior is created. Although the DVI specification is an open industry standard, we have developed proprietary methods of implementing the DVI specification. The intellectual property that we have agreed to license defines the logical structure of the interface, such as the number of signal wires, the signalling types (expressed in voltage or current levels), and the data encoding method for serial communication. Our implementation of this logical structure in integrated circuits remains proprietary, and includes our techniques to convert data to and from a serial stream, our signal recovery algorithms and our circuits to reduce EMI (electromagnetic interference). We cannot be sure, however, that third parties will not develop equivalent or superior implementations of the DVI specification, or that we will succeed in protecting our intellectual property rights in our proprietary implementation. We agreed to grant rights to the adopters of the DVI specification in order to promote the adoption of our technology as an industry standard. We thereby limited our ability to rely on intellectual property law to prevent the adopters of the DVI specification from using specific elements of our intellectual property for free. See "Risk Factors--Our participation in the Digital Display Working Group requires us to license some of our intellectual property for free, which may make it easier for others to compete with us."

We entered into a patent cross-license agreement with Intel in which each of us granted the other a license to use the grantor's patents, with specific exclusions related to the grantor's current products and anticipated future products, and network devices. This cross-license agreement expires when the last licensed patent expires, subject to the right of either party to terminate the agreement earlier upon material breach by the other party, or a bankruptcy, insolvency or change of control of the other party. We believe that this cross-license strengthens our business relationship with Intel. We have forfeited, however, our ability to rely on intellectual property law to prevent Intel from using our patents to the extent of this license. See "Risk Factors--Our relationship with Intel involves competitive risks."

The semiconductor industry is characterized by vigorous protection and pursuit of intellectual property rights or positions. This often results in significant, protracted litigation. For additional information on risks we may face as a result of intellectual property disputes, see "Risk Factors-- Others may bring infringement claims against us which can be time-consuming and expensive to defend."

COMPETITION

The high-speed communication, display and semiconductor industries are intensely competitive. These markets are characterized by rapid technological change, evolving standards, short product life cycles and decreasing prices. We believe that the principal factors affecting competition in our markets are levels of product integration, adherence to industry standards, time-to-market, cost, product capabilities, system design costs, intellectual property, customer support and reputation. Our current products face competition from a number of sources including: analog solutions, DVI-compliant solutions and other digital interface solutions.

- ANALOG SOLUTIONS. Display systems still predominantly employ an analog interface. Improvements to analog interface display solutions may slow the adoption of all-digital display systems. We compete with analog solution vendors such as Analog Devices and Genesis Microchip.

- DVI-COMPLIANT SOLUTIONS. We believe that over time, the DVI specification may become widely adopted in the digital display industry and attract additional market entrants that will compete with us. For example, we believe that a number of providers of video graphics accelerators are currently integrating DVI-compliant transmitter technology into their products. ATI Technologies, a major provider of video graphics accelerators that improve the speed and image quality of video output from computers, and one of our significant customers in 1998, recently introduced a product that contains an internally developed DVI-compliant transmitter capable of supporting very high resolution.

We anticipate that various companies will develop DVI-compliant receivers. Entrants in this market may include companies currently shipping analog image processing solutions, such as Arithmos, Genesis Microchip, Pixelworks and Sage, as well as companies with other digital interface solutions such as Texas Instruments and National Semiconductor.

- OTHER DIGITAL INTERFACE SOLUTIONS. Texas Instruments and National Semiconductor offer proprietary digital interface solutions based on LVDS technology. While LVDS technology has gained broad market acceptance in notebook PCs, few PC and display manufacturers have adopted this technology for use outside of the notebook PC market.

The market for our panel controller products is also very competitive. Some of our panel controller products are designed to be functionally interchangeable with similar products sold by Texas Instruments, National Semiconductor and Thine.

We expect competition to increase in our markets. For example, Genesis Microchip has announced plans to introduce a DVI-compliant product that will compete with our DVCs.

In the process of establishing our technology as an industry standard, and to ensure rapid adoption of the DVI specification, we have agreed to license specific elements of our intellectual property to others for free. In addition, we have licensed elements of our intellectual property to Intel and other semiconductor companies, and we may continue to do so. Competitors could use these elements of our intellectual property to compete against us. Many of our competitors have longer operating histories and greater presence in key markets, greater name recognition, access to large customer bases and significantly greater financial, sales and marketing, manufacturing, distribution, technical and other resources than we do. As a result, they may be able to adapt more quickly to new or emerging technologies and customer requirements or devote greater resources to the promotion and sale of their product than we may. In particular, well-established semiconductor companies, such as Analog Devices, Intel, National Semiconductor and Texas Instruments, may compete against us in the future. We cannot assure you that we can compete successfully against current or potential competitors or that competition will not seriously harm our business. See "Risk Factors--Our participation in the Digital Display Working Group requires us to license some of our intellectual property for free, which may make it easier for others to compete with us."

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EMPLOYEES

As of June 30, 1999, we had a total of 66 employees -- 23 in engineering, 23 in sales and marketing, eight in operations and 12 in finance and administration. Of these employees, 63 were located in the United States. None of our employees is represented by a collective bargaining agreement, nor have we experienced any work stoppage. We consider our relations with our employees to be good.

We depend on the continued service of our key technical, sales and senior management personnel and our ability to attract and retain additional qualified personnel. If we are unable to hire and retain qualified personnel in the future, our business would be seriously harmed.

FACILITIES

Our headquarters, including our principal administrative and marketing facilities, are located in approximately 18,000 square feet of space we have leased in Cupertino, California under a lease expiring December 14, 2002 with a renewal option for an additional five years. We believe that with our planned increases in personnel and activities, these facilities will become inadequate to meet our facility requirements in 2000. Accordingly, we will need to lease additional space and may need to vacate our current location and attempt to sublease our current facility. There is currently limited office space available close to our current location. The additional space we will need to lease may cost substantially more than our current space, and we may incur substantial capital expenditures for improvements to a new facility. We are currently negotiating terms to lease a 50,000 square foot facility, but we have no binding agreement for such a lease, and it is possible that we may not be able to lease this facility on favorable terms.

MANAGEMENT

EXECUTIVE OFFICERS, DIRECTORS AND A KEY CONSULTANT

Our executive officers, directors and a key consultant and their ages as of August 31, 1999 are as follows:

NAME	AGE	POSITION
David D. Lee.....	43	Chairman of the Board, Chief Executive Officer and President
Steve Tirado.....	45	Executive Vice President, Marketing and Business Development
Daniel K. Adler.....	40	Vice President, Finance and Administration and Chief Financial Officer
Victor M. Da Costa.....	39	Vice President, Engineering
Deog-Kyoon Jeong.....	40	Chief Technical Adviser (consultant)
Parviz Khodi.....	40	Vice President, Worldwide Sales
Scott A. Macomber.....	42	Vice President, Business Strategy
Jalil Shaikh.....	45	Vice President, Operations
Herbert Chang(1).....	37	Director
Sang-Chul Han.....	44	Director
David A. Hodges(2).....	62	Director
Andrew S. Rappaport(1)(2).....	42	Director
Ronald V. Schmidt(1).....	55	Director

- (1) Member of the Compensation Committee
(2) Member of the Audit Committee

DAVID D. LEE has served as Chairman of the Board and Chief Executive Officer since our inception on January 1, 1995, and in addition served as President from inception until October 1996 and since June 1999. Prior to founding Silicon Image, Dr. Lee was a principal investigator at Sun Microsystems, Inc., a computer networking company, where he led advanced development projects from 1993 to 1995, as a Visiting Scientist at Sun's Technology Development Group and as Senior Staff Engineer at Sun Labs. Before joining Sun, Dr. Lee was a member of the research staff at Xerox Corporation's Palo Alto Research Center, from 1989 to 1994. Dr. Lee holds Bachelor of Science, Master of Science and Ph.D. degrees in Electrical Engineering and Computer Sciences from the University of California at Berkeley.

STEVE TIRADO has served as Silicon Image's Executive Vice President of Marketing and Business Development since August 1999. From April 1986 to July 1999, Mr. Tirado held various marketing and management positions at Sun Microsystems, Inc., a computer networking company, serving most recently as Vice President of Marketing and Business Development for the NC Systems Group. From 1985 to 1986, Mr. Tirado was President of Tirado, Sorrentino Associates, a consulting firm. From 1984 to 1985, Mr. Tirado held the position of Marketing Administration Manager at Qualogy, a mass storage disk drive and controller company. From 1976 to 1984, Mr. Tirado was a public program administrator and policy analyst within various government agencies. Mr. Tirado holds a Bachelor of Arts degree in Psychology from the University of California at Santa Barbara, a Master of Arts Degree in Organizational Planning and Consultation from Boston University and a Master of Business Administration degree from the University of California at Berkeley.

DANIEL K. ATLER has served as Silicon Image's Chief Financial Officer and Vice President of Finance and Administration since June 1998. Mr. Adler served as Chief Financial Officer and Vice President of Finance and Administration for Wireless Access, Inc., a two-way wireless communication systems company, from January 1995 to November 1997, when Wireless Access, Inc., was acquired by Glenayre Technologies, Inc., a wireless personal communication systems company. After the merger, Mr. Adler continued in the same position at Wireless Access Group, a division of Glenayre Technologies, Inc., from November 1997 to June 1998. From July 1992 to December 1994, Mr. Adler served as Corporate Controller for Global Village Communication, Inc., a designer, developer and marketer of

communication products for personal computers. From July 1982 to July 1992, Mr. Adler was with Ernst & Young, a financial accounting firm, most recently as a Senior Manager. Mr. Adler holds a Bachelor of Science degree in Business Administration from Colorado State University.

VICTOR M. DA COSTA has served as Silicon Image's Vice President of Engineering since October 1998. Dr. Da Costa joined Silicon Image as a Senior Staff Engineer in February 1996. Dr. Da Costa was a member of the research staff at the Xerox Corporation's Palo Alto Research Center, from 1991 to 1996. Dr. Da Costa was a principal engineer at Versatec, a maker of electrostatic plotters,

from 1988 to 1991. Dr. Da Costa holds a Bachelor of Science degree in Physics from California State University of Fresno, a Master of Arts degree in Physics from the University of California at Davis and a Ph.D. in Experimental Condensed Matter Physics from the University of California at Davis.

DEOG-KYOON JEONG was a founder of Silicon Image and has served as Chief Technical Adviser in a consulting capacity since October 1995. Since August 1991, Dr. Jeong has been on the faculty of the School of Electrical Engineering at Seoul National University. Dr. Jeong holds the position of associate professor. From June 1989 to August 1991, Dr. Jeong worked at Texas Instruments, a semiconductor company, as a research scientist. Dr. Jeong holds Bachelor of Science and Master of Science degrees in Electrical Engineering from Seoul National University and a Ph.D. in Electrical Engineering and Computer Sciences from the University of California at Berkeley.

PARVIZ KHODI has served as Silicon Image's Vice President of Worldwide Sales since August 1998. Mr. Khodi joined Silicon Image in July 1998 as Director of Asia Pacific Sales. From November 1987 to July 1998, Mr. Khodi worked at Chips and Technologies, Inc., a maker of semiconductor chips principally for the graphics market, where he held various technical and managerial sales positions, most recently Director, Asia Pacific Sales. From 1986 to 1987, Mr. Khodi was a field applications engineer at Touch Communications, Inc., a software networking company. From 1984 to 1986, Mr. Khodi was an applications engineer at Intel. Mr. Khodi holds Bachelor of Science and Master of Science degrees in Electrical Engineering from the University of Kansas.

SCOTT A. MACOMBER has served as Silicon Image's Vice President of Business Strategy since June 1999. Mr. Macomber joined Silicon Image in December 1995, as Vice President, Business Development and a member of the board of directors. Mr. Macomber served as President of Silicon Image from October 1996 to June 1999 and as a director from December 1995 until June 1999. From 1989 until 1995, Mr. Macomber served in various marketing and management capacities at LSI Logic Corporation, a semiconductor company, most recently as Director of Corporate Development. Mr. Macomber was one of a founding group of employees at Silicon Solutions Corporation, a maker of high-performance computers, and was employed there from 1983 to 1987 in a number of managerial, marketing and engineering positions. From 1980 until 1982, Mr. Macomber was a member of the technical staff at Bell Telephone Laboratories, the research and development division of the American Telephone and Telegraph Company. Mr. Macomber holds a Bachelor of Science degree in Electrical Engineering from the University of Michigan, a Master of Science degree in Electrical Engineering from Stanford University and a Master of Business Administration degree from Stanford University.

JALIL SHAIKH has served as Silicon Image's Vice President of Operations since September 1996. From August 1994 to August 1996, he served as Director of Engineering Operations for graphics and multimedia products at Trident Microsystems, a designer, developer and marketer of digital media. From July 1991 to August 1994, he served as Product Engineering Manager at Micro Linear Corporation, an analog and mixed signal semiconductor company. Mr. Shaikh holds a Master of Science degree in Electrical Engineering from Rutgers, The State University of New Jersey and a Master of Business Administration degree from the University of Phoenix.

HERBERT CHANG has served as a director of Silicon Image since July 1998. Since April 1996, Mr. Chang has served as president of InveStar Capital, Inc., a venture capital fund management company. From July 1994 to March 1996, Mr. Chang was Senior Vice President at WK Technology

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Fund, a venture capital fund. From September 1991 to June 1994, Mr. Chang was Vice President of DynaLab, Inc., a developer of fonts for Asian characters. From July 1986 to August 1991, Mr. Chang was Assistant Vice President at Acer, Inc., a Taiwanese manufacturer of personal computers. Mr. Chang holds a Bachelor of Science degree in Geology from National Taiwan University and a Master of Business Administration degree from National Chiao-Tung University. Mr. Chang currently serves as a director of NetIQ Corporation, a developer of applications management software, and several private companies.

SANG-CHUL HAN has served as a director of Silicon Image since April 1996. Dr. Han is the founder of KNCS, Inc., a cable system operator in Seoul, Korea, and has served as a director since 1994. Dr. Han also founded Ewoo Films, a film production company, and served as its president from 1992 to 1994. Dr. Han has held the position of director of RK Industrial Co., a trading company in Seoul, Korea, since 1988. Dr. Han holds a Bachelor of Science degree in Engineering from Seoul National University and a Ph.D. in Finance from the New York University.

DAVID A. HODGES has served as a director of Silicon Image since February 1997. Dr. Hodges is a Professor in the Graduate School and the Daniel M. Tellep Distinguished Professor Emeritus at the University of California at Berkeley, where he has been a member of the faculty in the department of Electrical Engineering and Computer Sciences since 1970. From 1990 to 1996, Dr. Hodges served as Dean of the College of Engineering at the University of California at Berkeley. From 1966 to 1970, Dr. Hodges worked at Bell Telephone Laboratories,

the research and development division of the American Telephone and Telegraph Company. Dr. Hodges holds a Bachelor of Electrical Engineering degree from Cornell University and Master of Science and Ph.D. degrees in Electrical Engineering from the University of California at Berkeley. Dr. Hodges serves as a director of Mentor Graphics Corporation, an electronic design automation company.

ANDREW S. RAPPAPORT has served as a director of Silicon Image since June 1997. Mr. Rappaport has been a partner of August Capital, LLC, a venture capital firm, since July 1996. Prior to that time, Mr. Rappaport was president of The Technology Research Group, Inc., a Boston-based strategic management consulting firm which he founded in August 1984. Mr. Rappaport attended Princeton University. Mr. Rappaport serves as a director of MMC Networks, Inc., a developer and supplier of network processors, and several private companies.

RONALD V. SCHMIDT has served as a director of Silicon Image since April 1997. Since 1997, he has held the position of Research Vice President at Lucent Bell Laboratories Research Silicon Valley, a division of Lucent Technologies, Inc., a global communications company. From 1994 to 1997, he served as Executive Vice President and Chief Technical Officer and a director of Bay Networks, Inc., a data networking products and services company formed by the merger of SynOptics Communications, Inc., and Wellfleet Communications, Inc. Dr. Schmidt was a co-founder of Synoptics in 1985, and served as Senior Vice President, Chief Technical Officer and a director of SynOptics until the merger. From 1981 to 1985, Dr. Schmidt was a research fellow at Xerox Corporation's Palo Alto Research Center. Dr. Schmidt holds Bachelor of Science, Master of Science and Ph.D. degrees in Electrical Engineering and Computer Science from the University of California at Berkeley. Mr. Schmidt serves as a director of a private company.

BOARD COMPOSITION

Our bylaws currently provide for a board of directors consisting of six members. The term of each of our current directors will expire at the next annual meeting of stockholders. Commencing at the first annual meeting of stockholders following the date on which we shall have had at least 800 stockholders, the board of directors will be divided into three classes, each serving staggered three-year terms: Class I, whose term will expire at the first annual meeting of stockholders following the annual meeting of stockholders when we shall have had at least 800 stockholders; Class II, whose term will expire at

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the second annual meeting of stockholders following the annual meeting of stockholders when we shall have had at least 800 stockholders; and Class III, whose term will expire at the third annual meeting of stockholders following the annual meeting of stockholders when we shall have had at least 800 stockholders. As a result, only one class of directors will be elected at each annual meeting of stockholders of Silicon Image, with the other classes continuing for the remainder of their respective terms. Messrs. Chang and Han have been designated as Class I directors; Drs. Hodges and Schmidt have been designated as Class II directors; and Dr. Lee and Mr. Rappaport have been designated as Class III directors. We do not expect to have 800 or more stockholders immediately after this offering. Mr. Chang was elected to the board of directors pursuant to a voting agreement among Silicon Image and some of its principal stockholders. This voting agreement will terminate upon completion of this offering.

BOARD COMMITTEES

The audit committee consists of Dr. Hodges and Mr. Rappaport. The audit committee:

- reviews our financial statements and accounting practices;
- makes recommendations to the board regarding the selection of independent accountants; and
- reviews the results and scope of the audit and other services provided by our independent accountants.

The compensation committee consists of Messrs. Chang and Rappaport and Dr. Schmidt. The compensation committee:

- reviews and recommends to the Board of Directors the compensation and benefits of all officers, directors and consultants of Silicon Image; and
- reviews general policy relating to compensation and benefits.

Except for grants under the 1995 Equity Incentive Plan made by the compensation committee at its meeting on November 20, 1998, the board of directors has continued to administer the issuance of stock options and other awards under our 1995 Equity Incentive Plan, our 1999 Equity Incentive Plan and our 1999 Employee Stock Purchase Plan.

The compensation committee of Silicon Image's board of directors is currently comprised of Messrs. Chang and Rappaport and Dr. Schmidt. None of these individuals has at any time been an officer or employee of Silicon Image. For a description of the transactions between Silicon Image and members of the compensation committee and entities affiliated with the compensation committee members, see "Certain Transactions." None of our executive officers serves as a member of the board of directors or compensation committee of any entity which has one or more executive officers serving as a member of our board of directors or compensation committee.

EMPLOYMENT CONTRACTS AND CHANGE OF CONTROL ARRANGEMENTS

Silicon Image entered into severance agreements with both David Lee and Scott Macomber on April 22, 1997, and amended and restated these agreements on August 15, 1997. The agreements provide that if, on or before December 31, 2000, the executive is terminated by Silicon Image other than for cause, or if the executive resigns for good reason, the executive will continue to receive salary at his current rate for six months and vesting of his stock and options will accelerate, subject to limitations in the event of specified types of acquisitions of Silicon Image. In addition, if either Dr. Lee or Mr. Macomber is terminated for cause, or resigns without good reason, then Silicon Image may elect to continue his salary for six months. During any period when Dr. Lee or Mr. Macomber is receiving post-termination salary pursuant to the severance agreement, he will be available to consult with Silicon Image from time to time as Silicon Image may request, and he may not compete with

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Silicon Image in defined geographical areas. In June 1999, Mr. Macomber's position at Silicon Image changed from President to Vice President, Business Strategy, and we anticipate that he will continue in that capacity through April 2000. Our Board recognized that these changes that had occurred in Mr. Macomber's title and position constituted good reason as defined in the severance agreement, and that Mr. Macomber will be entitled to the benefits described above if he resigns from Silicon Image or if we terminate him without cause.

Silicon Image entered into an employment agreement with Daniel Adler on June 15, 1998. In addition to describing Mr. Adler's initial title and compensation, the agreement provides that Mr. Adler will continue to receive salary at his current rate and benefits for six months in the event that his employment terminates other than for cause. The agreement further provides that vesting of Mr. Adler's stock and options will accelerate in part in the event of a change in control of Silicon Image, subject to specific limitations. If Mr. Adler's employment continues after a change in control of Silicon Image, his options and restricted stock grants will continue to vest at an accelerated rate.

Silicon Image entered into an employment agreement with Parviz Khodi on June 10, 1999. In addition to describing Mr. Khodi's title and compensation, the agreement provides for continuation of salary and commission for six months in the event that there is a change in control of Silicon Image and Silicon Image terminates Mr. Khodi's employment other than for cause, disability or death. The agreement also provides that Mr. Khodi may purchase up to \$10,000 of Silicon Image's common stock at the end of each of eight fiscal quarters, commencing with the fourth quarter of 1998, at the then current fair market value as determined by the board of directors. Mr. Khodi has exercised this right by purchasing a total of \$20,000 of Silicon Image's stock to date. This stock purchase opportunity expires upon the earliest of termination of Mr. Khodi's employment, the closing of Silicon Image's initial public offering, or a change in control that results in our common stock (or securities issued in exchange for our common stock) becoming publicly traded.

Silicon Image entered into a letter agreement with Steve Tirado in 1999. The agreement sets forth Mr. Tirado's title and provides for an initial salary of \$225,000 per year and a bonus of up to \$50,000 in the first year. Pursuant to the agreement, Silicon Image sold Mr. Tirado 470,175 shares of common stock at the price of \$2.00 per share. All of the shares initially are subject to our right to repurchase the shares at cost if Mr. Tirado's employment terminates, and this right lapses over a four-year period. The agreement provides that Mr. Tirado will continue to receive salary at his current rate and benefits for six months in the event his employment terminates other than for cause.

DIRECTOR COMPENSATION

Directors of Silicon Image do not receive cash compensation for their services as directors, but are reimbursed for their reasonable and necessary expenses for attending board and board committee meetings. All board members are eligible to receive stock options pursuant to the discretionary option grant

program in effect under Silicon Image's 1995 Equity Incentive Plan and 1999 Equity Incentive Plan. In 1998, each of Dr. Hodges and Dr. Schmidt was granted an option to purchase 40,000 shares under the 1995 Equity Incentive Plan. Each option is immediately exercisable, and shares purchased upon exercise are subject to our right of repurchase, which lapses over four years.

Immediately following each annual meeting of our stockholders, each director who is not an employee and whose direct pecuniary interest in our common stock is less than 5% will automatically be granted an option under our 1999 Equity Incentive Plan to purchase 10,000 shares if the director has served continuously as a member of the board of directors for a period of at least one year, an additional option for 5,000 shares if the director has served on the audit committee, and an additional option for 5,000 shares if the director has served on the compensation committee. Each option will have an exercise price equal to the fair market value of our common stock on the date of grant. These annual grants will be immediately vested in full and will have a two-year term, but will generally terminate three months following the date the option-holder ceases to be a director or consultant.

EXECUTIVE COMPENSATION

The following table shows all compensation awarded to, earned by or paid for services rendered to Silicon Image in all capacities during 1998 by our chief executive officer and our other executive officers or former executive officers who earned at least \$100,000 in 1998.

SUMMARY COMPENSATION TABLE

<TABLE>
<CAPTION>

NAME AND PRINCIPAL POSITIONS	ANNUAL SALARY	COMPENSATION BONUS	SECURITIES UNDERLYING OPTIONS (#)
-----	-----	-----	-----
<S>	<C>	<C>	<C>
David D. Lee(1) Chairman of the Board and Chief Executive Officer	\$ 144,473	\$ --	--
Scott A. Macomber(2) Vice President, Business Strategy	143,672	--	--
Scott Slinker former Vice President, Sales(3)	135,579	17,656	--
Jalil Shaikh Vice President, Operations	133,289	--	60,000
Victor Da Costa Vice President, Engineering	120,621	--	100,000
Brian Underwood former Vice President, Marketing(4)	112,423	--	--

</TABLE>

-
- (1) Silicon Image authorized the sale of 150,000 shares of common stock to Dr. Lee in October 1998, and the sale was completed in January 1999. The price per share was \$0.35, which the board of directors determined was the fair market value of our common stock on the date of sale. We have a right to repurchase these shares upon termination of employment, which right lapses over a four-year period.
 - (2) Silicon Image authorized the sale of 250,000 shares of common stock to Mr. Macomber in October 1998, and the sale was completed in January 1999. The price per share was \$0.35, which the board of directors determined was the fair market value of our common stock on the date of sale. We have the right to repurchase these shares upon termination of employment in some circumstances, which right lapses over a four-year period.
 - (3) Mr. Slinker resigned from Silicon Image on October 31, 1998. The compensation information above for Mr. Slinker includes severance pay up to the end of 1998.
 - (4) Mr. Underwood is a founder of Silicon Image and our former Vice President, Marketing.

OPTION GRANTS IN LAST FISCAL YEAR

The following table shows information about each stock option granted during 1998 to the officers named in the Summary Compensation Table above.

All options included in the following table are immediately exercisable and are incentive stock options. We have a right to repurchase the shares issued on exercise of these options upon termination of the optionee's employment. This right lapses over four years. We granted the options at an exercise price equal to the fair market value of our common stock, as determined by our board of directors on the date of grant. The options generally expire on the earlier of

three months after termination of employment. The percentage numbers are based on an aggregate of 1,068,500 options granted to our employees during fiscal 1998.

<TABLE>
<CAPTION>

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	PERCENTAGE OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN 1998	EXERCISE PRICE PER SHARE	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(1)	
					5%	10%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
David D. Lee.....	--	--	--	--	--	--
Scott A. Macomber.....	--	--	--	--	--	--
Scott Slinker.....	--	--	--	--	--	--
Jalil Shaikh.....	60,000	5.6%	\$ 0.35	10/21/08	\$ 858,603	\$ 1,379,621
Victor Da Costa.....	100,000	9.4%	0.35	10/21/08	1,431,005	2,299,368
Brian Underwood.....	--	--	--	--	--	--

(1) Potential realizable values are computed by (a) multiplying the number of shares of common stock subject to a given option by the assumed initial public offering price of \$9.00 per share, (b) assuming that the aggregate stock value derived from that calculation compounds at the annual 5% or 10% rates shown in the table for the entire ten year term of the option, and (c) subtracting from that result the aggregate option exercise price. The 5% and 10% assumed annual rates of compounded stock price appreciation in the table above are required by the rules of the Securities and Exchange Commission and do not represent our estimates or projections of our future stock prices.

In addition, two of our officers joined us in 1998 and therefore were not included in the tables relating to summary compensation and option grants in 1998. Mr. Adler, our Vice President, Finance and Administration and Chief Financial Officer, is compensated at an annual rate of \$162,751 and was granted options to purchase 170,000 shares at an exercise price of \$0.25 per share in 1998. Mr. Adler's options represented 15.9% of the total options granted to employees in 1998. Mr. Khodi, our Vice President, Worldwide Sales, is compensated at an annual rate of \$143,838 and earned commissions and bonuses totaling \$25,229 in 1998. Mr. Khodi was granted options to purchase 60,000 shares at \$0.25 per share and 60,000 shares at \$0.35 per share in 1998, which represented an aggregate of 11.2% of the total options granted to employees in 1998. The options granted to Mr. Adler and Mr. Khodi were immediately exercisable. Upon termination of the optionee's employment, we have a right to repurchase the shares issued upon exercise of these options. Our right to repurchase the shares lapses over a four-year period.

FISCAL YEAR END OPTION VALUES

The following table provides information about stock option exercises by each of the executive officers named in the Summary Compensation Table above that exercised options in 1998. It also provides information about unexercised options held by these officers at the end of 1998. We have a

right to repurchase the shares issued upon exercise of these options upon termination of the optionee's employment. Our right to repurchase the shares lapses over a four-year period.

<TABLE>
<CAPTION>

NAME	SHARES ACQUIRED ON EXERCISE (#) (1)	VALUE REALIZED (\$) (2)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT FISCAL YEAR END (#)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR END (\$) (2)	
			EXERCISABLE (3)	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
David D. Lee.....	--	\$ --	--	--	\$ --	--
Scott A. Macomber.....	100,000	887,500	100,000	--	887,500	--
Scott Slinker.....	--	--	108,750	--	967,969	--
Jalil Shaikh.....	81,000	718,875	133,000	--	1,166,875	--
Victor Da Costa.....	140,000	1,253,000	120,000	--	1,042,500	--
Brian Underwood.....	--	--	--	--	--	--

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- (1) Of these shares, the following numbers were vested as of December 31, 1998: Scott A. Macomber--80,000 shares, Jalil Shaikh--81,000 shares; Victor Da Costa--96,250.
 - (2) The amount set forth represents the difference between the fair market value of the underlying common stock at December 31, 1998 (using an assumed initial public offering price of \$9.00 per share as the fair market value) and the exercise price of the option.
 - (3) Of the shares issuable upon exercise of these options, the following numbers were vested as of December 31, 1998: Scott A. Macomber--no shares, Scott Slinker--108,750 shares, Jalil Shaikh-- no shares, Victor Da Costa--5,000 shares.

EMPLOYEE BENEFIT PLANS

1995 EQUITY INCENTIVE PLAN

Our 1995 Equity Incentive Plan was adopted by our board of directors in September 1995. As of June 30, 1999, there were outstanding options to purchase a total of 1,098,963 shares of common stock under this plan, and 1,439,000 shares remained available for future grants of options under this plan. This plan will terminate immediately prior to this offering and no further options will be granted. However, the termination of this plan will not affect any outstanding options, which will remain outstanding until they are exercised, terminate or expire. As of August 31, 1999, there were outstanding options to purchase a total of 1,604,963 shares of common stock under this plan, and 866,000 shares remained available for future grants.

1999 EQUITY INCENTIVE PLAN

Our 1999 Equity Incentive Plan will become effective on the date of this prospectus and will serve as the successor to our 1995 Equity Incentive Plan. We have reserved 1,000,000 shares of common stock for issuance under this plan. The number of shares reserved for issuance under this plan will be increased to include:

- any shares reserved under our 1995 Equity Incentive Plan not issued or subject to outstanding grants on the date of this prospectus;
- any shares issued under our 1995 Equity Incentive Plan that are repurchased by us at the original purchase price; and
- any shares issuable upon exercise of options granted under our 1995 Equity Incentive Plan that expire or become unexercisable without having been exercised in full.

The number of shares reserved under this plan will be increased automatically on January 1 of each year by an amount equal to 5% of our total outstanding shares as of the immediately preceding

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December 31. Our board of directors or compensation committee may reduce the amount of the increase in any particular year. The following shares will be available for grant and issuance under our 1999 Equity Incentive Plan:

- shares issuable upon exercise of an option granted under this plan that is terminated or cancelled before the option is exercised;
- shares issued upon exercise of an option granted under this plan that are subsequently repurchased by us at the original purchase price;
- shares subject to awards granted under this plan that are subsequently forfeited or repurchased by us at the original issue price; and
- shares subject to stock bonuses granted under this plan that otherwise terminate without shares being issued.

Our 1999 Equity Incentive Plan will terminate in 2009, unless sooner terminated in accordance with the terms of the plan. Our 1999 Equity Incentive Plan authorizes the award of options, restricted stock awards and stock bonuses. No person will be eligible to receive more than 500,000 shares in any calendar year under this plan (750,000 in the case of new employees). This plan is administered by the compensation committee of our board of directors, which currently consists of Mr. Chang, Mr. Rappaport and Mr. Schmidt, all of whom are "outside directors" as defined under applicable federal tax laws. The committee has the authority to interpret this plan and any agreement made under the plan, grant awards and make all other determinations for the administration of this

plan. Our 1999 Equity Incentive Plan provides for the grant of both incentive stock options that qualify under Section 422 of the Internal Revenue Code, and nonqualified stock options. Incentive stock options may be granted only to employees. Nonqualified stock options, and all other awards other than incentive stock options, may be granted to employees, officers, directors, consultants, independent contractors and advisors of Silicon Image or subsidiary of Silicon Image. However, consultants, independent contractors and advisors are only eligible to receive awards if they render bona fide services not in connection with the offer and sale of securities in a capital-raising transaction. The exercise price of incentive stock options must be at least equal to the fair market value of our common stock on the date of grant. The exercise price of incentive stock options granted to 10% stockholders must be at least equal to 110% of that value. The exercise price of nonqualified stock options must be at least equal to 85% of the fair market value of the our common stock on the date of grant. The maximum term of options granted under our 1999 Equity Incentive Plan is ten years. Awards granted under this plan may not be transferred in any manner other than by will or by the laws of descent and distribution and may be exercised during the lifetime of the optionee only by the optionee. The compensation committee may allow exceptions to this restriction with respect to awards that are not incentive stock options. Options granted under our 1999 Equity Incentive Plan generally expire three months after the termination of the optionee's service to Silicon Image or a parent or subsidiary of Silicon Image. In the event of a "change in control" of Silicon Image, if the successor does not assume the options, they will expire upon conditions determined by the compensation committee. Alternatively, the compensation committee may accelerate the vesting of awards upon a change in control of Silicon Image.

1999 EMPLOYEE STOCK PURCHASE PLAN

Our 1999 Employee Stock Purchase Plan will become effective on the first day on which price quotations are available for our common stock on the Nasdaq National Market. We have initially reserved 250,000 shares of common stock for issuance under this plan. The number of shares reserved for issuance under our 1999 Employee Stock Purchase Plan will be increased automatically on January 1 of each year by an amount equal to 1% of our total outstanding shares as of the immediately preceding December 31. Our board of directors or compensation committee may reduce the amount of the increase in any particular year. Our compensation committee will administer our 1999 Employee

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Stock Purchase Plan. Employees generally will be eligible to participate in our 1999 Employee Stock Purchase Plan if they are employed by Silicon Image, or any subsidiaries that Silicon Image designates, for more than 20 hours per week and more than five months in a calendar year. Employees are not eligible to participate in our 1999 Employee Stock Purchase Plan if they are 5% stockholders, or would become 5% stockholders as a result of their participation in this plan. Under our 1999 Employee Stock Purchase Plan, eligible employees may acquire shares of our common stock through payroll deductions. Eligible employees may select a rate of payroll deduction between 1% and 15% of their cash compensation and are subject to maximum purchase limitations. Participation in this plan will end automatically upon termination of employment for any reason. A participant will not be able to purchase shares having a fair market value of more than \$25,000, determined as of the first day of the applicable offering period, for each calendar year in which the employee participates in this plan. Each offering period under this plan will be for two years and will consist of four six-month purchase periods. The first offering period is expected to begin on the first business day on which price quotations for our common stock are available on the Nasdaq National Market. The first purchase period may be more or less than six months long. Offering periods thereafter will begin on February 1 and August 1. The purchase price for common stock purchased under this plan will be 85% of the lesser of the fair market value of our common stock on the first day of the applicable offering period or the last day of each purchase period. The compensation committee will have the power to change the duration of offering periods. Our 1999 Employee Stock Purchase Plan is intended to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code. This plan will terminate in 2009, unless it is terminated earlier pursuant to its terms.

401(K) PLAN

We sponsor a defined contribution plan intended to qualify under Section 401 of the Internal Revenue Code. Participants may make pre-tax contributions to the plan of up to 20% of their eligible earnings, subject to a statutorily prescribed annual limit. Participants are fully vested in their contributions and the investment earnings. We may make matching contributions on a discretionary basis to the 401(k) plan, but have not done so in the past. Contributions by the participants or us to the 401(k) plan, and the income earned on such contributions, are generally not taxable to the participants until withdrawn. Our matching contributions, if any, are generally deductible by us when made. Contributions are held in trust as required by law. Individual participants may direct the trustee to invest their accounts in authorized investment alternatives.

Our certificate of incorporation includes a provision that eliminates the personal liability of a director for monetary damages resulting from breach of his fiduciary duty as a director, except for liability:

- for any breach of the director's duty of loyalty to Silicon Image or its stockholders;
- for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- under section 174 of the Delaware General Corporation Law regarding unlawful dividends and stock purchases; or
- for any transaction from which the director derived an improper personal benefit.

Our bylaws provide that:

- we are required to indemnify our directors and officers to the fullest extent permitted by the Delaware General Corporation Law, subject to limited exceptions where indemnification is not permitted by applicable law;

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- we are required to advance expenses, as incurred, to our directors and executive officers in connection with a legal proceeding to the fullest extent permitted by the Delaware General Corporation Law, subject to limited exceptions; and

- the rights conferred in the bylaws are not exclusive.

In addition to the indemnification required in our certificate of incorporation and bylaws, before the completion of this offering, we intend to enter into indemnity agreements with each of our current directors and officers. These agreements provide for the indemnification of our officers and directors for all expenses and liabilities incurred in connection with any action or proceeding brought against them by reason of the fact that they are or were agents of Silicon Image. We also intend to obtain directors' and officers' insurance to cover our directors, officers and some of our employees for liabilities, including liabilities under securities laws. We believe that these indemnification provisions and agreements and this insurance are necessary to attract and retain qualified directors and officers.

The limitation of liability and indemnification provisions in our certificate of incorporation and bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against directors and officers, even though an action, if successful, might benefit us and other stockholders. Furthermore, a stockholder's investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions. At present, there is no pending litigation or proceeding involving any of our directors, officers or employees regarding which indemnification by Silicon Image is sought, nor are we aware of any threatened litigation that may result in claims for indemnification.

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CERTAIN TRANSACTIONS

Since we were incorporated in January 1995, there has not been, nor is there currently proposed, any transaction or series of similar transactions to which Silicon Image was or is to be a party in which the amount involved exceeds \$60,000 and in which any director, executive officer or holder of more than 5% of our common stock had or will have a direct or indirect interest, other than compensation arrangements, which are described where required under "Management," and the transactions described below.

FORMATION OF SILICON IMAGE. In connection with the formation of Silicon Image, we issued and repurchased shares of common stock as set forth in the following table.

<TABLE>
<CAPTION>

NAME	DATE OF PURCHASE OR REPURCHASE	NUMBER OF SHARES PURCHASED	NUMBER OF SHARES REPURCHASED	PRICE PER SHARE
<S>	<C>	<C>	<C>	<C>

David Lee.....	01/01/95	1,735,000		\$ 0.0005
	03/01/95	800,000		0.0005
	10/02/95		335,000*	0.0005
Deog-Kyoon Jeong.....	01/01/95	640,000		0.0005
	09/05/95	360,000		0.0150
Brian Underwood.....	01/01/95	800,000		0.0005
	09/05/95	400,000		0.0150

</TABLE>

* We repurchased shares from Dr. Lee in the course of negotiating the terms of our Series A preferred stock financing.

All shares were subject to our right of repurchase, which expired in quarterly increments over a four-year period. This repurchase right has now expired with respect to all of the shares described above.

RELATIONSHIP WITH DR. JEONG. Effective in May 1995, we entered into a license agreement with Dr. Jeong, a founder of Silicon Image and our Chief Technical Adviser, pursuant to which Dr. Jeong granted us a royalty-bearing license to serial link technology. Dr. Jeong released Silicon Image from the obligation to pay further royalties as part of the amendment of his consulting agreement in 1999. At that time, we had paid Dr. Jeong royalties totaling less than \$50,000.

Dr. Jeong has been a consultant to Silicon Image continuously since October 1995, and has managed advanced research and development projects on our behalf. We paid Dr. Jeong \$77,000 for his services in fiscal 1998, and we paid him \$48,000 for his services in the six month period ended June 30, 1999. In addition, since February 1996, we have entered into four research and development agreements with the Inter-University Semiconductor Research Center of Seoul National University for research projects relating to advanced interconnect technologies. Dr. Jeong is an associate professor of the School of Electrical Engineering at Seoul National University and is named as the primary technical and faculty contact under each of these four contracts. We paid the Inter-University Semiconductor Research Center of Seoul National University a total of \$60,000 under these agreements in fiscal 1998, and we paid it \$80,000 for the six months ended June 30, 1999. See "Business--Research and Development."

PREFERRED STOCK. Since our inception in January 1995, we have issued shares of preferred stock in private placement transactions as described below. Share numbers and per share prices for the transactions described below are set forth on an as-converted basis, adjusted for a change in the conversion ratio of the Series A preferred stock and Series B preferred stock caused by the issuance of the Series C Preferred Stock.

- 3,130,000 shares of Series A preferred stock at \$0.50 per share from October 1995 to March 1996.

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- 932,203 shares of Series B preferred stock at \$2.36 per share in September 1996.

- 4,000,000 shares of Series C preferred stock at \$1.25 per share in June 1997.

- 3,594,859 shares of Series D preferred stock at \$3.50 per share from July 1998 to September 1998.

The investors who negotiated the terms of these transactions were not affiliated with Silicon Image prior to purchasing the shares. The following table summarizes the shares of preferred stock purchased by each of the executive officers named in the Summary Compensation Table above and by directors, principal stockholders and entities associated with them in the foregoing private placement transactions:

<TABLE>

<CAPTION>

INVESTOR	SHARES OF SERIES A PREFERRED STOCK	SHARES OF SERIES C PREFERRED STOCK	SHARES OF SERIES D PREFERRED STOCK
<S>	<C>	<C>	<C>
Entities Affiliated with August Capital, L.P. (Andrew Rappaport).....	--	3,200,000	1,428,572
Entities Affiliated with InveStar Capital (Herbert Chang).....	--	--	857,143
David A. Hodges.....	--	15,000	--
Sang-Chul Han.....	1,777,850	365,975	--

Ronald Schmidt.....	--	46,068	10,000
Intel Corporation.....	--	--	857,143

Shares held by all affiliated persons and entities have been aggregated.

In connection with our issuances of preferred stock, we have entered into an investors rights agreement granting the holders of the preferred stock registration rights with respect to the common stock issuable upon conversion of their preferred stock. Their registration rights are described in more detail under "Description of Capital Stock--Registration Rights." In addition, we agreed in the investors rights agreement to provide the investors with periodic financial information, and granted the investors a right of first refusal on future issuances by us of equity securities. The right to receive this financial information and the right of first refusal terminate immediate prior to the closing of this offering.

RESTRICTED STOCK. The following officers and a key consultant purchased shares of our common stock in exchange for full recourse promissory notes issued to us. Except as otherwise noted below, we have a right to repurchase these shares, which right lapses over a four-year period with respect to 25% of the shares after one year and 2.0833% each month thereafter. The full principal amount and accrued interest under each promissory note remain outstanding. The terms of the restricted stock purchases are summarized below:

<TABLE>
<CAPTION>

NAME	DATE OF PURCHASE	NUMBER OF SHARES	PRICE PER SHARE	PRINCIPAL AMOUNT OF NOTE	DATE DUE	INTEREST RATE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Daniel K. Adler.....	June 1, 1999	60,000	\$ 1.00	\$ 60,000	June 1, 2004	5.30%
Deog-Kyoon Jeong.....	March 29, 1999	150,000	0.35	52,500	March 29, 2004	4.77
Parviz Khodi.....	June 1, 1999	60,000	1.00	60,000	June 1, 2004	5.30
	June 1, 1999	20,000*	1.00	20,000	June 1, 2004	5.30
David Lee.....	January 29, 1999	150,000	0.35	52,500	January 29, 2004	4.64
Scott Macomber.....	January 29, 1999	250,000	0.35	87,500	January 29, 2004	4.64
Jalil Shaikh.....	June 15, 1999	30,000	1.25	37,500	June 15, 2004	5.30
Steve Tirado.....	June 21, 1999	470,175	2.00	940,350	June 21, 2004	5.30

</TABLE>

* Indicates shares not subject to a right of repurchase on behalf of Silicon Image.

OPTION GRANTS. We issued nonqualified stock options outside of the 1995 Equity Incentive Plan to the following officers on August 19, 1999. The options are exercisable for common stock at \$5.75 per share. The options vest over four years as follows: 16% after one year, then an additional 34% in equal monthly increments over the next two years, then 50% in equal monthly increments over the last year.

<TABLE>
<CAPTION>

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS
<S>	<C>
Daniel K. Adler.....	30,000
Victor Da Costa.....	40,000
Parviz Khodi.....	30,000
Jalil Shaikh.....	40,000

</TABLE>

TRANSACTIONS WITH INTEL AND ITS SUBSIDIARY, CHIPS AND TECHNOLOGIES. Our relationship with Intel and its subsidiary, Chips and Technologies, is set forth in the following agreements:

- In September 1998, we entered into a Business Cooperation Agreement with Intel. Under this agreement, we worked with Intel to develop and promote adoption by the personal computer industry of a complete digital display interface specification based on our existing technology and an advanced specification based an enhanced version of our technology. The Business Cooperation Agreement was amended in October 1998 to provide that it would conform to other agreements that Intel and Silicon Image expected to enter into with other parties to advance the same goals.

- In January 1999, Silicon Image entered into a Promoter's Agreement with Intel, Compaq Computer Corporation, Fujitsu Limited, Hewlett-Packard Company, International Business Machines Corporation, and NEC Corporation. The parties to this agreement formed the Digital Display Working Group. They agreed:
 - To define, establish and support a digital visual interface specification for integrating digital display devices in a computer system environment;
 - To encourage broad and open industry adoption of the DVI specification, in part by creating an implementer's forum that others may join in order to receive information and support relating to the DVI specification;
 - To invite third parties to enter into a Participant's Agreement in order to consult on the content, feasibility and other aspects of the DVI specification;
 - To grant to one another, and to any other adopter who agrees in turn to grant to the promoters and all other adopters, a nonexclusive, nontransferable, royalty-free, nonsublicenseable, worldwide, perpetual, irrevocable, reciprocal license under the claims of all patents filed prior to January 1, 2003 which are necessarily infringed to comply with that specification or for which infringement is based on an implementation of any example included in the body of that specification. Such license will convey the rights to make, have made, use, import and directly and indirectly, offer to sell, lease, sell, promote and otherwise distribute portions of products that are fully compliant with that specification.
- In September 1998, Intel acquired the following equity securities of Silicon Image in addition to the 857,143 shares of our Series D preferred stock described above under the heading "-- Preferred Stock":
 - a warrant to purchase 142,857 shares of our common stock at a purchase price of \$3.50 per share that expires in September 2004;

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- a warrant to purchase 142,857 shares of our common stock at a purchase price of \$0.35 per share. This warrant became exercisable on March 31, 1999 and expires in September 2004;
- an agreement that Silicon Image will issue an additional warrant to purchase 142,857 shares of our common stock at a purchase price of \$0.35 per share when and if Intel ships for revenue a product supporting an enhanced version of our digital display interface technology, provided that this takes place by September 2004.
- In September 1998 we entered into a Patent License Agreement with Intel pursuant to which:
 - Silicon Image granted Intel a non-exclusive, nontransferable, worldwide license, without right to sublicense, to make, have made, use, import and directly or indirectly sell, offer to sell and otherwise dispose of, Intel products with specific exclusions related to Silicon Image's current products, anticipated future products, and network devices;
 - Intel granted Silicon Image a non-exclusive, nontransferable, worldwide license, without right to sublicense, to make, have made, use, import, and directly or indirectly sell, offer to sell and otherwise dispose of, identified types of Silicon Image products with specific exclusions related to Intel's current products, anticipated future products, and network devices.
- In August, 1999, Silicon Image granted Intel a nonexclusive, perpetual license (with the right to sublicense) to reproduce, modify, perform, display, make, have made, use, sell, distribute, offer for sale and import products incorporating Silicon Image's technology for the protection, under the control of a cryptographic key, of the exchange of data over Silicon Image's high-speed serial link interconnect. The license is conditioned on Intel incorporating this Silicon Image technology in a DVI content protection specification for monitors, and will be of no effect if Intel does not do so. The parties agreed to use commercially reasonable efforts to negotiate the remaining terms of a final agreement incorporating the foregoing terms.
- In December, 1997, Silicon Image entered into a Transmitter Core License and Product Distribution Agreement with Chips and Technologies. Intel subsequently acquired Chips and Technologies. Chips and Technologies has

not exercised its right under this agreement to develop and sell a chip that integrates our transmitter technology with its graphics functionality. This agreement terminates in December 2002. Mr. Khodi, our Vice President of Sales, was employed by Chips and Technologies when we negotiated this agreement. Mr. Khodi did not, however, participate in these negotiations.

PRINCIPAL STOCKHOLDERS

The following table sets forth information with respect to beneficial ownership of our common stock as of August 31, 1999 and as adjusted to reflect the sale of the common stock in this offering, by:

- each stockholder known by us to be the beneficial owner of more than 5% of our common stock;
- each of our directors;
- each executive officer listed in the Summary Compensation Table; and
- all current executive officers and directors as a group.

The percentage of beneficial ownership for the following table is based on 21,237,274 shares of common stock outstanding as of August 31, 1999, assuming conversion of all outstanding shares of preferred stock into common stock, and 25,137,274 shares of common stock outstanding after the completion of this offering.

Unless otherwise indicated, the address for each listed stockholder is: c/o Silicon Image, Inc., 10131 Bubb Road, Cupertino, California 95014. To our knowledge, except as indicated in the footnotes to this table and under applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock.

<TABLE>
<CAPTION>

NAME OF BENEFICIAL OWNER	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENTAGE OF OUTSTANDING SHARES BENEFICIALLY OWNED	
		BEFORE OFFERING	AFTER OFFERING
<S>	<C>	<C>	<C>
Directors and Executive Officers:			
Andrew Rappaport(1).....	4,776,097	22.5%	19.0%
Sang-Chul Han(2).....	2,143,825	10.1	8.5
David Lee(3).....	2,108,000	9.9	8.4
Herbert Chang(4).....	1,056,144	5.0	4.2
Brian Underwood.....	1,000,000	4.7	4.0
Scott A. Macomber(5).....	900,000	4.2	3.6
Victor M. Da Costa.....	260,000	1.2	1.0
Jalil Shaikh.....	244,000	1.1	1.0
Scott Slinker.....	108,750	*	*
David A. Hodges.....	95,000	*	*
Ronald V. Schmidt.....	136,068	*	*
All directors and executive officers as a group (12 persons)...	12,619,309	58.9	49.8
Other 5% Stockholders:			
Entities affiliated with August Capital, L.P.(1).....	4,776,097	22.5	19.0
Intel Corporation(6).....	1,142,857	5.3	4.5
Deog-Kyoon Jeong.....	1,130,000	5.3	4.5
Entities affiliated with InveStar Capital, Inc.(4).....	1,056,144	5.0	4.2

</TABLE>

* Less than 1%.

(1) Andrew Rappaport is a member of August Capital Management LLC, which is a general partner of each of August Capital, L.P., August Capital Strategic Partners, L.P. and August Capital Associates, L.P. Mr. Rappaport shares voting power with respect to the shares held by these entities with Mr. David Marquardt and Mr. John Johnston. Mr. Rappaport disclaims beneficial ownership of shares held by these entities except to the extent of his pecuniary interest in these entities. The address of Mr. Rappaport and August Capital is 2480 Sand Hill Road, Suite 101, Menlo Park, CA 94025.

- (2) Mr. Han's address is c/o Young Jin Lee, 1115 Huntington Drive, Unit G, South Pasadena, CA 91030.
- (3) Includes 300,000 shares held by David Lee as custodian for his minor children.
- (4) Represents 199,001 shares held by InveStar Dayspring Venture Capital, Inc., 428,572 shares held by InveStar Semiconductor Development Fund, 285,714 shares held by InveStar Excelsus Venture Capital (Int'l), Inc. and 142,857 shares held by Forefront Venture Partners, L.P. Herbert Chang is the President of InveStar Capital, Inc., which is the investment manager of each of InveStar Dayspring Venture Capital, Inc., InveStar Semiconductor Development Fund and InveStar Excelsus Venture Capital (Int'l), Inc. Mr. Chang is also the managing member of Forefront Associates LLC, which is the general partner of Forefront Venture Partners, L.P. Mr. Chang disclaims beneficial ownership of shares held by these entities except to the extent of his pecuniary interest in these entities. Mr. Chang's address is Room 1201, TWTC Int'l Trade Building 12F, 333 Keelung Road, Section 1, Taipei, Taiwan.
- (5) Excludes 100,000 shares held in trust by George R. Macomber for the benefit of Scott Macomber's minor children.
- (6) Includes 285,714 shares subject to a warrant exercisable on or before August 29, 1999. Excludes a warrant for 142,857 shares of common stock exercisable at \$0.35 per share that Silicon Image is obligated to issue to Intel upon satisfaction of a milestone. Intel's address is 2200 Mission College Boulevard, Santa Clara, CA 95052.

The shares included in the preceding table as beneficially owned by some of our executive officers and directors include outstanding shares that we have the right to repurchase upon termination of their employment or status as a director or consultant. This repurchase right entitles us to repurchase the shares at a price equal to the initial purchase price paid by the stockholder for the shares. Our repurchase right lapses over a four-year period, beginning on the date that the stockholder begins rendering services to Silicon Image or, if the stockholder already is rendering services, beginning on the date we agreed to sell the shares or granted an option to acquire the shares.

In addition, the shares included in the preceding table as beneficially owned by some of our executive officers and directors include shares that are issuable under stock options or warrants that are exercisable on or before October 30, 1999. These shares are deemed outstanding for purposes of computing the percentage held by the person holding the options or warrants but are not deemed outstanding for purposes of computing the percentage of any other person.

The following table sets forth the number of shares shown in the preceding table as beneficially owned by any person or entity that were subject to our repurchase right as of August 31, 1999, or that were issuable under options or warrants that were exercisable on or before October 30, 1999:

<TABLE>
<CAPTION>

NAME OF BENEFICIAL OWNER	OUTSTANDING SHARES HELD SUBJECT TO REPURCHASE RIGHTS	SHARES ISSUABLE UNDER OPTIONS
<S>	<C>	<C>
David Lee.....	150,000	--
Brian Underwood.....	25,000	--
Scott Macomber.....	438,750	--
Victor M. Da Costa.....	17,500	120,000 (1)
Jalil Shaikh.....	148,000	--
David A. Hodges.....	50,000	--
Ronald V. Schmidt.....	--	80,000 (2)
All Directors and Executive Officers as a Group (12 persons).....	1,610,675	200,000 (3)
Deog-Kyoon Jeong.....	172,500	--

</TABLE>

- (1) 85,000 of the shares issuable to Mr. Da Costa under options that are

exercisable on or before October 30, 1999 are subject to our right of repurchase.

(2) 50,000 of the shares issuable to Dr. Schmidt under options that are exercisable on or before October 30, 1999 are subject to our right of repurchase.

(3) 135,000 of the shares issuable to our directors and executive officers as a group under options that are exercisable on or before October 30, 1999 are subject to our right of repurchase.

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DESCRIPTION OF CAPITAL STOCK

Immediately following the closing of this offering, our authorized capital stock will consist of 75,000,000 shares of common stock, \$0.001 par value per share, and 5,000,000 shares of preferred stock, \$0.001 par value per share. As of August 31, 1999, and assuming the conversion of all outstanding preferred stock into common stock, there were outstanding 21,237,274 shares of common stock held by approximately 120 stockholders, of which 2,636,834 shares were subject to our right of repurchase, options to purchase 1,744,963 shares of common stock and warrants to purchase 317,856 shares of common stock.

COMMON STOCK

DIVIDEND RIGHTS. Subject to preferences that may apply to shares of preferred stock outstanding at the time, the holders of outstanding shares of common stock are entitled to receive dividends out of assets legally available at the times and in the amounts as our board or directors may determine.

VOTING RIGHTS. Each holder of common stock is entitled to one vote for each share of common stock held on all matters submitted to a vote of stockholders. Cumulative voting for the election of directors is not provided for in our certificate of incorporation. This means that commencing at the first annual meeting of stockholders following the date on which we shall have had at least 800 stockholders, the holders of a majority of the shares voted can elect all of the directors then standing for election. Prior to such time however, cumulative voting in the election of directors will be in effect, meaning that each share of voting stock will be entitled to a number of votes equal to the number of votes to which such share would normally be entitled multiplied by the number of directors to be elected. A stockholder may then cast all of such votes for a single candidate or may allocate them among as many candidates as the stockholder may choose. In addition, our certificate of incorporation and bylaws require the approval of two-thirds, rather than a majority, of the shares entitled to vote for some matters. For a description of these matters, see "Description of Capital Stock--Anti-Takeover Provisions."

NO PREEMPTIVE OR SIMILAR RIGHTS. Our common stock is not entitled to preemptive rights and is not subject to conversion or redemption.

RIGHT TO RECEIVE LIQUIDATION DISTRIBUTIONS. Upon a liquidation, dissolution or winding-up of Silicon Image, the holders of common stock are entitled to share ratably with holders of any participating preferred stock in all assets remaining after payment of all liabilities and the liquidation preferences of any outstanding preferred stock. Each outstanding share of common stock is, and all shares of common stock to be outstanding upon completion of this offering will be, fully paid and nonassessable.

PREFERRED STOCK

Upon the closing of this offering, each outstanding share of preferred stock will be converted into shares of common stock. See Note 5 of Notes to Financial Statements for a description of our preferred stock.

Following the offering, we will be authorized, subject to limitations imposed by Delaware law, to issue preferred stock in one or more series, to establish from time to time the number of shares to be included in each series, and to fix the rights, preferences and privileges of the shares of each wholly unissued series and any of its qualifications, limitations or restrictions. The board of directors can also increase or decrease the number of shares of any series, but not below the number of shares of such series then outstanding, without any further vote or action by the stockholders. The board may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of the common stock. The issuance of preferred stock, while providing flexibility in

among other things, have the effect of delaying, deferring or preventing a change in control of Silicon Image and may adversely affect the market price of the common stock and the voting and other rights of the holders of common stock. We have no current plan to issue any shares of preferred stock.

WARRANTS

In September 1998, we issued to Intel a warrant to purchase 142,857 shares of our common stock at an exercise price of \$3.50 per share. In September 1998, we also issued to Intel a warrant to purchase 142,857 shares of our common stock at an exercise price of \$0.35 per share. Each of these warrants will remain outstanding after the completion of this offering until September 2004 unless sooner exercised. In addition, we are obligated to issue an additional warrant to Intel for 142,857 shares of common stock exercisable at \$0.35 per share upon satisfaction of a milestone. This warrant will entitle Intel to purchase 142,857 shares of our common stock at an exercise price of \$0.35 per share.

In February 1999, we issued a warrant to an equipment lease financing company to purchase 32,142 shares of our Series D preferred stock with an exercise price of \$3.50 per share. This warrant is immediately exercisable and will remain outstanding after the completion of this offering at which time it will become exercisable for 32,142 shares of our common stock. The warrant expires in February 2004.

REGISTRATION RIGHTS

As a result of an investors' rights agreement dated July 28, 1998 between Silicon Image and some of our stockholders, the holders of 11,785,232 shares of common stock will be entitled to rights with respect to the registration of these shares under the Securities Act, as described below.

DEMAND REGISTRATION RIGHTS. At any time after 90 days following this offering, the holders of at least 50% of the shares of common stock issuable upon conversion of our Series C and D preferred stock can request that we register all or a portion of their shares, so long as such registration covers at least 20% of their shares and the total offering price of the shares to the public is at least \$5,000,000. We will only be required to file two registration statements in response to their demand registration rights. We may postpone the filing of a registration statement for up to 90 days once in a 12 month period if we determine that the filing would be seriously detrimental to Silicon Image and our stockholders.

PIGGYBACK REGISTRATION RIGHTS. If we register any securities for public sale, the holders of the shares of common stock issuable upon conversion of our Series A through D preferred stock will have the right to include their shares in the registration statement. However, this right does not apply to a registration statement relating to any of our employee benefit plans or a corporate reorganization. The managing underwriter of any underwritten offering will have the right to limit the number of shares registered by these holders to 25% of the total shares covered by the registration statement due to marketing reasons.

FORM S-3 REGISTRATION RIGHTS. The holders of the shares of common stock issuable upon conversion of our Series A through D preferred stock can request that we register their shares if we are eligible to file a registration statement on Form S-3 and if the total price of the shares offered to the public is at least \$500,000. These holders may only require us to file two registration statements on Form S-3 in any 12 month period. We may postpone the filing of a registration statement for up to 120 days once in a 12 month period if we determine that the filing would be seriously detrimental to Silicon Image and our stockholders.

We will pay all expenses incurred in connection with the registrations described above, except for underwriters' and brokers' discounts and commissions, which will be paid by the selling stockholders.

The registration rights described above will expire with respect to a particular stockholder if it can sell all of its shares in a three month period under Rule 144 of the Securities Act. In any event, the registration rights described above will expire seven years after this offering is completed.

Holders of these registration rights have waived the exercise of these registration rights for 180 days following the date of this prospectus.

ANTI-TAKEOVER PROVISIONS

The provisions of Delaware law, our certificate of incorporation and our

bylaws may have the effect of delaying, deferring or discouraging another person from acquiring control of our company.

DELAWARE LAW

We will be subject to the provisions of Section 203 of the Delaware General Corporation Law regulating corporate takeovers. This section prevents some Delaware corporations from engaging, under some circumstances, in a "business combination," which includes a merger or sale of more than 10% of the corporation's assets with any "interested stockholder," meaning a stockholder who owns 15% or more of the corporation's outstanding voting stock, as well as affiliates and associates of the stockholder, for three years following the date that the stockholder became an "interested stockholder" unless:

- the transaction is approved by the board of directors prior to the date the interested stockholder attained that status;
- upon consummation of the transaction that resulted in the stockholder's becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or
- on or subsequent to such date the business combination is approved by the board and authorized at an annual or special meeting of stockholders by at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

A Delaware corporation may opt out of this provision with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or bylaws resulting from a stockholders' amendment approved by at least a majority of the outstanding voting shares. However, we have not opted out of this provision. The statute could prohibit or delay mergers or other takeover or change-in-control attempts and, accordingly, may discourage attempts to acquire us.

CHARTER AND BYLAW PROVISIONS

Our certificate of incorporation and bylaws provide that:

- following the completion of this offering, no action shall be taken by stockholders except at an annual or special meeting of the stockholders called in accordance with our bylaws and that stockholders may not act by written consent;
- following the completion of this offering, the approval of holders of two-thirds of the shares entitled to vote at an election of directors shall be required to adopt, amend or repeal our bylaws or amend or repeal the provisions of our certificate of incorporation regarding the election and removal of directors and ability of stockholders to take action;
- stockholders may not call special meetings of the stockholders or fill vacancies on the board;
- commencing at the first annual meeting of stockholders following the date on which we shall have had at least 800 stockholders, our board of directors will be divided into three classes, each serving staggered three-year terms, which means that only one class of directors will be elected

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at each annual meeting of stockholders, with the other classes continuing for the remainder of their respective terms, and directors may only be removed for cause by the holders of two-thirds of the shares entitled to vote at an election of directors (we do not expect to have 800 stockholders as a result of this offering, and we may not have this many shareholders for some time, if at all); and

- we will indemnify officers and directors against losses that they may incur in investigations and legal proceedings resulting from their services to us, which may include services in connection with takeover defense measures.

These provisions of our certificate of incorporation and bylaws may have the effect of delaying, deferring or discouraging another person from acquiring control of our company.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for our common stock is ChaseMellon

LISTING

We have applied to list our common stock on The Nasdaq Stock Market's National Market under the trading symbol "SIMG."

SHARES ELIGIBLE FOR FUTURE SALE

Before this offering, there has been no public market for our common stock. A significant public market for our common stock may not develop or be sustained after this offering. Future sales of substantial amounts of our common stock in the public market, or the possibility of these sales occurring, could adversely affect prevailing market prices for our common stock or our future ability to raise capital through an offering of equity securities.

Upon completion of this offering, we will have 25,137,274 shares of common stock outstanding, assuming no exercise of options and warrants outstanding as of August 31, 1999, and the conversion of all outstanding shares of preferred stock. Of these shares, 3,900,000 shares sold in this offering (4,485,000 if the underwriters' over-allotment option is exercised in full) will be freely tradable in the public market without restriction or registration under the Securities Act, unless the shares are held by "affiliates" of Silicon Image, as that term is defined in Rule 144 under the Securities Act.

The remaining 21,237,274 shares of common stock outstanding upon completion of this offering will be "restricted securities" as defined in Rule 144. We issued and sold these restricted securities in private transactions in reliance on exemptions from registration under the Securities Act. Restricted securities may be sold in the public market only if they are registered or if they qualify for an exemption from registration under Rule 144 or Rule 701 under the Securities Act, as summarized below.

Pursuant to "lock-up" agreements, all the executive officers, directors and stockholders of Silicon Image, have agreed not to offer, sell, contract to sell, grant any option to purchase or otherwise dispose of any of these shares for a period of 180 days from the date of this prospectus, subject to limited exceptions. However, Credit Suisse First Boston Corporation may in its sole discretion, at any time without notice, release all or any portion of the shares subject to lock-up agreements.

Taking into account the lock-up agreements, and assuming Credit Suisse First Boston does not release stockholders from these agreements, the following shares will be eligible for sale in the public market at the following times:

- On the date of this prospectus, the 3,900,000 shares sold in the offering will be immediately available for sale in the public market.

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- 180 days after the effective date, approximately 19,083,588 shares will be eligible for sale, of which 13,082,820 will be subject to volume, manner of sale and other limitations under Rule 144.
- Of the remaining shares, 1,846,849 will be eligible for sale under Rule 701 or Rule 144 upon expiration of our repurchase right with respect to those shares, and 306,837 will be eligible for sale under Rule 144 upon the expiration of the one-year holding period.

Following the expiration of the lock-up period, shares issued upon exercise of options we granted prior to the date of this prospectus will also be available for sale in the public market pursuant to Rule 701 under the Securities Act. Rule 701 permits resales of these shares beginning 90 days after the date of this prospectus. In general, under Rule 144, after expiration of the lock-up period, a person who has beneficially owned restricted securities for at least one year would be entitled to sell, within any three-month period, a number of shares that does not exceed the greater of:

- 1% of the then-outstanding shares of common stock, or
- the average weekly trading volume of the common stock during the four calendar weeks preceding the sale.

Sales under Rule 144 are also subject to manner of sale and notice

requirements and the availability of current public information about Silicon Image. Under Rule 144(k), a person who has not been our affiliate at any time during the three months before a sale and who has beneficially owned the shares proposed to be sold for at least two years can sell these shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144.

After the effective date of this offering, we intend to file a registration statement to register approximately 5,051,138 shares of common stock outstanding or reserved for issuance under the 1995 Equity Incentive Plan, the 1999 Equity Incentive Plan, the 1999 Employee Stock Purchase Plan and written compensation contracts with our officers and key employees. The registration statement will become effective automatically upon filing. Shares issued under the foregoing employee benefit plans or compensation contracts, after the filing of this registration statement, may be sold in the open market, subject, in the case of some holders, to the Rule 144 limitations applicable to affiliates, the lock-up agreements and repurchase right held by us.

In addition, following this offering, the holders of 11,785,232 shares of outstanding common stock will, under some circumstances, have right to require us to register their shares for future sale. See "Description of Capital Stock--Registration Rights."

UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated , 1999, we have agreed to sell to the underwriters named below, for whom Credit Suisse First Boston Corporation, BancBoston Robertson Stephens, Inc. and Dain Rauscher Wessels, a division of Dain Rauscher Incorporated, are acting as representatives the following respective numbers of shares of common stock:

<TABLE>
<CAPTION>

UNDERWRITER	NUMBER OF SHARES
<S>	<C>
Credit Suisse First Boston Corporation.....	
BancBoston Robertson Stephens, Inc.....	
Dain Rauscher Wessels.....	
Total.....	

</TABLE>

The underwriting agreement provides that the underwriters are obligated to purchase all the shares of common stock in the offering if any are purchased, other than those shares covered by the over-allotment option described below. The underwriting agreement also provides that if an underwriter defaults the purchase commitments of non-defaulting underwriters may be increased or the offering of common stock may be terminated.

We have granted to the underwriters a 30-day option to purchase on a pro rata basis up to additional shares at the initial public offering price less the underwriting discounts and commissions. The option may be exercised only to cover any over-allotments of common stock.

The underwriters propose to offer the shares of common stock initially at the public offering price on the cover page of this prospectus and to selling group members at that price less a concession of \$ per share. The underwriters and selling group members may allow a discount of \$ per share on sales to other broker/dealers. After the initial public offering, the public offering price and concession and discount to broker/dealers may be changed by the representatives.

The following table summarizes the compensation and estimated expenses we will pay.

<TABLE>
<CAPTION>

PER SHARE		TOTAL	
WITHOUT OVER-ALLOTMENT	WITH OVER-ALLOTMENT	WITHOUT OVER-ALLOTMENT	WITH OVER-ALLOTMENT

<S>	<C>	<C>	<C>	<C>
Underwriting Discounts and Commissions paid by us.....	\$	\$	\$	\$
Expenses payable by us.....	\$	\$	\$	\$
</TABLE>				

The underwriters have informed us that they do not expect discretionary sales to exceed 5% of the shares of common stock being offered.

We, our executive officers and directors, and existing holders of our securities which holders own or have the right to acquire more than 1% of our outstanding shares of common stock have agreed that we will not offer, sell, contract to sell, announce our intention to sell, pledge or otherwise dispose of, directly or indirectly, or file with the Securities and Exchange Commission a registration statement under the Securities Act relating to, any shares of our common stock or securities convertible into or exchangeable or exercisable for any of our common stock without the prior written consent of Credit Suisse First Boston Corporation for a period of 180 days after the date of this prospectus, except in our case issuances pursuant to the exercise of stock options outstanding on the date hereof, grants of employee stock options or the issuance of other common stock pursuant to the 1995 Equity Incentive

Plan, 1999 Equity Incentive Plan or 1999 Employee Stock Purchase Plan in effect on the date hereof, and issuances of common stock pursuant to the exercise of those options.

The underwriters have reserved for sale, at the initial offering price, up to 195,000 shares of common stock for employees, directors and other persons associated with us who have expressed an interest in purchasing common stock in the offering. The number of shares available for sale to the general public in this offering will be reduced to the extent such persons purchase such reserved shares. Any reserved shares not so purchased will be offered by the underwriters to the general public on the same terms as the other shares.

We have agreed to indemnify the underwriters against liabilities under the Securities Act, or contribute to payments which the underwriters may be required to make in that respect.

We have made application to list the shares of common stock on The Nasdaq Stock Market's National Market under the symbol "SIMG".

Prior to the offering, there has been no public market for the common stock. The initial public offering price for the common stock will be determined by negotiation between us and the representatives, and may not reflect the market price for the common stock following this offering. Among the principal factors considered in determining the initial public offering price of our common stock will be:

- the information in this prospectus and otherwise available to the representatives;
- market conditions for initial public offerings;
- the history of and prospects for the industry in which we will compete;
- the ability of our management;
- our prospects for future earnings, the present state of our development and our current financial condition;
- the recent market prices of, and the demand for, publicly traded common stock of generally comparable companies;
- the general condition of the securities markets at the time of this offering and other relevant factors.

We can offer no assurances that the initial public offering price will correspond to the price at which common stock will trade in the public market following this offering or that an active trading market for the common stock will develop and continue after this offering.

The representatives may engage in over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Securities Exchange Act.

- Over-allotment involves syndicate sales in excess of the offering size, which creates a syndicate short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions.
- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member are purchased in a syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may cause the price of the common stock to be higher than it would otherwise be in the absence of these transactions. These transactions may be effected on The Nasdaq Stock Market's National Market or otherwise and, if commenced, may be discontinued at any time.

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NOTICE TO CANADIAN RESIDENTS

RESALE RESTRICTIONS

The distribution of the common stock in Canada is being made only on a private placement basis exempt from the requirement that we prepare and file a prospectus with the securities regulatory authorities in each province where trades of common stock are effected. Accordingly, any resale of the common stock in Canada must be made in accordance with applicable securities laws which will vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with available statutory exemptions or pursuant to a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the common stock.

REPRESENTATIONS OF PURCHASERS

Each purchaser of common stock in Canada who receives a purchase confirmation will be deemed to represent to us and the dealer from whom such purchase confirmation is received that (i) the purchaser is entitled under applicable provincial securities laws to purchase such common stock without the benefit of a prospectus qualified under such securities laws, (ii) where required by law, that such purchaser is purchasing as principal and not as agent, and (iii) such purchaser has reviewed the text above under "Resale Restrictions."

RIGHTS OF ACTION (ONTARIO PURCHASERS)

The securities being offered are those of a foreign issuer and Ontario purchasers will not receive the contractual right of action prescribed by Ontario securities law. As a result, Ontario purchasers must rely on other remedies that may be available, including common law rights of action for damages or rescission or rights of action under the civil liability provisions of the U. S. federal securities laws.

ENFORCEMENT OF LEGAL RIGHTS

All of the issuer's directors and officers as well as the experts named herein may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon the issuer or such persons. All or a substantial portion of the assets of the issuer and such persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against the issuer or these persons in Canada or to enforce a judgment obtained in Canadian courts against such issuer or persons outside of Canada.

NOTICE TO BRITISH COLUMBIA RESIDENTS

A purchaser of common stock to whom the SECURITIES ACT (British Columbia) applies is advised that such purchaser is required to file with the British Columbia Securities Commission a report within ten days of the sale of any common stock acquired by such purchaser pursuant to this offering. Such report must be in the form attached to British Columbia Securities Commission Blanket Order BOR #95/17, a copy of which may be obtained from us. Only one such report must be filed in respect of common stock acquired on the same date and under the

same prospectus exemption.

TAXATION AND ELIGIBILITY FOR INVESTMENT

Canadian purchasers of common stock should consult their own legal and tax advisors with respect to the tax consequences of an investment in the common stock in their particular circumstances and with respect to the eligibility of the common stock for investment by the purchaser under relevant Canadian legislation.

LEGAL MATTERS

Fenwick & West LLP, Palo Alto, California, will pass upon the validity of the issuance of the shares of common stock offered by this prospectus for Silicon Image. Wilson Sonsini Goodrich & Rosati, Professional Corporation, Palo Alto, California, will pass upon legal matters in connection with this offering for the underwriters. An entity affiliated with Fenwick & West LLP holds 14,286 shares of our common stock.

EXPERTS

The financial statements as of December 31, 1998 and 1999 and June 30, 1999 and for each of the three years in the period ended December 31, 1998 and six month period ended June 30, 1999 have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

ADDITIONAL INFORMATION

We have filed with the Securities and Exchange Commission, a registration statement on Form S-1 under the Securities Act with respect to the common stock offered hereby. This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules to the registration statement. For further information with respect to Silicon Image and our common stock, we refer you to the registration statement and the exhibits and schedules filed as a part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other document referred to are not necessarily complete; we refer you to the copy of each contract or document filed as an exhibit to the registration statement. Each such statement is qualified in all respects by reference to that exhibit. The registration statement, including exhibits and schedules, may be inspected without charge at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the regional offices of the SEC located at Seven World Trade Center, 13th Floor, New York, NY 10048, and the Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies may be obtained from the SEC upon payment of fees prescribed by the SEC. Information on the operation of the public reference room may be obtained by calling the SEC at 1-800-SEC-0330. These reports and other information may also be inspected without charge at a Web site maintained by the SEC at http://www.sec.gov.

SILICON IMAGE, INC.
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To the Board of Directors and Stockholders of
Silicon Image, Inc.

In our opinion, the accompanying balance sheets and the related statements of operations, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Silicon Image, Inc., at December 31, 1997 and 1998, and June 30, 1999 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1998 and the six month period ended June 30, 1999 in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP
San Jose, California
July 14, 1999, except as to Note 11,
which is as of September 9, 1999

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SILICON IMAGE, INC.

BALANCE SHEETS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	DECEMBER 31,		JUNE 30,	
	1997	1998	1999	
	-----	-----	-----	
				PRO FORMA
				STOCKHOLDER'S
				EQUITY AT
				JUNE 30,
				1999

				(UNAUDITED)
				<C>
<S>	<C>	<C>	<C>	
ASSETS				
Current Assets:				
Cash and cash equivalents.....	\$ 2,773	\$ 10,096	\$ 10,686	
Short-term investments.....	--	1,401	1,961	
Accounts receivable.....	287	1,518	1,581	
Inventory.....	129	301	356	
Prepaid expenses and other current assets.....	119	259	245	
	-----	-----	-----	
Total current assets.....	3,308	13,575	14,829	
Property and equipment, net.....	793	1,125	1,003	
Other assets.....	270	74	182	
	-----	-----	-----	
Total assets.....	\$ 4,371	\$ 14,774	\$ 16,014	
	-----	-----	-----	
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities:				
Line of credit.....	\$ 372	\$ 757	\$ 757	
Accounts payable.....	626	882	1,272	
Accrued liabilities.....	181	1,154	1,412	
Capital lease obligations, current.....	17	218	489	
Deferred revenue.....	582	1,121	155	
Deferred margin on sales to distributors.....	--	490	2,004	
	-----	-----	-----	
Total current liabilities.....	1,778	4,622	6,089	
Capital lease obligations, long-term.....	--	300	773	
	-----	-----	-----	
Total liabilities.....	1,778	4,922	6,862	
	-----	-----	-----	
Commitments and contingencies (Note 6 and 8)				

Stockholders' Equity:

Convertible preferred stock, \$0.001 par value; 6,065,000, 10,065,000, and 10,065,000 shares authorized; 5,965,000 9,560,000 and 9,560,000 shares issued and outstanding; 5,000,000 shares authorized, none issued or issued or outstanding at June 30, 1999 on a pro forma basis (unaudited).....	6	10	10	\$ --
Common stock, par value \$0.001; 20,000,000, 21,500,000 and 21,500,000 shares authorized; 5,661,000, 6,786,000, and 9,463,000 shares issued and outstanding; 75,000,000 shares authorized, 21,120,000 shares issued and outstanding at June 30, 1999 on a pro forma basis (unaudited).....	6	7	9	21
Additional paid-in capital.....	8,739	24,960	34,796	34,794
Notes receivable from stockholders.....	--	(96)	(1,461)	(1,461)
Unearned compensation.....	--	(2,249)	(7,513)	(7,513)
Accumulated deficit.....	(6,158)	(12,780)	(16,689)	(16,689)
Total stockholders' equity.....	2,593	9,852	9,152	\$ 9,152
Total liabilities and stockholders' equity.....	\$ 4,371	\$ 14,774	\$ 16,014	

</TABLE>

The accompanying notes are an integral part of these financial statements.

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SILICON IMAGE, INC.

STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	1996	1997	1998	1998	1999
				(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>	<C>
Revenue:					
Product revenue.....	\$ 30	\$ 1,280	\$ 7,703	\$ 2,652	\$ 7,706
Development and license revenue.....	1,121	1,582	100	25	575
Total revenue.....	1,151	2,862	7,803	2,677	8,281
Cost and operating expenses:					
Cost of product revenue.....	5	851	4,314	1,711	3,328
Research and development.....	1,307	3,176	4,524	1,956	3,060
Selling, general and administrative.....	1,811	2,990	4,335	1,906	3,052
Stock compensation and warrant expense.....	--	--	1,361	184	2,898
Total operating expenses.....	3,123	7,017	14,534	5,757	12,338
Loss from operations.....	(1,972)	(4,155)	(6,731)	(3,080)	(4,057)
Interest income.....	32	171	242	31	210
Interest expense and other, net.....	(4)	(52)	(133)	(54)	(62)
Net loss.....	\$ (1,944)	\$ (4,036)	\$ (6,622)	\$ (3,103)	\$ (3,909)
Net loss per share:					
Basic and diluted.....	\$ (0.98)	\$ (1.14)	\$ (1.39)	\$ (0.72)	\$ (0.73)
Weighted average shares.....	1,981	3,533	4,766	4,301	5,327
Pro forma net loss per share:					
Basic and diluted (unaudited).....			\$ (0.46)		\$ (0.23)
Weighted average shares (unaudited).....			14,483		16,984

</TABLE>

The accompanying notes are an integral part of these financial statements.

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SILICON IMAGE, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY

(IN THOUSANDS)

<S>	CONVERTIBLE PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	NOTES RECEIVABLE FROM STOCKHOLDERS'	UNEARNED COMPENSATION
	SHARES	AMOUNT	SHARES	AMOUNT			
<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1995.....	985	\$ 1	5,381	\$ 5	\$ 1,011	\$ --	\$ --
Issuance of Series A Convertible Preferred Stock in February 1996, net of issuance costs.....	580	1	--	--	577	--	--
Issuance of Series B Convertible Preferred Stock in Sept 1996, net of issuance costs.....	400	--	--	--	2,180	--	--
Common Stock issued for cash and notes, net.....	--	--	280	1	14	(10)	--
Net loss.....	--	--	--	--	--	--	--
Balance at December 31, 1996.....	1,965	2	5,661	6	3,782	(10)	--
Issuance of Series C Convertible Preferred Stock in June 1997, net of issuance costs.....	4,000	4	--	--	4,957	--	--
Repayment of note receivable.....	--	--	--	--	--	10	--
Net loss.....	--	--	--	--	--	--	--
Balance at December 31, 1997.....	5,965	6	5,661	6	8,739	--	--
Issuance of Series D Convertible Preferred Stock in September 1998, net of issuance costs.....	3,595	4	--	--	12,452	--	--
Common stock issued for cash and notes.....	--	--	1,125	1	159	(96)	--
Unearned compensation.....	--	--	--	--	2,972	--	(2,972)
Amortization of unearned compensation.....	--	--	--	--	--	--	723
Expense on options to consultants.....	--	--	--	--	292	--	--
Expense on warrants (Note 8).....	--	--	--	--	346	--	--
Net loss.....	--	--	--	--	--	--	--
Balance at December 31, 1998.....	9,560	10	6,786	7	24,960	(96)	(2,249)
Common stock issued for cash and notes.....	--	--	2,677	2	1,674	(1,365)	--
Unearned compensation.....	--	--	--	--	7,303	--	(7,303)
Amortization of unearned compensation.....	--	--	--	--	--	--	2,039
Expense on options to consultants.....	--	--	--	--	264	--	--
Expense on warrants (Note 8).....	--	--	--	--	595	--	--
Net loss.....	--	--	--	--	--	--	--
Balance at June 30, 1999.....	9,560	\$ 10	9,463	\$ 9	\$ 34,796	\$ (1,461)	\$ (7,513)

<CAPTION>

<S>	ACCUMULATED DEFICIT	TOTAL
	<C>	<C>
Balance at December 31, 1995.....	\$ (178)	\$ 839
Issuance of Series A Convertible Preferred Stock in February 1996, net of issuance costs.....	--	578
Issuance of Series B		

Convertible Preferred Stock in Sept 1996, net of issuance costs.....	--	2,180
Common Stock issued for cash and notes, net.....	--	5
Net loss.....	(1,944)	(1,944)

Balance at December 31, 1996.....	(2,122)	1,658
Issuance of Series C Convertible Preferred Stock in June 1997, net of issuance costs.....	--	4,961
Repayment of note receivable.....	--	10
Net loss.....	(4,036)	(4,036)

Balance at December 31, 1997.....	(6,158)	2,593
Issuance of Series D Convertible Preferred Stock in September 1998, net of issuance costs.....	--	12,456
Common stock issued for cash and notes.....	--	64
Unearned compensation.....	--	--
Amortization of unearned compensation.....	--	723
Expense on options to consultants.....	--	292
Expense on warrants (Note 8).....	--	346
Net loss.....	(6,622)	(6,622)

Balance at December 31, 1998.....	(12,780)	9,852
Common stock issued for cash and notes.....	--	311
Unearned compensation.....	--	--
Amortization of unearned compensation.....	--	2,039
Expense on options to consultants.....	--	264
Expense on warrants (Note 8).....	--	595
Net loss.....	(3,909)	(3,909)

Balance at June 30, 1999.....	\$ (16,689)	\$ 9,152

</TABLE>

The accompanying notes are an integral part of these financial statements.

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SILICON IMAGE, INC.

STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE	
	1996	1997	1998	30, 1998	1999
	-----	-----	-----	-----	-----
				(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net loss.....	\$ (1,944)	\$ (4,036)	\$ (6,622)	\$ (3,103)	\$ (3,909)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:					
Depreciation and amortization.....	148	312	649	306	296
Stock compensation and warrant expense.....	--	--	1,361	184	2,898
Change in assets and liabilities:					
Accounts receivable.....	--	(287)	(1,231)	4	(63)
Inventory.....	(26)	(103)	(172)	(398)	(55)
Prepaid expenses and other assets.....	(95)	(288)	56	210	(94)
Accounts payable.....	385	187	256	920	390
Accrued liabilities.....	27	151	973	(55)	258
Deferred revenue.....	1,000	(418)	539	43	(966)

Deferred margin on sales to distributors.....	--	--	490	--	1,514
Net cash provided by (used in) operating activities.....	(505)	(4,482)	(3,701)	(1,889)	269
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of short-term investments.....	--	--	(1,401)	--	(3,935)
Proceeds from sale of short-term investments.....	--	--	--	--	3,375
Purchase of property and equipment.....	(724)	(300)	(340)	(9)	(113)
Net cash used in investing activities.....	(724)	(300)	(1,741)	(9)	(673)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Principal payments on capital lease obligations.....	(65)	(59)	(140)	(45)	(106)
Proceeds from financing of property and equipment.....	--	--	--	--	789
Borrowings on line of credit, net.....	--	372	385	378	--
Proceeds from issuance of Convertible Preferred Stock, net of issuance costs.....	2,758	4,961	12,456	--	--
Proceeds from issuance of Common Stock.....	5	--	64	25	311
Repayment of note receivable.....	--	10	--	--	--
Net cash provided by financing activities.....	2,698	5,284	12,765	358	994
Net increase (decrease) in cash and cash equivalents.....	1,469	502	7,323	(1,540)	590
Cash and cash equivalents at the beginning of the period.....	802	2,271	2,773	2,773	10,096
Cash and cash equivalents at the end of the period.....	\$ 2,271	\$ 2,773	\$ 10,096	\$ 1,233	\$ 10,686
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:					
Acquisition of software and equipment under capital lease.....	\$ 83	\$ 28	\$ 641	\$ 566	\$ 61
Issuance of common stock in exchange for notes receivable.....	\$ --	\$ --	\$ 96	\$ --	\$ 1,365
Cash paid for interest.....	\$ 4	\$ 6	\$ 128	\$ 53	\$ 59

</TABLE>

The accompanying notes are an integral part of these financial statements.

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SILICON IMAGE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1--THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES:

THE COMPANY

Silicon Image, Inc. (the "Company") was incorporated in California in January 1995. The Company designs, develops and markets semiconductor solutions for applications that require cost-effective, high-bandwidth, integrated solutions for high-speed data communications. The Company is initially focusing its technology on the local interconnect between host systems, such as PCs, set-top boxes and DVD players, and digital displays, such as flat panel displays and CRTs. The Company's first products enable host systems to transmit digital data and allows displays to receive and manipulate digital video data.

BASIS OF PRESENTATION

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain items previously reported in specific financial statement captions have been reclassified to conform with the June 30, 1999 presentation.

UNAUDITED INTERIM FINANCIAL INFORMATION

The interim financial information for the six month period ended June 30, 1998 is unaudited and has been prepared on the same basis as the audited financial statements. In the opinion of management, such unaudited information includes all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the interim information.

REVENUE RECOGNITION

The Company recognizes revenue from product sales to direct customers upon

shipment. Reserves for sales returns and allowances are recorded at the time of shipment. The Company's sales to distributors are made under agreements allowing for returns or credits under certain circumstances and the Company defers recognition of revenue on sales to distributors until the Company estimates products are resold by the distributor to the end-user. These estimates are based upon reports from these distributors and the Company's analysis of these distributor reports as well as other information obtained by the Company. Development and license revenues are recognized as milestones are met or as license fees are earned.

CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

The Company considers all highly liquid debt instruments having a maturity of three months or less on the date of purchase to be cash equivalents. At December 31, 1997 and 1998 and June 30, 1999, approximately \$0, \$7,546,000 and \$7,197,000 of commercial paper and \$2,700,000, \$1,319,000 and \$3,380,000 of money market funds are included in cash and cash equivalents, respectively, the fair value of which approximated cost. Short-term investments are comprised of commercial paper for all periods presented. Short-term investments are held as securities available for sale in accordance with Statement of Financial Accounting Standard ("SFAS") No. 115, "Accounting for Certain Investments in Debt and

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SILICON IMAGE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1--THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)
Equity Securities" and are reported at amortized cost as of the balance sheet date which approximates fair market value.

CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Company to concentrations of credit risk consist of temporary cash investments, short-term investments and accounts receivable. The Company may place its short-term investments in a variety of financial instruments and, by policy, limits the amount of credit exposure through diversification and by restricting its investments to highly liquid securities.

The Company performs ongoing credit evaluations of its customers' financial condition and may require collateral such as letters of credit, whenever deemed necessary. In 1997, two customers accounted for 56% and 19% of product revenue. Three customers accounted for 36%, 24% and 12% of gross accounts receivable at December 31, 1997. In 1998, two customers accounted for 54% and 12% of product revenue. At December 31, 1998, the same two customers accounted for 65% and 12% of gross accounts receivable, respectively. In the six months ended June 30, 1999, three customers accounted for 13%, 13% and 11% of product revenue. At June 30, 1999, four customers accounted for 13%, 12%, 12% and 11% of gross accounts receivable.

INVENTORY

Inventory is stated at the lower of cost or market, cost being determined under the first-in, first-out method.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from two to five years. Assets held under capital leases are amortized using the straight-line method over the shorter of the lease term or the estimated useful life, which range from three to five years.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are charged to operations as incurred.

STOCK BASED COMPENSATION

The Company accounts for stock-based compensation arrangements in accordance with the provisions of Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees," ("APB No. 25") and complies with the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." Expense associated with stock-based compensation is amortized on an accelerated basis over the vesting period of the individual award consistent with the method described in Financial Accounting Standards Board ("FASB") Interpretation No. 28.

COMPREHENSIVE INCOME

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS No. 130"). SFAS No. 130 establishes standards for reporting and

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SILICON IMAGE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1--THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)
display of comprehensive income and its components and is effective for periods beginning after December 15, 1997. The Company's comprehensive income approximated net income for all periods presented.

LONG-LIVED ASSETS

The Company reviews for the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition are less than the asset net book value. No such impairment losses have been identified by the Company.

PRO FORMA STOCKHOLDERS' EQUITY (UNAUDITED)

Effective upon the closing of the Company's initial public offering, the outstanding shares of Series A, Series B, Series C and Series D Convertible Preferred Stock will automatically convert into approximately 3,130,000, 932,203, 4,000,000 and 3,594,859 shares, respectively, of Common Stock. Also effective upon the closing of this offering 75,000,000 shares of Common Stock and 5,000,000 of undesignated Preferred Stock will be authorized. The pro forma effects of these transactions are unaudited and have been reflected in the accompanying pro forma stockholders' equity at June 30, 1999.

NET LOSS PER SHARE

The Company reports both basic net loss per share, which is based on the weighted average number of common shares outstanding excluding contingently issuable or returnable shares, and diluted net loss per share, which is based on the weighted average number of common shares outstanding and dilutive potential common shares outstanding.

The following tables set forth the computation of basic and diluted net loss per share of common stock:

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	1996	1997	1998	1998	1999
				(UNAUDITED)	
	<C>	<C>	<C>	<C>	<C>
Numerator (in thousands):					
Net loss.....	\$ (1,944)	\$ (4,036)	\$ (6,622)	\$ (3,103)	\$ (3,909)
Denominator (in thousands):					
Weighted average shares.....	5,416	5,661	6,029	5,795	8,054
Less: unvested common shares subject to repurchase.....	(3,435)	(2,128)	(1,263)	(1,494)	(2,727)
Denominator for basic and diluted calculation.....	1,981	3,533	4,766	4,301	5,327
Net loss per share:					
Basic and diluted net loss per share.....	\$ (0.98)	\$ (1.14)	\$ (1.39)	\$ (0.72)	\$ (0.73)

</TABLE>

As a result of the net losses incurred by the Company during fiscal years 1996, 1997 and 1998 and for the six month periods ended June 30, 1998 and 1999, all potential common shares were anti-dilutive

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SILICON IMAGE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1--THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)
and have been excluded from the diluted net loss per share calculation. The following table summarizes securities outstanding as of each period end, on an as-converted basis, which were not included in the calculation of diluted net

loss per share since their inclusion would be anti-dilutive.

<TABLE>
<CAPTION>

	DECEMBER 31,			JUNE 30,	
	1996	1997	1998	1998	
				(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>	<C>
Preferred Stock.....	4,062,000	8,062,000	11,657,000	8,062,000	11,657,000
Unvested common shares subject to repurchase.....	3,435,000	2,128,000	1,263,000	1,494,000	2,727,000
Stock options.....	1,199,000	2,174,000	2,175,000	2,412,000	1,149,000
Common stock warrants.....	--	--	286,000	--	286,000
Preferred stock warrants.....	--	--	--	--	32,000

PRO FORMA NET LOSS PER SHARE (UNAUDITED)

Pro forma net loss per share for the year ended December 31, 1998 and six months ended June 30, 1999 is computed using the weighted average number of common shares outstanding, including the conversion of the Company's Series A, Series B, Series C and Series D Convertible Preferred Stock outstanding into shares of the Company's common stock effective upon the closing of the Company's initial public offering as if such change in conversion rate and conversion occurred on December 31, 1998 and June 30, 1999, respectively. The calculation of diluted net loss per share excludes potential common shares as the effect would be antidilutive.

RECENTLY ISSUED ACCOUNTING STANDARDS

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 establishes a model for accounting for derivatives and hedging activities and supercedes and amends a number of existing accounting standards. SFAS No. 133 requires that all derivatives be recognized in the balance sheet at their fair market value, and the corresponding derivative gains or losses be either reported in the statement of operations or as a deferred item depending on the type of hedge relationship that exists with respect to such derivative. We do not currently or plan to enter into forward exchange contracts to hedge exposures denominated in foreign currencies or any other derivative financial instruments for trading or speculative purposes.

In March 1999, the FASB issued an exposure draft entitled, "Accounting for Certain Transactions Involving Stock Compensation, an Interpretation of APB Opinion No. 25." Although the proposed interpretation becomes effective upon its issuance, certain transactions occurring after December 15, 1998 are subject to complicated transition rules. If approved, the proposed interpretation may result in many changes being made to existing practice and may have a significant impact on the Company's accounting for stock based compensation.

NOTE 2--RELATED PARTY TRANSACTIONS:

In January 1996, 550,000 shares of Common Stock were issued to an officer for which the Company received cash of \$3,750 and a note receivable of \$10,000. This note receivable and accrued interest was repaid in December 1997. In 1998, 551,000 shares of Common Stock were issued upon the

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SILICON IMAGE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2--RELATED PARTY TRANSACTIONS: (CONTINUED)

exercise of options to several officers of the Company in exchange for notes receivable totaling \$95,625. During the six months ended June 30, 1999, an additional 1,483,000 shares were issued to officers in exchange for notes receivable totaling \$1,365,000. These notes bear interest at rates ranging from 4.64% to 7.75% per annum and are due within four to five years. The Company has recorded compensation expense in connection with option grants and sales of common stock (Note 8).

NOTE 3--BALANCE SHEET COMPONENTS:

<TABLE>
<CAPTION>

	DECEMBER 31,	JUNE 30,
	1997	1998
		1999

	(IN THOUSANDS)		
	<C>	<C>	<C>
<S>			
Accounts receivable:			
Accounts receivable.....	\$ 317	\$ 1,549	\$ 1,612
Allowance for doubtful accounts.....	(30)	(31)	(31)
	\$ 287	\$ 1,518	\$ 1,581
Inventory:			
Work in process.....	\$ 38	\$ 175	\$ 295
Finished goods.....	91	126	61
	\$ 129	\$ 301	\$ 356
Property and equipment:			
Furniture and equipment.....	\$ 439	\$ 475	\$ 522
Computers and software.....	818	1,581	1,708
	1,257	2,056	2,230
Less: accumulated depreciation.....	(464)	(931)	(1,227)
	\$ 793	\$ 1,125	\$ 1,003

</TABLE>

Assets acquired under capitalized lease obligations are included in property and equipment and totaled \$145,000, \$641,000 and \$1,461,000, with related accumulated depreciation of \$50,000, \$165,000 and \$281,000 at December 31, 1997 and December 31, 1998 and June 30, 1999 respectively.

<TABLE>
<CAPTION>

	DECEMBER 31,		JUNE 30,
	1997	1998	1999

	(IN THOUSANDS)		
	<C>	<C>	<C>
<S>			
Accrued liabilities:			
Accrued payroll and related expenses.....	\$ 79	\$ 167	\$ 235
Customer rebates and accrued sales returns.....	--	491	690
Other accrued liabilities.....	102	496	487
	\$ 181	\$ 1,154	\$ 1,412

</TABLE>

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SILICON IMAGE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 4--INCOME TAXES:

No provision for federal or state income taxes has been recorded for the years ended December 31, 1996, 1997 and 1998 and for the six month period ended June 30, 1999, as the Company has incurred net operating losses since inception (January 1995).

Deferred tax assets relate to the following:

<TABLE>
<CAPTION>

	DECEMBER 31,		JUNE 30,
	1997	1998	1999

	(IN THOUSANDS)		
	<C>	<C>	<C>
<S>			
Net operating loss carryforwards.....	\$ 1,989	\$ 4,996	\$ 5,933
Deferred revenue.....	220	690	798
Research and development credit.....	78	462	651
Other items not currently deductible.....	89	197	504
	2,376	6,345	7,886
Less: valuation allowance.....	(2,376)	(6,345)	(7,886)

\$ -- \$ -- \$ --

</TABLE>

Management believes that, based on a number of factors, the available objective evidence creates sufficient uncertainty regarding the realizability of the deferred tax assets such that a full valuation allowance has been recorded. These factors include the Company's history of losses, recent increases in expense levels, the fact that the market in which the Company competes is characterized by rapidly changing technology, the lack of carryback capacity to realize deferred tax assets, and the uncertainty regarding continued market acceptance of the Company's products. The Company will continue to assess the realizability of the deferred tax assets based on actual and forecasted operating results.

At June 30, 1999, the Company had net operating loss carryforwards for federal and state income tax purposes of approximately \$16,073,000 and \$5,358,000, respectively, which expire through 2019 and 2004, respectively. Under the Tax Reform Act of 1986, the amounts of and benefits from net operating loss carryforwards may be impaired or limited in certain circumstances. Events which cause limitations in the amount of net operating losses that the Company may utilize in any one year include, but are not limited to, a cumulative ownership change of more than 50%, as defined, over a three year period.

NOTE 5--CONVERTIBLE PREFERRED STOCK:

Convertible Preferred Stock at June 30, 1999 consists of the following:

<TABLE>
 <CAPTION>

SERIES	SHARES		PROCEEDS NET OF ISSUANCE COSTS
	AUTHORIZED	OUTSTANDING	
			(IN THOUSANDS)
<S>	<C>	<C>	<C>
A.....	1,565,000	1,565,000	\$ 1,563
B.....	400,000	400,000	2,180
C.....	4,100,000	4,000,000	4,961
D.....	4,000,000	3,594,859	12,456
	10,065,000	9,559,859	\$ 21,160

</TABLE>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 5--CONVERTIBLE PREFERRED STOCK: (CONTINUED)

The holders of the Convertible Preferred Stock have various rights and preferences as follows:

Each share of Series A, B, C and D Convertible ("Series A, B, C and D") Preferred Stock outstanding is convertible into two, 2.3305, one and one share(s) of Common Stock, respectively, at the option of the holder, subject to certain adjustments, and automatically converts upon the completion of an underwritten public offering of Common Stock with gross proceeds of at least \$10,000,000 and a public offering price of not less than \$6.00 per share. At June 30, 1999, the outstanding shares of Series A, B, C and D are convertible into 3,130,000, 932,203, 4,000,000 and 3,594,859 shares of Common Stock, respectively.

Each share of Series A, B, C and D entitles its holder to one vote for each Common Share into which such shares would convert. Dividends at the rate of \$0.05, \$0.275, \$0.0625 and \$0.175 per share for Series A, B, C and D Stock, respectively, if declared by the Board of Directors, are payable to the preferred stockholders in preference to any dividends for Common Stock declared by the Board of Directors. Dividends are noncumulative. No dividends have been declared by the Board of Directors through June 30, 1999.

The holders of Series A, B, C and D are entitled to receive their original issuance prices, on an as-converted basis, of \$0.50, \$2.36, \$1.25 and \$3.50 per share, respectively, in liquidation, plus an amount equal to all declared but unpaid dividends, prior and in preference to any distribution to the holders of Common Stock. As of June 30, 1999, the aggregate liquidation preference of Series A, B, C and D was approximately \$21,347,000.

NOTE 6--LEASING ARRANGEMENTS AND COMMITMENTS:

The Company leases certain equipment and software under short-term and long-term lease agreements which are reported as capital leases. The terms of the leases range from one to three years, with purchase options at the end of the respective lease terms. The Company intends to exercise such purchase options, which require minimal payments. The Company's obligation under these leasing arrangements are secured by the leased equipment.

The Company leases its facility under a noncancelable operating lease which expires in December 2002. Rent expense is recorded using the straight-line method and totaled \$77,000, \$290,000 and \$333,000 in 1996, 1997 and 1998, respectively. Rent expense for the six months ended June 30, 1999 was \$225,000.

In February 1999, the Company entered into a \$2,500,000 lease line of credit that allows for the leasing of equipment and software over 33 to 42 month terms. The stated interest rate under this agreement is 8%. The agreement expires in October 2000. The Company granted warrants to purchase up to 32,142 shares of the Company's Series D preferred stock at \$3.50 per share to the lessor upon approval of the lease line of credit (Note 8).

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SILICON IMAGE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 6--LEASING ARRANGEMENTS AND COMMITMENTS: (CONTINUED)

Future minimum lease payments including capitalized purchase options at June 30, 1999 and future minimum sub-lease rental receipts under non cancelable operating leases are as follows:

<TABLE>
<CAPTION>

YEAR ENDING DECEMBER 31,	CAPITAL LEASES	OPERATING LEASES
	(IN THOUSANDS)	
<S>	<C>	<C>
1999.....	\$ 285	\$ 237
2000.....	568	479
2001.....	416	497
2002.....	141	494
Total minimum payments, net of sublease income.....	1,410	\$ 1,707
Less interest.....	(148)	
Present value of payments under current capital lease obligations.....	1,262	
Less long term portion.....	(773)	
Short term portion.....	\$ 489	

</TABLE>

NOTE 7--LINE OF CREDIT:

In June 1997, the Company entered into a line of credit agreement with a financial institution. This line of credit provided for borrowings of up to \$750,000 which were secured by the assets of the Company. Borrowings under the line of credit accrued interest at the bank's prime rate plus 1.5%. Unpaid principal and accrued interest were due at the maturity of the line of credit. At December 31, 1997, \$372,000 was outstanding under this line of credit.

In December 1998, the line of credit expired and was paid in full using proceeds from a second or new line of credit. The new line of credit provides for borrowings of up to \$4.0 million based on and secured by eligible accounts receivable as defined in the credit agreement. Borrowings accrue interest at the bank's commercial lending rate plus 0.25% (8.25% at June 30, 1999). Accrued interest is due monthly. The line of credit agreement requires the Company to meet certain financial covenants including minimum tangible net worth and quick ratio requirements. At June 30, 1999, the Company was in compliance with such covenants and had borrowed \$757,000 under this line of credit and an additional \$755,000 was available for borrowing. The agreement expires in April 2000.

NOTE 8--STOCKHOLDER'S EQUITY:

COMMON STOCK

The Company has authorized 21,500,000 shares of Common Stock. The Company issued to founders and certain executives restricted common stock subject to repurchase rights. The Company has the right to repurchase all or any portion of

the unvested shares of restricted stock at the original purchase price, which right lapses over a four year vesting period. During the six months ended June 30, 1999 the Company sold 1,210,000 shares of Common Stock to founders, certain executives, a consultant and an employee for a total of \$1,330,000. At June 30, 1999, 1,409,000 shares of restricted Common Stock were subject to the Company's repurchase option.

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SILICON IMAGE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 8--STOCKHOLDER'S EQUITY: (CONTINUED)

STOCK WARRANTS

In September 1998, the Company and a third party entered into an agreement to develop and promote the adoption of a digital display interface specification, which was amended in April 1999. In connection with this agreement, the Company granted to the manufacturer a warrant to purchase 142,857 shares of the Company's common stock at \$3.50 per share. The warrant is immediately exercisable. Under the same agreement, the Company granted a warrant to the manufacturer to purchase 142,857 shares of the Company's common stock at \$0.35 per share. The warrant became exercisable during the quarter ended March 31, 1999 when the manufacturer achieved a milestone. The Company recorded \$346,000 in 1998 and \$595,000 in the six months ended June 30, 1999 of expense for these warrants, which expense is included in stock compensation and warrant expense. In addition, if a milestone are achieved, the Company will grant to the manufacturer a warrant to purchase 142,857 shares of the Company's common stock at \$0.35 per share. If the milestones are achieved, the Company will record an expense related to the issuance of this warrant (the estimated fair value of the warrant at June 30, 1999 was \$642,000). All warrants under this agreement will expire on September 16, 2004.

In February 1999 and in connection with a lease line of credit, the Company granted a warrant to purchase up to 32,142 shares of the Company's Series D preferred stock at \$3.50 per share. This warrant is immediately exercisable and expires on February 17, 2004. The Company did not ascribe any value to the warrant because the estimated fair market value of the warrant on the date of grant was insignificant. This warrant will remain outstanding after completion of the Company's initial public offering and will become exercisable for 32,142 shares of the Company's Common Stock.

STOCK OPTION PLAN

In September 1995, the Board of Directors adopted the 1995 Equity Incentive Plan (the "Plan") which provides for the granting of incentive stock options ("ISOs") and non-qualified stock options ("NSOs") for shares of common stock to employees, directors and consultants of the Company. In accordance with the Plan, the stated exercise price shall not be less than 100% and 85% of the estimated fair market value of Common Stock on the date of grant for ISOs and NSOs, respectively, as determined by the Board of Directors. The Plan provides that the options shall be exercisable over a period not to exceed ten years and shall vest over a period of four years. In September 1998, the Plan was amended to allow options to be exercised prior to vesting. The Company has the right to repurchase such shares at their original purchase price if the optionee is terminated from service prior to vesting. Such rights expire as the options vest over a four year period.

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SILICON IMAGE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 8--STOCKHOLDER'S EQUITY: (CONTINUED)

The following table summarizes the Company's stock option activity and related weighted average exercise price within each category.

<TABLE>
<CAPTION>

	OPTIONS OUTSTANDING	
	SHARES AVAILABLE FOR ISSUANCE	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
	(IN THOUSANDS)	(IN THOUSANDS)
<S>	<C>	<C>

Balance at December 31, 1995.....	620	850	\$ 0.08
Authorized.....	1,500	--	--
Granted.....	(1,009)	1,009	0.13
Canceled.....	70	(70)	0.02
Exercised.....	--	(590)	0.02
-----	-----	-----	-----
Balance at December 31, 1996.....	1,181	1,199	0.09
Granted.....	(925)	925	0.13
Canceled.....	--	--	--
Exercised.....	--	--	--
-----	-----	-----	-----
Balance at December 31, 1997.....	256	2,124	0.11
Authorized.....	1,750	--	--
Granted.....	(1,298)	1,298	0.32
Canceled.....	172	(172)	0.30
Exercised.....	--	(1,125)	0.14
-----	-----	-----	-----
Balance at December 31, 1998.....	880	2,125	0.20
Authorized.....	1,000	--	--
Granted.....	(479)	479	1.10
Canceled.....	38	(38)	0.27
Exercised.....	--	(1,467)	0.24
-----	-----	-----	-----
Balance at June 30, 1999.....	1,439	1,099	0.53
-----	-----	-----	-----

</TABLE>

At June 30, 1999, 278,000 options were vested, and 1,318,000 unvested shares had been exercised and remain subject to the Company's repurchase rights.

During 1997, the Company granted 50,000 options to purchase Common Stock to a founder at an exercise price of \$0.125. The options were granted outside of the plan. The options are outstanding as of June 30, 1999.

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SILICON IMAGE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 8--STOCKHOLDER'S EQUITY: (CONTINUED)

Significant option groups outstanding at June 30, 1999, and related weighted average exercise price and contractual life information are as follows:

<TABLE>

<CAPTION>

RANGE OF EXERCISE PRICES	OUTSTANDING AND EXERCISABLE		PRICE	REMAINING LIFE (YEARS)
	SHARES			
	(IN THOUSANDS)			
<S>	<C>		<C>	<C>
\$0.08-\$0.125.....	370		\$ 0.11	7.82
\$0.25-\$0.35.....	434		\$ 0.32	9.17
\$0.50-\$0.75.....	158		\$ 0.64	9.73
\$1.00-\$3.00.....	187		\$ 1.67	9.93

	1,149			

</TABLE>

The weighted average fair value at the date of grant for options granted was \$0.13, \$0.13 and \$2.84 per option during 1996, 1997 and 1998, respectively. The weighted average fair value at the date of grant for options granted during the six month period ended June 30, 1999 was \$5.02. The fair value of options at the date of grant was estimated on the date of grant based on the fair value method using the Black-Scholes pricing model and using the following assumptions:

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED
	1996	1997	1998	JUNE 30,
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Expected life (years).....	4	4	4	4
Risk-free Interest rate.....	6.2%	6.0%	5.6%	5.6%
Dividend yield.....	--	--	--	--

</TABLE>

PRO FORMA EXPENSE

Had compensation cost for the 1995 Plan been determined based on the fair value at the grant dates for the awards under a method prescribed by SFAS 123, the Company's net loss would have been adjusted as follows:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,
	1996	1997	1998	1999
	(IN THOUSANDS)			
<S>	<C>	<C>	<C>	<C>
Net loss:				
Pro forma.....	\$ (1,949)	\$ (4,038)	\$ (7,473)	\$ (5,762)
Basic and diluted net loss per share:				
Pro forma.....	\$ (0.98)	\$ (1.14)	\$ (1.57)	\$ (1.08)

</TABLE>

STOCK COMPENSATION

During the year ended December 31, 1998 and the six months ended June 30, 1999, the Company granted options and sold restricted stock to employees and recognized unearned stock compensation of \$2,972,000 and \$7,303,000, respectively. Such unearned stock compensation will be amortized using an accelerated method over the vesting period and may decrease due to employees that terminate service prior to vesting.

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SILICON IMAGE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 8--STOCKHOLDER'S EQUITY: (CONTINUED)
OPTIONS TO CONSULTANTS

During 1998 and the six months ended June 30, 1999, the Company granted options to purchase 120,000 and 115,000 shares of Common Stock to consultants with a weighted average exercise price of \$0.31 and \$1.37 per share, respectively. The charge related to options granted to consultants is calculated at the end of each reporting period based upon the Black-Scholes model, which approximates fair value and is amortized based on the term of the consulting agreement or service period. The amount of the charge in each period can fluctuate depending on our stock price and volatility.

NOTE 9--BENEFIT PLAN:

Effective January 1, 1995, the Company adopted a 401(k) plan which allows all employees to participate by making salary deferral contributions to the 401(k) plan ranging from 1% to 20% of their eligible earnings. The Company may make discretionary contributions to the 401(k) Savings Plan upon approval by the Board of Directors. No Company contributions were made to the 401(k) Savings Plan from inception through June 30, 1999.

NOTE 10--SEGMENT AND GEOGRAPHIC INFORMATION:

The Company operates in a single industry segment (as defined by SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information") encompassing the design, development and sale of semiconductor solutions for applications that require high-bandwidth and integrated system-level functionality, such as the local interconnect between host systems and digital displays, including flat panel displays and digital CRTs.

The following is a summary of product revenue by geographic area (in thousands):

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,
	1996	1997	1998	1999
<S>	<C>	<C>	<C>	<C>
Taiwan.....	\$ 30	\$ 1	\$ 4,391	\$ 2,720
Japan.....	--	145	163	1,873
United States.....	--	78	348	724
Canada.....	--	14	1,078	516
Korea.....	--	1,021	770	963
Others.....	--	21	953	910

\$	30	\$	1,280	\$	7,703	\$	7,706
----	----	----	-------	----	-------	----	-------

</TABLE>

All development and license revenues are derived from non-domestic sources. All sales are denominated in United States dollars. For all periods presented, substantially all of the Company's assets were located within the United States.

NOTE 11--SUBSEQUENT EVENT:

In September 1999, the Company reincorporated in Delaware. The reincorporation increased the total number of authorized shares of common stock to 75,000,000 and authorized 5,000,000 shares of undesignated preferred stock. In addition the Board of Directors and stockholders approved the adoption of the 1999 Employee Stock Purchase Plan and the 1999 Stock Plan.

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[Description of graphics on inside back cover page]

This graphic is entitled "Key Relationships." In the center of the page is the Silicon Image logo. Above the logo is a shaded rectangle. Inside the rectangle is the word "DDWG." Surrounding the upper half of the rectangle in a semi-circular form are the following names or logos: "Compaq," "NEC," "Intel," "Silicon Image," "IBM," "Fujitsu" and "Hewlett Packard." Directly below the Silicon Image logo in the center of the page is a rectangle with Silicon Image's PanelLink Technology logo. To the right of the logo is the label "PanelLink Digital." To the right of that is Silicon Image's DVC Architecture logo. Below and outside of the rectangle with the PanelLink Technology logo and the DVC Architecture logo is the phrase "Core Technologies." Below and to the left of the phrase is a shaded rectangle. Inside the rectangle is the phrase "Host Systems." Underneath this rectangle is the following set of names or logos: "IBM," "Hitachi," "Compaq," "NEC," "Fujitsu," "Sharp," "Toshiba," "ATI," "Number Nine" and "Diamond Multimedia." Below and to the right of the phrase "Core Technologies" is a shaded rectangle. Inside the rectangle is the word "Displays." Underneath this rectangle is the following names or logos: "IBM," "Samsung," "LG Electronics Inc.," "Fujitsu," "Compaq," "Sharp," "Princeton," "Apple," "Hitachi," "NEC," "Gateway" and "ViewSonic."

[SILICON IMAGE, INC. LOGO]

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the costs and expenses to be paid by Silicon Image in connection with the sale of the shares of common stock being registered hereby. All amounts are estimates except for the SEC registration fee, the NASD filing fee and the Nasdaq National Market filing fee.

<TABLE> <S>	<C>
SEC registration fee.....	\$ 12,510
NASD filing fee.....	5,000
Nasdaq National Market initial filing fee.....	15,000
Printing and engraving.....	250,000
Legal fees and expenses of the Registrant.....	400,000
Accounting fees and expenses.....	250,000
Directors and officers liability insurance.....	400,000
Blue sky fees and expenses.....	5,000
Transfer agent and registrar fees and expenses.....	30,000
Miscellaneous.....	32,490

Total.....	\$1,400,000

</TABLE>

* To be filed by amendment

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporation's board of directors to grant, indemnity to directors and officers under certain circumstances and subject to certain limitations. The terms of Section 145 of the Delaware General Corporation Law are sufficiently broad to permit indemnification under certain circumstances for liabilities, including reimbursement of expenses incurred, arising under the Securities Act

of 1933.

As permitted by the Delaware General Corporation Law, the Registrant's certificate of incorporation includes a provision that eliminates the personal liability of its directors for monetary damages for breach of fiduciary duty as a director, except for liability:

- for any breach of the director's duty of loyalty to the Registrant or its stockholders;
- for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- under section 174 of the Delaware General Corporation Law regarding unlawful dividends and stock purchases; or
- for any transaction from which the director derived an improper personal benefit.

As permitted by the Delaware General Corporation Law, the Registrant's bylaws provide that:

- the Registrant is required to indemnify its directors and officers to the fullest extent permitted by the Delaware General Corporation Law, subject to certain very limited exceptions;
- the Registrant is required to advance expenses, as incurred, to its directors and officers in connection with a legal proceeding to the fullest extent permitted by the Delaware General Corporation Law, subject to certain very limited exceptions; and
- the rights conferred in the Bylaws are not exclusive.

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In addition, the Registrant intends to enter into indemnity agreements with each of our current directors and officers. These agreements provide for the indemnification of officers and directors for all expenses and liabilities incurred in connection with any action or proceeding brought against them by reason of the fact that they are or were agents of the Registrant.

The Registrant intends to obtain directors' and officers' insurance to cover its directors, officers and some of its employees for certain liabilities, including public securities matters.

The Underwriting Agreement filed as Exhibit 1.01 to this Registration Statement provides for indemnification by the underwriters of the Registrant and its directors and officers for certain liabilities under the Securities Act of 1933, or otherwise.

Reference is made to the following documents filed as exhibits to this Registration Statement regarding relevant indemnification provisions described above and elsewhere herein:

<TABLE> <CAPTION> EXHIBIT DOCUMENT	NUMBER

<S>	<C>
Underwriting Agreement.....	1.01
Registrant's Certificate of Incorporation.....	3.01
Registrant's Bylaws.....	3.02
Form of Indemnity Agreement.....	10.01
</TABLE>	

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

In the three years prior to the effective date of this Registration Statement, we have issued and sold the following unregistered securities:

1. On September 20, 1996, we issued and sold 400,000 shares of Series B preferred stock to a group of 3 investors for an aggregate consideration of \$2,200,000 in cash

2. On June 20, 1997, we issued and sold 4,000,000 shares of Series C preferred stock to 11 investors for an aggregate consideration of \$5,000,000 in cash.

3. On July 29, 1998, we issued and sold 2,737,716 shares of Series D preferred stock to eight investors for an aggregate consideration of \$9,582,006

in cash.

4. On September 16, 1998, we issued and sold 857,143 shares of Series D preferred stock to one investor for an aggregate consideration of \$3,000,000 in cash.

5. On September 16, 1998, we issued to Intel Corporation a warrant to purchase up to 142,857 shares of common stock at an exercise price of \$3.50 per share which expires, if not earlier exercised, on September 16, 2004.

6. On September 16, 1998, we issued to Intel Corporation a warrant, which we amended on April 16, 1999 to provide (1) that Intel may purchase up to 142,857 shares of Common Stock at an exercise price of \$0.35 per share at any time on or before September 16, 2004, and (2) that if a certain milestone is achieved, we will issue Intel another warrant to purchase up to 142,857 shares of common stock at an exercise price of \$0.35 per share at any time on or before September 16, 2004.

7. In February, 1999, and in connection with a lease line of credit, we issued a warrant to purchase up to 32,142 shares of our Series D preferred stock at an exercise price of \$3.50 per share. This warrant is immediately exercisable and expires upon the earlier of February 17, 2004, or certain corporate transactions.

8. Since August 31, 1996, 3,959,212 shares of common stock had been issued to our employees, consultants and other service providers upon exercise of options or pursuant to restricted stock purchase agreements and, as of August 31, 1999, 1,744,963 shares of common stock were issuable upon exercise of outstanding options.

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All of the 580,000 shares of Series A preferred stock will automatically convert into 1,160,000 shares of common stock upon the consummation of this offering as a result of a two-for-one common stock split effected on May 6, 1997.

All of the 400,000 shares of Series B preferred stock will automatically convert into 932,203 shares of common stock upon the consummation of this offering as a result of a two-for-one common stock split effected on May 6, 1997 and an adjustment to the Conversion Price of the Series B preferred stock from \$2.75 per share to \$2.36 per share as a result of the issuance and sale of 4,000,000 shares of Series C preferred stock on June 20, 1997.

All of the 4,000,000 shares of Series C preferred stock will automatically convert on a one-to-one basis into 4,000,000 shares of common stock and all of the 3,594,859 shares of Series D preferred stock will automatically convert on a one-to-one basis into 3,594,859 shares of common stock upon the consummation of this offering.

The sale of the above securities was deemed to be exempt from registration under the Securities Act of 1933 in reliance upon Section 4(2) of the Securities Act of 1933 and/or Regulation D promulgated thereunder or Rule 701 promulgated under Section 3(b) of the Securities Act of 1933 as transactions by an issuer not involving any public offering or transactions pursuant to compensation benefit plans and contracts relating to compensation as provided under Rule 701. These sales were made without general solicitation or advertising. The recipients of securities in each such transaction represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof. Each purchaser was a sophisticated investor with access to all relevant information necessary to evaluate the investment.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) The following exhibits are filed herewith:

<TABLE> <CAPTION> EXHIBIT NUMBER	EXHIBIT TITLE
<C>	<S>

1.01+ Form of Underwriting Agreement.

3.01+ Certificate of Incorporation of the Registrant, filed with the Delaware Secretary of State on June 11, 1999.

3.02+ Form of First Amended and Restated Certificate of Incorporation of the Registrant to be filed and effective prior to completion of this offering.

3.03+ Form of Second Amended and Restated Certificate of Incorporation of the Registrant to be filed and effective upon the completion of this offering.

3.04+ Bylaws of the Registrant.

3.05+ Restated Bylaws of the Registrant to be effective prior to completion of this offering.

4.01* Form of Specimen Certificate for Registrant's common stock.

4.02+ Intel Warrant No. 1 to Purchase Common Stock of the Registrant.

4.03**+ Intel Warrant No. 2 to Purchase Common Stock of the Registrant, as amended April 16, 1999.

4.04+ Third Amended and Restated Investors Rights Agreement dated July 29, 1998, as amended October 15, 1998.

5.01* Opinion of Fenwick & West LLP regarding legality of the securities being registered.

10.01+ Form of Indemnification Agreement entered into between the Registrant and its directors.

</TABLE>

II-3

<TABLE> <CAPTION> EXHIBIT NUMBER	EXHIBIT TITLE
<C>	<S>
10.02+	1995 Equity Incentive Plan, as amended through July 20, 1999, and related forms of stock option agreements and stock option exercise agreements.
10.03+	1999 Equity Incentive Plan and related forms of stock option agreements and stock option exercise agreements.
10.04+	1999 Stock Purchase Plan and related enrollment form, notice of suspension and notice of withdrawal.
10.05+	Employment Agreement with Dan Adler dated June 15, 1998.
10.06+	Employment Agreement with Parviz Khodi dated June 10, 1999.
10.07+	Amended and Restated Severance Agreement with David Lee dated August 15, 1997.
10.08+	Amended and Restated Severance Agreement with Scott Macomber dated August 15, 1997.
10.09+	Consulting Agreement with Deog-Kyoon Jeong dated March 1, 1999.
10.10**	License Agreement dated March 15, 1995 between Deog-Kyoon Jeong and the Registrant, as amended through June 18, 1997.
10.11+	Lease Agreement dated April 9, 1997 between Elisabeth Griffinger and the Registrant.
10.12**	Business Cooperation Agreement dated September 16, 1998 between Intel Corporation and the Registrant, as amended October 30, 1998.
10.13**+	Patent License Agreement dated September 16, 1998 between Intel Corporation and the Registrant.
10.14+	Digital Visual Interface Specification Revision 1.0 Promoter's Agreement dated January 8, 1999.
10.15+	Revolving Credit Loan & Security Agreement dated December 17, 1998 between Comerica Bank-California and the Registrant.
10.16+	Research and Development Contract for Gigabit Links and Multimedia Information Delivery Systems dated July 1, 1998 between Inter-University Semiconductor Research Center of Seoul National University and the Registrant.
10.17+	Research and Development Contract for 1000BASE-T Gigabit Ethernet PHY Chip dated July 1, 1999 between Inter-University Semiconductor Research Center of Seoul National University and the Registrant.
10.18+	Master Lease Agreement and Addendum with Comdisco, Inc. dated February 17, 1999.
10.19+	Letter Agreement between Steve Tirado and the Registrant and Addendum thereto.

10.20+	Form of Restricted Stock Purchase Agreement and Secured Full Recourse Promissory Note entered into between Registrant and its officers and consultants.
10.21	Form of Nonqualified Stock Option Agreement entered into between Registrant and its officers.
10.22	Letter of Intent dated August 26, 1999 between Intel Corporation and the Registrant
23.01	Consent of Fenwick & West LLP (included in Exhibit 5.01).
23.02	Consent of Independent Accountants.
24.01+	Power of Attorney (included on signature page).

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EXHIBIT NUMBER	EXHIBIT TITLE
27.01+	Financial Data Schedule.

* To be supplied by amendment.

** Confidential treatment has been requested with respect to certain portions of this exhibit. Omitted portions have been filed separately with the Securities and Exchange Commission.

+ Previously filed.

(b) The following financial statement schedule is filed herewith:

Schedule II--Valuation and Qualifying Accounts

Other financial statement schedules are omitted because the information called for is not required or is shown either in the financial statements or the notes thereto.

ITEM 17. UNDERTAKINGS.

The undersigned Registrant hereby undertakes to provide to the Underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described under Item 14 above, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Amendment to Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Cupertino, State of California, on the 10th day of September, 1999.

<TABLE>
 <S> <C> <C>
 SILICON IMAGE, INC.
 By: /s/ DANIEL K. ATLER

 Daniel K. Atler
 CHIEF FINANCIAL OFFICER
 </TABLE>

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment to Registration Statement has been signed by the following persons in the capacities and on the date indicated.

SIGNATURE	TITLE	DATE
DAVID D. LEE* ----- David D. Lee	President, Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	September 10, 1999
/s/ DANIEL K. ATLER ----- Daniel K. Atler	Vice President, Finance and Administration and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	September 10, 1999
SANG-CHUL HAN* ----- Sang-Chul Han	Director	September 10, 1999
RONALD V. SCHMIDT* ----- Ronald V. Schmidt	Director	September 10, 1999
DAVID A. HODGES* ----- David A. Hodges	Director	September 10, 1999
ANDREW S. RAPPAPORT* ----- Andrew S. Rappaport	Director	September 10, 1999
HERBERT CHANG* ----- Herbert Chang	Director	September 10, 1999

<TABLE>
 <S> <C>
 *By: /s/ DANIEL K. ATLER

 Daniel K. Atler
 ATTORNEY-IN-FACT
 </TABLE>

<TABLE> <CAPTION> EXHIBIT NUMBER	EXHIBIT TITLE
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10.17+	Research and Development Contract for 1000BASE-T Gigabit Ethernet PHY Chip dated July 1, 1999 between Inter-University Semiconductor Research Center of Seoul National University and the Registrant.
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10.19+	Letter Agreement between Steve Tirado and the Registrant and Addendum thereto.
10.20+	Form of Restricted Stock Purchase Agreement and Secured Full Recourse Promissory Note entered into between Registrant and its officers and consultants.
10.21	Form of Nonqualified Stock Option Agreement entered into between Registrant and its officers.
10.22	Letter of Intent dated August 26, 1999 between Intel Corporation and the Registrant.
23.01	Consent of Fenwick & West LLP (included in Exhibit 5.01).
23.02	Consent of Independent Accountants.
24.01+	Power of Attorney (included on signature page).
27.01+	Financial Data Schedule.

</TABLE>

 * To be supplied by amendment.

** Confidential treatment has been requested with respect to certain portions of this exhibit. Omitted portions have been filed separately with the Securities and Exchange Commission.

+ Previously filed.

LICENSE AGREEMENT

This License Agreement is made this 15th day of March, 1995 by Deog-Kyoon Jeong, an individual with a place of business at Seoul National University, Shinlim-dong, Gwanak-gu, Seoul 151-742, Korea ("DK"), and Silicon Image, Inc., a California corporation with a place of business at 3715 Redwood Circle, Palo Alto, California 94306 ("SII"). This Agreement will become effective, if at all, upon the later of (a) March 28, 1995, or (b) SII's closing of a sale of its securities having a value of at least Two Million Dollars (\$2,000,000).

RECITALS

A. SII has been formed to engage in the business of designing, manufacturing, and marketing electronic components for transmitting video information.

B. DK has developed certain "SERIAL LINK TECHNOLOGY" described on EXHIBIT A hereto.

C. Prior to the date of this Agreement, DK granted limited rights in the Serial Link Technology to [***] (collectively, the "PRIOR LICENSEES").

D. DK desires to license to SII, and SII desires to license from DK, the Serial Link Technology for two fields of use: (a) transmitting video information, and (b) [***].

NOW, THEREFORE, the parties agree as follows:

1. LICENSE.

1.1 GRANT OF RIGHTS. DK hereby grants to SII a perpetual, irrevocable, worldwide license to use, make, have made, copy, publish, modify, improve, prepare derivative works based on, market, distribute, lease, and sell the Serial Link Technology, with full rights to sublicense others to do the same, solely in two fields of use: (a) transmitting video information, and (b) [***]. The foregoing license includes, but is not limited to, licenses under any patents, copyrights, mask work rights, trade secret rights, and other intellectual property rights (collectively, "INTELLECTUAL PROPERTY RIGHTS") owned or licensed by DK in connection with the Serial Link Technology.

1.2 EXCLUSIVITY. DK agrees, however, that after the date of this Agreement, DK will not grant to any other party rights to use the Serial Link Technology in the field of use described in Section 1.1(a) above.

1.3 ENHANCEMENTS. SII and DK acknowledge that DK is a shareholder in SII and that DK's shares in SII are subject to repurchase restrictions that

lapse over four (4) years, provided that DK continues to render substantial services to SII. SII and DK agree that the services to be rendered to SII by DK are likely to include maintaining, enhancing, and customizing the Serial Link Technology for use by SII, and that all enhancements and

[***] Confidential Treatment has been requested for certain portions of this document. Such portions have been filed separately with the Securities and Exchange Commission

customizations developed by DK for SII will be owned by SII. In addition, subject to any limitations imposed by DK's existing agreements with the Prior Licensees, DK agrees to disclose and license to SII at no additional charge all enhancements and other modifications of the Serial Link Technology, regardless of whether they are developed at SII's request, and the term "Serial Link Technology" as used in this Agreement will be construed to include all such enhancements and modifications developed by DK. However, SII will have no obligation to incorporate any such enhancements or modifications into the Serial Link Technology.

1.4 ADDITIONAL RIGHTS. In the event that DK owns (presently or in the future) any patent rights that block or interfere with SII's license rights, DK will grant to SII a non-exclusive license to use, make, have made, copy, publish, modify, improve, prepare derivative works based on, market, distribute, lease, and sell any products, software, or hardware covered by such patent rights, with full rights to sublicense others to do the same, to the extent necessary to enable SII to exercise its rights under this Agreement.

2. PAYMENT.

2.1 ROYALTY. During each of the years set forth below, SII will pay to DK the percentage set forth opposite that year of the "Net Receipts" (as defined below) actually received by SII with respect to all sales, licenses, sublicenses, or other commercial exploitation of the Serial Link Technology or any derivative work thereof.

<TABLE>

<CAPTION>

Year	Percentage of Net Receipts
----	-----
<S>	<C>
1995	4.2
1996	3.2
1997	1.8
1998	1.0
1999	0.8
2000	0.5

</TABLE>

After 2000, no further royalties will be due to DK under this Agreement and SII's license will be fully paid.

2.2 NET RECEIPTS. As used herein, "NET RECEIPTS" means SII's gross receipts (exclusive of taxes, interest, service or processing charges, finance charges, currency exchange fees, insurance, and transportation costs) from all sales, licenses, sublicenses, or other commercial exploitation of the Serial Link Technology or any derivative work thereof, minus (1) any credits or refunds for returns; (2) any rebates and promotional allowances to customers; and (3) any sales commissions. If, in connection with any license of the Serial Link Technology, SII receives refundable advances against future payment obligations, such advances will be deemed received only as shipments are made against them.

2.3 PAYMENT DATES. Payments due to DK under Section 2.1 hereof will be calculated and made quarterly based on actual receipts for the previous calendar quarter.

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Amounts received by SII in foreign currencies will be deemed converted into United States Dollars at the average exchange rates used by SII in its financial statements for the month of receipt. Within forty-five (45) days after the close of each quarter ending March 31, June 30, September 30, and December 31, SII will deliver to DK a report which will provide all reasonably necessary information for computation of the payments, if any, due to DK for such quarterly period, together with any payments due DK with respect to such period.

2.4 AUDIT RIGHTS. An independent certified public accountant selected by DK may, upon reasonable notice and during normal business hours, but no more often than once each year, inspect the records of SII on which such reports are based. SII's determination of the payments due DK under this Agreement will be deemed conclusive unless, within eighteen (18) months from the date of payment thereof, DK notifies SII in writing of any error in such payments. Any inspection of SII's records pursuant to this Section 2.4 will be conducted during SII's normal business hours, under SII's supervision, and in a manner which does not interfere with SII's business operations. If, upon performing an inspection of SII's records, it is determined that SII has underpaid DK by an amount equal to or greater than ten percent (10%) of the payments due DK in the particular period in question, SII shall bear all reasonable expenses and costs of the audit.

3. MARKETING.

3.1 NO OBLIGATION TO MARKET. DK agrees that SII has no fiduciary duty to DK, either express or implied, and may market, or not market at all, the Serial Link Technology and its derivative works or any other technology licensed to or developed by DK for SII hereunder. Nothing in this Agreement will prevent SII from marketing any other technology, whether similar or dissimilar to the

Serial Link Technology.

3.2 METHODS OF MARKETING. All aspects of the distribution and marketing of products containing the Serial Link Technology will be in SII's sole control, including without limitation the methods of marketing, pricing, naming, packaging, labeling and identification, protection, terms and conditions of sale or license, and warranty, if any.

3.3 TRADEMARKS. SII and its licensees will sell or sublicense products containing the Serial Link Technology or derivative works thereof under a trademark or trademarks to be selected by SII or its licensees respectively. Such trademarks will be the property of SII or its licensees respectively, and DK will acquire no rights in any of them.

4. INTELLECTUAL PROPERTY RIGHTS.

4.1 DK'S REPRESENTATIONS AND WARRANTIES. DK represents and warrants to SII that:

(a) The Serial Link Technology as delivered to SII will substantially conform to the description in EXHIBIT A.

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(b) DK has developed the Serial Link Technology independently and has not knowingly infringed the Intellectual Property Rights of others; PROVIDED THAT, with respect to patent rights, DK has performed no investigation but nothing has come to his attention to indicate that the Serial Link Technology infringes the patent rights of others.

(c) DK is the sole and exclusive owner of the Serial Link Technology, subject to the rights of the Prior Licensees, and has full power and right to enter into this Agreement without liability to others.

(d) DK has previously granted rights in the Serial Link Technology only to the Prior Licensees. Those prior grants of rights are consistent with the rights granted to SII herein. DK will not grant any rights in the Serial Link Technology to any third party which are inconsistent with the rights granted to SII herein.

(e) DK has full power to enter into this Agreement, to carry out his obligations under this Agreement, and to grant the rights granted to SII herein.

4.2 SII'S REPRESENTATIONS AND WARRANTIES. SII represents and warrants to DK that:

(a) Any contributions by SII to derivative works of the Serial Link Technology will not infringe upon any Intellectual Property Rights of any third party.

(b) SII has full power to enter into this Agreement and to carry out its obligations under this Agreement.

4.3 INFRINGEMENT BY OTHERS. Each party will notify the other of any infringement of rights in the Serial Link Technology that come to such party's attention. In the event of any infringement of any rights granted to SII hereunder, SII will have the first option to bring any action for such infringement on behalf of itself and DK, and DK will cooperate fully with SII in such action; and in such event SII will bear the expenses of the action and will recover its expenses from any sums recovered in the action. The balance of the proceeds of such action will be deemed to be Net Receipts and will be divided between SII and DK according to the percentages specified in Section 2.1. If SII declines in writing to bring any such action, DK may proceed to bring the action, will bear all expenses of the action, and will be entitled to any sums recovered in the action.

4.4 INDEPENDENT DEVELOPMENT. Nothing in this Agreement will impair SII's right to acquire, license, develop for itself, or have others develop for it, modifications or enhancements to the Serial Link Technology or derivative works thereof, or replacements for the Serial Link Technology or derivative works thereof.

5. CONFIDENTIAL INFORMATION.

5.1 NONDISCLOSURE. SII and DK agree that the terms and conditions of this Agreement, the trade secrets and technology embodied in the Serial Link Technology, the

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concepts, know how, techniques and algorithms known or developed by DK at the time of entering into this Agreement, any information disclosed by SII to DK or his accountant under Section 2.4, any information concerning the other party's marketing plans, existing or future products, and any other confidential business or technical information disclosed to the other party in the furtherance of this Agreement will be deemed confidential and held in strict confidence and will not be disseminated or disclosed without the express written consent of the other party.

5.2 EXCLUSIONS. Notwithstanding the above, the following materials will not be deemed confidential:

- (a) Information that is or becomes known to the general public without breach of the nondisclosure obligations of this Agreement;
- (b) Information that is customarily disclosed to others without restriction on disclosure;
- (c) Information that is obtained from a third party or

independently developed without breach of a nondisclosure obligation and without restriction on disclosure; and

(d) Information that is required to be disclosed in connection with any suit, action, or other dispute related to this Agreement.

6. TERM AND TERMINATION.

6.1 TERM. This Agreement will commence on the date first written above and will continue until terminated by mutual consent of the parties or as provided in this Section 6.

6.2 TERMINATION.

(a) If either party becomes the subject of a voluntary or involuntary petition in bankruptcy or any proceeding relating to insolvency, receivership, liquidation, or composition for the benefit of creditors, if that petition or proceeding is not resolved in its favor within sixty (60) days after filing, the other party may terminate this Agreement on thirty (30) days' prior written notice.

(b) If either party materially breaches any term or condition of this Agreement and fails to cure that breach within thirty (30) days after receiving written notice of the breach, the other party shall have the right to terminate this Agreement any time after the end of such thirty (30) day period.

(c) If SII fails to commercialize the Silicon Link Technology by within three (3) years of the date when this Agreement becomes effective, then DK may terminate this Agreement on thirty (30) days' prior written notice to SII. As used herein, "commercialize"

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means incorporate in a product that is readily available and offered for sale to third parties in commercially reasonable quantities.

6.3 EFFECTS OF TERMINATION.

(a) Each party shall return or destroy all copies of the confidential information of the other party within thirty (30) days after the effective date of the termination. At the request of either party, an officer of the other party will certify in writing that such other party has complied with this obligation.

(b) All sums owed to SII by DK, or to DK by SII, will become immediately due and payable upon the effective date of termination.

(c) SII and its licensees will have the right to ship to customers all products remaining in inventory that contain the Serial Link Technology or any derivative work thereof.

(d) Neither party will be liable for damages of any kind as a result of exercising its right to terminate this Agreement according to its terms, and termination will not affect any other right or remedy at law or in equity of either party.

(e) All rights and licenses granted by SII (or by SII's sublicensees) to third parties in good faith will continue in full force and effect. In addition, the obligations of the parties under Sections 4 (Intellectual Property Rights), 5 (Confidential Information), 7 (Limitation of Liability), and 8 (Miscellaneous) will survive the termination of this Agreement.

(f) If DK terminates this Agreement pursuant to Section 6.2(a) or 6.2(c), all of the rights granted by DK to SII under Section 1 will immediately terminate and expire (subject to the provisions of paragraph (e) above concerning the survival of the rights and licenses of third parties).

7. LIMITATION OF LIABILITY.

SII AND DK WILL NOT BE LIABLE FOR ANY LOST PROFITS OR ANY SPECIAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES, EVEN IF INFORMED OF THE POSSIBILITY THEREOF IN ADVANCE AND EVEN IF A REMEDY SET FORTH HEREIN FAILS OF ITS ESSENTIAL PURPOSE. THIS LIMITATION APPLIES TO ALL CAUSES OF ACTION UNDER ANY THEORY OF LIABILITY, INCLUDING WITHOUT LIMITATION BREACH OF CONTRACT, BREACH OF WARRANTY, NEGLIGENCE, STRICT LIABILITY, AND OTHER TORTS.

8. MISCELLANEOUS.

8.1 GOVERNING LAW; FORUM. This Agreement will be deemed entered into in Santa Clara County, California and will be governed by and interpreted in accordance with the substantive laws of the State of California, excluding the Convention on Contracts for the Sale

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of International Goods. The parties agree that any dispute arising out of or related to this Agreement will be finally settled under the Rules of Conciliation and Arbitration of the International Chamber of Commerce by a single arbitrator appointed in accordance with those Rules. The place of arbitration will be Santa Clara County, California, but the parties hereby agree to exclude any right of application or appeal to the courts in connection with any questions of law arising in the course of the reference or out of the award. The language to be used in the arbitral proceedings will be English. The applicable procedural law will be the law of the place of arbitration. Judgment upon the award may be entered in any court having jurisdiction.

8.2 ASSIGNMENT. Except upon a merger, reorganization, or sale of all or substantially all the assets of the assigning party, neither party may assign

this Agreement without the prior written consent of the other. Any assignment permitted hereunder will be subject to the written consent of the assignee to all the terms and provisions of this Agreement.

8.3 MODIFICATION. No modification to this Agreement, nor any waiver of any rights, will be effective unless assented to in writing by the party to be charged, and the waiver of any breach or default shall not constitute a waiver of any other right hereunder or any subsequent breach or default.

8.4 NOTICES. Any required or permitted notices hereunder must be given in writing at the address of each party sent forth above, or to such other address as either party may substitute by written notice to the other in the manner contemplated herein, by one of the following methods: hand delivery; registered, express, or certified mail, return receipt requested, postage prepaid; nationally-recognized private express courier; or facsimile. Notices will be deemed given on the date when hand delivered or transmitted by facsimile, one (1) day after being sent by express mail or nationally-recognized private express courier, and five (5) days after being sent by registered or certified mail.

8.5 COUNTERPARTS. This Agreement may be executed in multiple counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

8.6 INDEPENDENT CONTRACTORS. In performing their respective duties under this Agreement, each of the parties will be operating as an independent contractor. Nothing contained herein will in any way constitute any association, partnership, or joint venture between the parties hereto, or be construed to evidence the intention of the parties to establish any such relationship.

8.7 SEVERABILITY. In the event that it is determined by a court of competent jurisdiction that any provision of this Agreement is invalid, illegal, or otherwise unenforceable, such provision will be enforced as nearly as possible in accordance with the stated intention of the parties, while the remainder of this Agreement will remain in full force and effect and bind the parties according to its terms. To the extent any provision cannot be enforced in

accordance with the stated intentions of the parties, such provisions will be deemed not to be a part of this Agreement.

8.8 EQUITABLE RELIEF. DK acknowledges that the rights and licenses granted to SII hereunder are of a unique, unusual, extraordinary, and intellectual character that gives them a special value, the loss of which cannot be reasonably or adequately compensated in damages in an action at law, that a material breach by DK of this Agreement will cause SII great and irreparable injury and damage and, therefore, that SII will be entitled to injunctive relief

to prevent such injury or damage.

8.9 HEADINGS. The headings of the Sections and subsections of this Agreement are for convenience only and will not be of any effect in construing the meanings of the Sections and subsections.

8.10 ENTIRE AGREEMENT. This Agreement and the exhibits attached hereto constitute the entire and exclusive agreement between the parties hereto with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.

Silicon Image, Inc.

By: /s/ Ignatius Tjandrasuwita	3/15/95	/s/ Deog-Kyoon Jeong	3/15/95
-----		-----	
Ignatius Tjandrasuwita, Vice President		Deog-Kyoon Jeong	

EXHIBIT A

SERIAL LINK TECHNOLOGY SPECIFICATION

The serial link is a point-to-point, differential, communication interconnect technology, implementable in low-cost, scaleable CMOS process technologies. The media is a DC-balanced, transformer coupled, 50ohm twisted-pair cable or 100ohm twinax cable. The transmission cable carries a low voltage swing (less than 500mV peak-to-peak) differential signals. Transmission rate can be as high as 1.5 giga bits per second with bit error rate of 10E-9 or better, in a typical 0.6um CMOS implementations. Silicon area required to implement serial link cells on an integrated circuits (ICs) and power consumption are small enough to integrate multiple serial link channels on an IC.

The serial link cell includes a novel serializer that converts parallel data at lower clock rate to high speed serialized bit stream, a phase locked loop generating multiphase clock signals, and digital phase locked loop that recovers data (serial to parallel) and clock from serial bit stream being received.

The circuit works in a completely synchronous manner. It requires a single central clock for both transmit and receive. Unlike conventional receiver which generates both recovered clock and recovered data in sync with the clock, recovered data is sent out with a central clock. In the case of the data rate mismatch, word skipping and doubling capability make synchronous transfer

possible. Transmission rate is 10 times the system clock and such multiplicity is done by an on-chip phase locked loop (PLL). One PLL can be sued for multiple (up to 8) serial link channels.

AMENDMENT NO. 1
TO
LICENSE AGREEMENT
BETWEEN DEOG-KYOON JEONG AND SILICON IMAGE, INC.

This Amendment No. 1 shall serve to amend the License Agreement (hereinafter referred to as "The License Agreement") between Deog-Kyoon Jeong ("DK") and Silicon Image, Inc. ("SII") dated March 15, 1995. The License Agreement sets forth terms and conditions of licensing Serial Link Technology developed by DK to SII in the use of (a) transmitting video information, and (b) [***], as defined in the section 1.1 of the License Agreement.

The License Agreement is hereby amended as follows:

In the first paragraph of the License Agreement, delete the following sentence;

"THIS AGREEMENT WILL BECOME EFFECTIVE, IF AT ALL, UPON THE LATER OF (A) MARCH 28, 1995, OR (B) SII'S CLOSING OF A SALE OF ITS SECURITIES HAVING A VALUE OF AT LEAST TWO MILLION DOLLARS (\$2,000,000)."

And replace with;

"THIS AGREEMENT WILL BECOME EFFECTIVE AS OF MAY1, 1995."

Other than the addition of the foregoing, the License Agreement remains unmodified and in full force and effect.

The Effective Date of this Amendment No. 1 is May 1, 1995.

Silicon Image, Inc.

By: /s/ Ignatius Tjandrasuwita 5/1/95 /s/ Deog-Kyoon Jeong 5/1/95

Ignatius Tjandrasuwita, Vice President Deog-Kyoon Jeong

[***] Confidential Treatment has been requested for certain portions of this document. Such portions have been filed separately with the Securities

AMENDMENT NO. 2
TO
LICENSE AGREEMENT
BETWEEN DEOG-KYOON JEONG AND SILICON IMAGE, INC.

This Amendment No. 2, dated November 30, 1995, amends a certain License Agreement dated March 15, 1995 by and between Deog-Kyoon Jeong ("DK") and Silicon Image, Inc. ("SII"), as amended by Amendment No. 1 thereto dated May 1, 1995 (the "License Agreement").

1. Recital D of the License Agreement is amended to read in full as follows: "DK desires to license to SII, and SII desires to license from DK, the Serial Link Technology for all fields of use except those that are exclusively reserved to the Prior Licensees under the terms of their existing agreements with DK."

2. Section 1.1 of the License Agreement is amended to read in full as follows: "DK hereby grants to SII a perpetual, irrevocable, worldwide license to use, make, have made, copy, publish, modify, improve, prepare derivative works based on, market, distribute, lease, and sell the Serial Link Technology; with rights to sublicense others to do the same, in all fields of use except those that are exclusively reserved to the Prior Licensees under the terms of their existing agreements with DK. The foregoing license includes, but is not limited to, licenses under any patents, copyrights, mask work rights, trade secret rights, and other intellectual property rights (collectively, "INTELLECTUAL PROPERTY RIGHTS") owned or licensed by DK in connection with the Serial Link Technology."

3. Section 1.2 is amended to read in full as follows: "DK agrees that after the date of this Agreement, DK will not grant to any other party rights to use the Serial Link Technology."

4. Except as modified by this Amendment, the terms of the License Agreement remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment No. 2 as of the date set forth above.

Silicon Image, Inc.

By: /s/ David D. Lee

/s/ Deog-Kyoon Jeong

David D. Lee, President

Deog-Kyoon Jeong

AMENDMENT NO. 3
TO
LICENSE AGREEMENT
BETWEEN DEOG-KYOON JEONG AND SILICON IMAGE, INC.

This Amendment No. 3, dated 6/18, 1997, amends a certain License Agreement dated March 15, 1995 by and between Deog-Kyoon Jeong ("DK") and Silicon Image, Inc. ("SII"), as amended by Amendment No. 1 thereto dated May 1, 1995 and Amendment No. 2 thereto dated November 30, 1995 (the "LICENSE AGREEMENT").

1. Recital C of the License Agreement is amended to read in full as follows:
"Prior to the date of this Agreement, DK granted limited rights in the Serial Link Technology to [***] (collectively, the "PRIOR LICENSEES")."
2. A new subsection 4.1(f) is added to the License Agreement to read in full as follows: "In addition to (and in no way limiting) the foregoing, DK warrants and represents that pursuant to a prior agreement with Sun, DK and Sun are co-owners of the patents and patent applications listed in Rider A to Amendment No. 3 of the License Agreement, and that DK has the right to grant the licenses granted herein to the inventions covered by such patents and patent applications."
3. A new subsection 4.1(g) is added to the License Agreement to read in full as follows: "In addition to (and in no way limiting) the foregoing, DK warrants and represents that pursuant to a prior agreement with [***], (i) DK licensed some of the Serial Link Technology exclusively to [***], but the exclusivity period has expired and this prior agreement will not interfere with the rights granted hereunder in that technology, and (ii) DK agreed to give [***] first refusal to the rights in certain Serial Link Technology developed during a two-year period identified in the prior agreement, but that period has expired and none of the technology licensed hereunder is or was subject to, and the license granted herein does not conflict with, that first refusal right."
4. Except as modified by this Amendment, the terms of the License Agreement remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment No. 3 as of the date set forth above.

Silicon Image, Inc.

By: _____	/s/ David D. Lee	_____	/s/ Deog-Kyoon Jeong
	David D. Lee, President		Deog-Kyoon Jeong

[***] Confidential Treatment has been requested for certain portions of this document. Such portions have been filed separately with the Securities

Rider A
To
Amendment No. 3
to
License Agreement

Patents and Patent Applications
Filed with
Sun Microsystems
as
Co-Inventor

<TABLE>

<CAPTION>

Invention Description/Title -----	Patent/ Application No. -----	Country -----	Filing/ Issue Date -----
<S> High speed Serial Link for fully duplexed data Communication	<C> 5,587,709	<C> U.S.A.	<C> Dec/24/1996

</TABLE>

CONFIDENTIAL TREATMENT REQUESTED

BUSINESS COOPERATION AGREEMENT

BETWEEN

SILICON IMAGE, INC. AND INTEL CORPORATION

This Agreement ("Agreement") is entered into as of September 16, 1998 ("Effective Date") by and between Silicon Image, Inc. a California corporation, having an office at 10131 Bubb Road, Cupertino, CA 95134, U.S.A. ("SiI") and Intel Corporation, a Delaware corporation, having an office at 2200 Mission College Blvd., Santa Clara, California 95052, U.S.A. ("Intel").

RECITALS

WHEREAS, Intel and SiI desire to share certain design, technical information, and know-how to further the development and industry adoption of a complete digital display interface method between the PC system and digital desktop displays;

WHEREAS, Intel and SiI desire to document the digital display interfaces in specifications and publish the specifications to the PC industry along with associated reciprocal patent licenses;

WHEREAS, Intel and SiI desire to promote the specifications and an associated technology roadmap to encourage industry adoption of the digital display interface specifications;

NOW THEREFORE, in consideration of the mutual covenants and promises contained herein, the parties agree as follows:

AGREEMENT

1. DEFINITIONS

1.1. "Advanced Transmitter" shall mean the layout of the most recent version of SiI's proprietary transmitter circuit and I/O circuit (which SiI makes generally available to SiI's customers) which encodes, formats and transfers Video Data from graphics controller circuitry to a Receiver in accordance with the [***], such that the Advanced Transmitter can transmit to and be understood by the then most recent version (at the time Intel requests the Advanced Transmitter under the agreement of Section 9.2) of the Receiver generally released by SiI. The Advanced Transmitter shall not include any technology or products that implement functionality not included within the [***].

1.2. "Current Transmitter" shall mean the layout of the most recent version of SiI's proprietary transmitter circuit and I/O circuit (which SiI makes generally available to SiI's customers) which encodes, formats and transfers Video Data from graphics controller circuitry to a Receiver in accordance with the TMDS protocol specification as expressed or incorporated in the VESA Plug n Display, Digital Flat Panel (DFP) group specifications or the [***] Digital Display Interface Specification, such that the Current

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[***] Confidential Treatment has been requested for certain portions of this document. Such portions have been filed separately with the Securities and Exchange Commission.

Transmitter can transmit to and be understood by the then most recent (at the time Intel requests the Current Transmitter under the agreement of Section 9.1) version of the Receiver generally released by SiI. The Current Transmitter supports, at a minimum, XGA resolution. The Current Transmitter shall not include any technology or products that implement functionality not included within the specification corresponding to the Current Transmitter.

- 1.3. "Digital Display Interface Roadmap" shall mean a chart that sets forth the key technology features for the [***] Digital Display Interface Specifications.
- 1.4. "DDI Technical Information" shall mean design, technical information, and know-how about the current TMDS interface that is relevant to the [***] Digital Display Interface Specifications and design, technical information, and know-how about future enhancements to the TMDS interface relevant to the [***] Digital Display Interface Specification, where such design, technical information and know-how include, but are not limited to, the bus protocols, coding and signaling protocols, signal set, electricals (e.g., V-I curves, timings), mechanical interfaces (e.g., cables, connectors), and the architecture/environment in which interface compatible devices operate.
- 1.5. "IDF" shall mean an Intel Developers Forum event.
- 1.6. "Receiver" shall mean integrated circuitry that is dedicated to providing support logic for a display device and that receives serial-form encoded digital graphic information from a Current Transmitter or Advanced Transmitter and decodes and de-serializes the digital graphic information for display on the display device.
- 1.7. "[***] Draft Digital Display Interface Specification" shall mean a draft specification that documents the current TMDS interface, including, but not limited to, the bus protocols, coding and signaling protocols, signal set, electricals (e.g., V-1 curves, timings), mechanical interfaces (e.g., cables, connectors), and the architecture/environment in which interface compatible devices operate.
- 1.8. "[***] Digital Display Interface Specification" shall mean a final-version specification that documents the current TMDS interface, including, but not limited to, the bus protocols, coding and signaling protocols, signal set, electricals (e.g., V-I curves, timings), mechanical interfaces (e.g., cables, connectors), and the architecture/environment in which interface compatible devices operate.
- 1.9. [***]

2. DIGITAL MONITOR INTERFACE SPECIFICATION DEVELOPMENT

- 2.1. Intel and SiI each agree to use reasonable and diligent efforts to collaborate in the development of the [***] Digital Display Interface Specifications [***]. Intel intends to [***]. However, [***].

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[***]

- 2.2. Intel and SiI each agree to use reasonable and diligent efforts to identify enhancements to the current TMDS interface [***].

- 2.3. Between the Effective Date and the public release of the [***] Digital Display Interface Specification, Intel and SiI each agree to provide appropriate technical resources to develop, draft, and review the [***].
- 2.4. [***], Intel and SiI each agree to provide appropriate technical resources to develop, draft, and review the [***].
- 2.5. Intel and SiI each agree to use reasonable and good faith efforts to agree on [***] development of the [***] Digital Display Interface Specifications. [***] In the event that Intel and SiI cannot agree on [***], Intel and SiI each agree that either party may exercise the termination provision of Subsection 10.3.
- 2.6. TECHNICAL INFORMATION
 - 2.6.1. Intel and SiI each agree to collaborate in good faith on the identification and sharing of the DDI Technical Information as needed for the development of the [***] Digital Display Interface Specifications.
 - 2.6.2. Intel and SiI each agree that the technical information to be exchanged in accordance with Sections 2.6.1 and 3.1 shall be provided under:
 - 2.6.2.1. the current Corporate Non Disclosure Agreement (CNDA), Number 94185 dated September 24, 1997 (included in Exhibit F), or
 - 2.6.2.2. separate agreements mutually agreed upon by the parties.
 - 2.6.3. Intel and SiI each acknowledge that certain technical information may have been obtained from third parties with confidentiality obligations thereby restricting disclosure without approval of the appropriate third party. Intel and SiI each agree to make a reasonable effort to obtain third party approval for disclosure of such relevant DDI Technical Information to the other party.

3. TECHNOLOGY ROADMAP DEVELOPMENT

- 3.1. Intel and SiI each agree to use reasonable and diligent efforts to collaborate in the development of the Digital Display Interface Roadmap.
- 3.2. Intel and SiI each agree to use reasonable and good faith efforts to agree on [***] development of the Digital Display Interface Roadmap. [***]. In the event that Intel and SiI cannot agree on [***] Intel and SiI each agree that either party may exercise the termination provision of Subsection 10.3.

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4. CONTENT AND PUBLICATION OF THE ROADMAP AND SPECIFICATIONS

- 4.1. Providing that SiI substantially contributes to the development of the respective [***] Digital Display Interface Specifications, as provided in Section 2, Intel agrees to include a statement in the respective [***] Digital Display Interface Specifications recognizing SiI's technical contribution to the respective specifications.

4.2. SPECIFICATION CONTENT AND APPROVAL.

4.2.1. Intel and SiI each agree to use reasonable and good faith efforts to agree on the content of the Digital Display Interface Roadmap and the [***] Digital Display Interface Specifications before their public release by Intel. In the event that Intel and SiI cannot agree on the content of the Digital Display Interface Roadmap, or the [***] Digital Display Interface Specifications before their public release, Intel and SiI each agree that either party may exercise the termination provision of Subsection 10.3.

4.2.2. In preparing the [***] Digital Display Interface Specifications for publication, Intel will provide SiI (along with other specification developers) various draft specifications for review and comment and approval by Intel and SiI. Such draft specifications will be marked with the header "DRAFT SPECIFICATION FOR REVIEW AND COMMENT." Intel and SiI each agree that if within fourteen (14) days after receiving a draft specification they do not provide to the other party any written objection to the content of the draft specification, the draft specification shall be deemed an "Approved Specification." If within the fourteen (14) days, any written objections are provided to the other party, only the content of the draft specification not specifically objected to by either party shall be deemed "Approved Content."

4.3. Intel and SiI agree that Intel will be responsible to publish the [***] Digital Display Interface Specifications to the industry.

4.4. After Intel has posted one of the [***] Digital Display Interface Specifications on an Intel supported web site, SiI shall have the right to provide a web link to the posted specification(s), or reproduce and distribute exact electronic copies of the posted specification(s), or reproduce and distribute exact paper copies of the printed file(s) thereof.

4.5. SiI agrees not to assert any copyright claim with respect to content of the Digital Display Interface Roadmap or the [***] Digital Display Interface Specifications regarding SiI contributions included in an Approved Specification or that are Approved Content (see Subsection 4.2.2).

5. SEPARATE INTELLECTUAL PROPERTY AGREEMENTS

5.1. [***] SPECIFICATION LICENSE AGREEMENT FOR THE INDUSTRY. The DIGITAL DISPLAY INTERFACE SPECIFICATION, [***] AGREEMENT in Exhibit B is entirely separate from this Agreement. Intel and SiI each agree to jointly make the agreement of Exhibit B, or a substantially similar agreement, available, on a non-discriminatory basis, to the industry coincident

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with the public release of the Approved Specification, [***] Digital Display Interface Specification. Intel and SiI each agree to execute the Exhibit B agreements that are signed and returned to Intel or SiI by third parties with regard to Approved Specifications. Intel shall retain the executed original agreements and promptly provide copies to SiI.

[***]

6. PRODUCT ROADMAPS

- 6.1. Intel and SiI each agree to use reasonable and good faith efforts to develop their respective product development plans in support of the Approved Specifications in the Digital Display Interface Roadmap, including the Approved Specification, [***] Digital Display Interface Specification.
 - 6.2. Intel and SiI each understand that that rate of adoption of the Digital Display Interface Roadmap, the [***] Digital Display Interface Specifications, and their associated respective product development is dependent to a large degree on the relative prices and availability of flat panel displays, as well as other market conditions, over which neither company has any material control.
7. PROMOTION OF THE ROADMAP AND DIGITAL MONITOR INTERFACE SPECIFICATIONS
- 7.1. Intel and SiI each agree that any of their respective public statements regarding support of digital display interfaces will indicate complete support of the Digital Display Interface Roadmap and the associated [***] Digital Display Interface Specifications.
 - 7.2. Intel and SiI each agree that the other party may publicize their respective contributions (including providing intellectual property) to the development of the Digital Display Interface Roadmap and the [***] Digital Display Interface Specifications.
 - 7.3. Intel and SiI each agree to use reasonable and good faith efforts to coordinate their respective public messages regarding the Digital Display Interface Roadmap, the associated [***] Digital Display Interface Specifications, and their products that are compatible with the [***] Digital Display Interface Specifications.
 - 7.4. Intel agrees to disclose at an Intel sponsored or co-sponsored event, the Digital Display Interface Roadmap and SiI's role as a technical contributor. Intel intends to publicly disclose the Digital Display Interface Roadmap [***].
 - 7.5. Intel and SiI each agree to support and promote a mutually approved Digital Display Interface Roadmap in their respective customer and industry digital desktop display interface initiative efforts.
 - 7.6. Upon public disclosure of the Approved Specification, [***] Digital Display Interface Specification, Intel and SiI agree to use reasonable and good faith efforts to support and promote industry migration to the Approved Specification, [***] Digital Display Interface Specification.

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8. PROGRAM MANAGEMENT

- 8.1. Intel and SiI each agree to designate respective project managers to coordinate their respective development efforts, and to hold regular management review meetings to review the program's status, progress and issues, as well as the exchange of DDI Technical Information. Intel and SiI shall also attempt to identify and agree on those additional elements to be included in the development efforts under this Agreement.
- 8.2. Within ten (10) days after the Effective Date, and thereafter no less than once a quarter during the term of the agreement, each party will deliver copies of any items identified as being part of the DDI Technical Information which have not already been delivered to the other party.
- 8.3. It is understood by both parties that some elements of the collaborative efforts may have been overlooked or that the

identified elements will evolve, be modified and/or enhanced during the course of the parties' relationship. Both parties agree to work together to ensure any omissions, modifications and/or enhancements are quickly identified and raised for reasonable resolution, with the intention of cooperating to ensure timely completion of both parties' development efforts. In addition, updates by either party to their respective development efforts that could affect the other party's efforts will be reasonably made available in a timely manner so as to help facilitate the activities contemplated hereunder.

9. TRANSMITTER CORE TECHNOLOGY

9.1. CURRENT TMDs/[***] TRANSMITTER CORE. Intel and SiI agree to separately negotiate in good faith an agreement for Intel to obtain licenses to and receive SiI Current Transmitter and associated design package information for integrating the Current Transmitter into an Intel integrated circuit having VGA or similar graphics functionality. [***]

9.2. [***] TRANSMITTER CORE. Intel and SiI agree to separately negotiate in good faith an a agreement for Intel to obtain licenses to and receive SiI's Advanced Transmitter and associated design package information for integrating the Advanced Transmitter into Intel's CPU, chipset, and/or graphics products, at Intel's discretion. SiI agrees that agreement shall include terms and conditions, mutually negotiated in good faith between the Parties, [***].

10. EFFECTIVE DATE, TERM AND TERMINATION

10.1. TERM. This Agreement will become effective upon the Effective Date, and shall continue in effect for a term of four (4) years, unless otherwise terminated under the terms of this Agreement.

10.2. TERMINATION FOR CONVENIENCE. One (1) year after the public release of the [***] Digital Display Interface Specification, thereafter either party shall have the right to terminate this Agreement for any reason or for no reason upon six (6) months prior written notice to the other party.

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[***] Confidential Treatment has been requested for certain portions of this document. Such portions have been filed separately with the Securities and Exchange Commission.

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10.2.1. In the event of termination under Subsection 10.2, the terminating party agrees not to publish a competing display interface specification or publicly promote a competing display interface initiative for a period of one (1) year after termination; provided that the terminating and non-terminating party are free to design and market products that support another display interface.

10.2.2. Upon termination under Subsection 10.2, the terminating party agrees not to assert any copyright in the [***] Digital Display Interface Specification with respect to material in any Approved Specification or that is Approved Content (as set forth in 4.2.2).

10.2.3. Upon termination under Subsection 10.2, the terminating party agrees to execute the respective Exhibit B and C specification license agreements that are signed and returned to Intel or SiI by third parties; provided that at the time of termination, the respective [***] Digital Display Interface Specification has been publicly released and are respectively Approved Specifications under Subsection 4.2.2. The terminating party agrees to

thereafter timely provide the signed agreements to the non-terminating party.

- 10.2.4. The terms defined in quotes (e.g., "ABC" means) in this Subsection 10.2.4 apply only to this Subsection 10.2.4 and not the rest of this Agreement. Effective upon termination under Subsection 10.2, the terminating party grants to the non-terminating party a non-exclusive, royalty-free, nontransferable, world-wide license, with rights to sublicense under LICENSED CLAIMS, to make, have made, use, sell, offer to sell, and import products which implement and comply with the [***] Digital Display Interface Specification, including described options in that specification; provided that such license under Interface Claims shall not extend to features of a product which are not required to implement and comply with the Digital Display Interfaces; and provided that such license under [***] shall not extend to features of a product which are not used to implement and comply with the Digital Display Interfaces. "LICENSED CLAIMS" means Interface Claims, [***]. "INTERFACE CLAIMS" means claims of a patent or patent application, which are owned or controlled by a party, that must be infringed in order to comply with the Digital Display Interfaces. "Interface Claims" does not include claims relating to manufacturing technology, claims not required to be infringed in complying with the Digital Display Interfaces (even if in the same patent as Interface Claims), or claims which, if licensed, would require a payment of royalties to unaffiliated third parties. The "DIGITAL DISPLAY INTERFACES" are the electrical interfaces, mechanical interfaces, signals, signaling and coding protocols, and bus protocols disclosed in, and required by, the most recent (at the time of termination under Subsection 10.2) Approved Specification (as provided in Subsection 4.2.2) (hereinafter "Convenience Specification"), including described options in the Convenience Specification. [***] means claims of a patent or patent application, which are owned or controlled by a party, to the extent that such claims read on [***] does not include claims relating to manufacturing technology, or claims which, if licensed, would require a payment of royalties to unaffiliated third parties. [***] means claims of a patent or patent application, which are owned or controlled by a party, to the extent that such claims read on [***]. [***] does not include claims relating to manufacturing

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[***] Confidential Treatment has been requested for certain portions of this document. Such portions have been filed separately with the Securities and Exchange Commission.

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technology, or claims which, if licensed, would require a payment of royalties to unaffiliated third parties. [***].

- 10.3. TERMINATION FOR DISAGREEMENT. [***] Intel and SiI shall have the right to terminate this Agreement upon thirty (30) days prior written notice to the other party.

- 10.3.1. Upon termination under Subsection 10.3, both Intel and SiI shall have the right under each party's copyrights to publish derivative specifications based on the most recent (at the time of termination under Subsection 10.3) Approved Specification (as provided in Subsection 4.2.2) (hereinafter "Disagreement Specification"). Intel and SiI each agree not to assert any copyright claim in the Disagreement Specification or derivative specifications thereof.

10.3.2. Upon termination under Subsection 10.3, Intel and SiI each agree to execute the Exhibit B and C agreements that are signed and returned to Intel or SiI by third parties provided that at the time of termination, the respective [***] Digital Display Interface Specification has been publicly released and are respectively Approved Specifications under Subsection 4.2.2. Intel and SiI each agree to provide the other with copies of the fully executed Exhibit B and C agreements.

10.3.3. The terms defined in quotes (e.g., "ABC" means) in this Subsection 10.3.3 apply only to this Subsection 10.3.3 and not the rest of this Agreement. Effective upon termination under Subsection 10.3, Intel and SiI each grant to the other party a non-exclusive, royalty-free, non-transferable, worldwide license, with rights to sublicense under LICENSED CLAIMS, to make, have made, use, sell, offer to sell, and import products which implement and comply with each party's next publicly released digital display interface specification which is each party's equivalent to the [***] Digital Interface Specification, including described options in their respective specification; provided that such license under Interface Claims shall not extend to features of a product which are not required to implement and comply with the Digital Display Interfaces; and provided that such license under [***] shall not extend to features of a product which are not used to implement and comply with the Digital Display Interfaces. "Licensed Claims" means Interface Claims, [***]. "INTERFACE CLAIMS" means claims of a patent or patent application, which are owned or controlled by a party, that must be infringed in order to comply with the Digital Display Interfaces. "Interface Claims" does not include claims relating to manufacturing technology, claims not required to be infringed in complying with the Digital Display Interfaces (even if in the same patent as Interface Claims), or claims which, if licensed, would require a payment of royalties to unaffiliated third parties. The "DIGITAL DISPLAY INTERFACES" are the electrical interfaces, mechanical interfaces, signals, signaling and coding protocols, and bus protocols disclosed in, and required by, the Disagreement Specification, including described options in that specification. [***] means claims of a patent or patent application, which are owned or controlled by a party, to the extent that such claims read on [***] does not include claims relating

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to manufacturing technology, or claims which, if licensed, would require a payment of royalties to unaffiliated third parties. [***] means claims of a patent or patent application, which are owned or controlled by a party, to the extent that such claims read on [***] does not include claims relating to manufacturing technology, or claims which, if licensed, would require a payment of royalties to unaffiliated third parties. [***].

10.4. TERMINATION FOR BREACH. This Agreement may be terminated by either party upon written notice to the other, if the other party breaches any material term or condition of this Agreement and fails to remedy the breach within sixty (60) days after being given written notice thereof; provided however, that if such breach cannot be cured within such sixty (60) day period, but (x) the breach is

capable of cure, (y) the breaching party commences to effect a cure within such sixty (60) day period and (z) the breaching party diligently pursues such cure, the breaching party will have so much time as is reasonably necessary to cure such default.

- 10.4.1. In the event of termination under Subsection 10.4, the breaching party agrees not to publish a competing display interface specification or publicly promote a competing display interface initiative for a period of one (1) year after termination; provided that the breaching and nonbreaching party are free to design and market products that support another display interface.
- 10.4.2. Upon termination under Subsection 10.4, the breaching party agrees not to assert any copyright in the [***] Digital Display Interface Specification with respect to material in any Approved Specification or that is Approved Content (as set forth in Subsection 4.2.2).
- 10.4.3. Upon termination under Subsection 10.4, the breaching party agrees to execute the respective Exhibit B and C specification license agreements that are signed and returned to Intel or SiI by third parties; provided that at the time of termination, the respective [***] Digital Display Interface Specification has been publicly released and are respectively Approved Specifications under Subsection 4.2.2. The breaching party agrees to thereafter timely provide the signed agreements to the non-terminating party.
- 10.4.4. The terms defined in quotes (e.g., "ABC" means) in this Subsection 10.4.4 apply only to this Subsection 10.4.4 and not the rest of this Agreement. Effective upon termination under Subsection 10.4, the breaching party grants to the non-breaching party a non-exclusive, royalty-free, nontransferable, world-wide license, with rights to sublicense under LICENSED CLAIMS, to make, have made, use, sell, offer to sell, and import products to the extent such products incorporate circuitry which is used to implement and comply with the [***] Digital Display Interface Specification, including described options in that specification. "LICENSED CLAIMS" means Interface Claims, [***]. "INTERFACE CLAIMS" means claims of a patent or patent application, which are owned or controlled by a party, that must be infringed in order to comply with the Digital Display Interfaces. "Interface Claims" does not include claims relating to manufacturing technology, claims not required to be infringed in complying with the Digital Display Interfaces (even if in the same patent as Interface Claims), or claims which, if licensed, would require a payment of royalties to unaffiliated third parties. The "DIGITAL DISPLAY INTERFACES" are the electrical interfaces, mechanical interfaces, signals, signaling and coding protocols, and bus protocols disclosed in, and required by, the most recent (at the time of termination under

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Subsection 10.2) Approved Specification (as provided in Subsection 4.2.2) (hereinafter "Convenience Specification"), including described options in the Convenience Specification. [***] means claims of a patent or patent application, which are owned or controlled by a party, to the extent that such claims read on [***] does not include claims relating to

manufacturing technology, or claims which, if licensed, would require a payment of royalties to unaffiliated third parties. [***] means claims of a patent or patent application, which are owned or controlled by a party, to the extent that such claims read on [***] does not include claims relating to manufacturing technology, or claims which, if licensed, would require a payment of royalties to unaffiliated third parties. [***].

10.5. EFFECT OF TERMINATION. The provisions of Sections 1, 4.1, 4.4, 4.5, 7.2, 9. 1, 10, 11, 12, 13, and 5.1 and 5.3 if the [***] Digital Interface Specification has been publicly released and is an Approved Specification, and 5.2 and 5.4 if the [***] Digital Interface Specification has been publicly released and is an Approved Specification will survive any termination or expiration of this Agreement.

11. WARRANTY DISCLAIMER

Each party acknowledges that the development efforts to be taken hereunder are speculative in nature and that there is no guarantee that the materials contributed by either party will be error free or sufficient to complete all of its development objectives. THEREFORE, EACH PARTY PROVIDES TECHNICAL INFORMATION OR OTHER MATERIALS OR INFORMATION PROVIDED HEREUNDER TO THE OTHER PARTY "AS IS," AND NEITHER PARTY MAKES ANY WARRANTIES, EXPRESS, IMPLIED, STATUTORY OR OTHERWISE WITH RESPECT TO TECHNICAL INFORMATION, AND EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES OF MERCHANTABILITY, NON INFRINGEMENT OF THIRD PARTY RIGHTS, AND FITNESS FOR A PARTICULAR PURPOSE. In the event that either party discovers defects or errors in the DDI Technical Information or other materials or information delivered hereunder, that party's sole and exclusive remedy will be for both parties to use their reasonable efforts to cooperate to correct any such defects or errors.

12. LIMITATION OF LIABILITY

IN NO EVENT WILL EITHER PARTY BE LIABLE FOR LOST PROFITS, LOSS OF DATA, OR FOR ANY SPECIAL, CONSEQUENTIAL, INDIRECT, OR INCIDENTAL DAMAGES, HOWEVER CAUSED, ON ANY THEORY OF LIABILITY AND WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, ARISING UNDER ANY CAUSE OF ACTION AND IN ANY WAY OUT OF THIS AGREEMENT OR THE DESIGNS, PRODUCTS, INFORMATION OR OTHER TECHNOLOGY PROVIDED PURSUANT TO THIS AGREEMENT. THE PROVISIONS OF THIS SECTION 10 WILL APPLY NOTWITHSTANDING THE FAILURE OF ANY LIMITED REMEDIES HEREUNDER.

13. MISCELLANEOUS PROVISIONS

13.1. NO ASSIGNMENT. This Agreement may not be assigned or otherwise transferred, nor, except as expressly provided herein, may any right or obligation hereunder be assigned or transferred, to a third party by either party without the prior written consent of the other party hereto. Notwithstanding the foregoing or anything contained herein to the contrary, either party may transfer or assign its licenses, rights and obligations under this

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Agreement to (i) a wholly owned subsidiary who has sufficient resources and rights to fulfill the terms of this Agreement or (ii) a successor to all or substantially all of its business or assets relating to this Agreement who has sufficient resources and rights to fulfill the terms of this Agreement whether by sale, merger, operation of law or otherwise.

13.2. NOTICE. All notices required or permitted to be given hereunder shall be in writing and shall be delivered by hand, or if dispatched by prepaid air courier or by registered or certified

airmail, postage prepaid, addressed as follows:

If to SiI:

If to Intel:

President
Silicon Image, Inc.

10131 Bubb Road
Cupertino, CA 95134
United States of America

General Counsel
Intel Corporation
2200 Mission College Blvd.
Santa Clara, CA 95052
United States of America

Such notices shall be deemed to have been served when received by addressee or, if delivery is not accomplished by reason of some fault of the addressee, when tendered for delivery. Either party may give written notice of a change of address and, after notice of such change has been received, any notice or request shall thereafter be given to such party as above provided at such changed address.

- 13.3. NO RULE OF STRICT CONSTRUCTION. Regardless of which party may have drafted this Agreement, no rule of strict construction shall be applied against either party. If any provision of this Agreement is determined by a court to be unenforceable, the parties shall deem the provision to be modified to the extent necessary to allow it to be enforced to the extent permitted by law, or if it cannot be modified, the provision will be severed and deleted from this Agreement, and the remainder of the Agreement will continue in effect.
- 13.4. TAXES. Each party shall be responsible for the payment of its own tax liability arising from this transaction.
- 13.5. ENTIRE AGREEMENT. This Agreement embodies the entire understanding of the parties with respect to the subject matter hereof, and merges all prior discussions between them, and neither of the parties shall be bound by any conditions, definitions, warranties, understandings, or representations with respect to the subject matter hereof other than as expressly provided herein. No oral explanation or oral information by either party hereto shall alter the meaning or interpretation of this Agreement.
- 13.6. MODIFICATION; WAIVER. No modification or amendment to this Agreement, nor any waiver of any rights, will be effective unless assented to in writing by the party to be charged, and the waiver of any breach or default will not constitute a waiver of any other right hereunder or any subsequent breach or default.

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- 13.7. GOVERNING LAW. This Agreement and matters connected with the performance thereof shall be construed, interpreted, applied and governed in all respects in accordance with the laws of the United States of America and the State of California, without reference to conflict of laws principles.
- 13.8. JURISDICTION. Intel and SiI agree that all disputes and litigation regarding this Agreement and matters connected with its performance shall be subject to the exclusive jurisdiction of the courts of the State of California or of the Federal courts sitting therein.
- 13.9. CONFIDENTIALITY OF TERMS. The parties hereto shall keep the terms of this Agreement confidential and shall not now or hereafter divulge these terms to any third party except:
 - 13.9.1. with the prior written consent of the other party; or
 - 13.9.2. to any governmental body having jurisdiction to call therefor; or
 - 13.9.3. subject to 13.9.4 below, as otherwise may be required by

law or legal process, including to legal and financial advisors in their capacity of advising a party in such matters; or

- 13.9.4. during the course of litigation so long as the disclosure of such terms and conditions are restricted in the same manner as is the confidential information of other litigating parties and so long as (a) the restrictions are embodied in a court-entered Protective Order and (b) the disclosing party informs the other party in writing at least ten (10) days in advance of the disclosure; or
- 13.9.5. in confidence to legal counsel, accountants, banks and financing sources and their advisors solely in connection with complying with financial transactions.

The parties shall cooperate in preparing and releasing an announcement, if any, relating to this Agreement.

13.10. PRESS RELEASES.

- 13.10.1. No publicity or information regarding this Agreement will be given or released by either party without the express authorization of the other party, which authorization shall not be unreasonable withheld.
- 13.10.2. Neither party shall make or authorize any news release, advertisement, or other public disclosure which shall deny or confirm the existence of this Agreement, without the written consent of the other party which consent shall not be unreasonably withheld.

13.11. COMPLIANCE WITH LAWS. Anything contained in this Agreement to the contrary notwithstanding, the obligations of the parties hereto and of the Subsidiaries of the parties shall be subject to all laws, present and future, of any government having jurisdiction over the parties hereto or the Subsidiaries of the parties, and to orders, regulations, directions or requests of any such government.

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- 13.12. EXPORT CONTROLS. Each party understands and acknowledges that DDI Technical Information, software, and other information and materials transferred hereunder are subject to the export licensing requirements of the U.S. Government. If any of these are to be exported by either party, it is that parties sole responsibility to make timely application in its own name for any export license required by U.S. export control laws and regulations.
- 13.13. FORCE MAJEURE. The parties hereto shall be excused from any failure to perform any obligation hereunder to the extent such failure is caused by war, acts of public enemies, strikes or other labor disturbances, fires, floods, acts of God, or any causes of like or different kind beyond the control of the parties.
- 13.14. COUNTERPARTS. This Agreement may be executed in two (2) or more counterparts, all of which, taken together, will be regarded as one and the same instrument.
- 13.15. SECTION HEADINGS. The section headings contained in this Agreement are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by duly authorized officers or representatives on the date below written.

INTEL CORPORATION Silicon Image, Inc.

By: /s/ Patrick P. Gelsinger

By: /s/ David D. Lee

Patrick P. Gelsinger

Printed Name

Vice President, General Manager

Title

9-14-98

Date

David D. Lee

Printed Name

CEO

Title

September 16, 1998

Date

[SIGNATURE PAGE TO BUSINESS COOPERATION AGREEMENT
BETWEEN SILICON IMAGE, INC. AND INTEL CORPORATION]

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INTEL AND SILICON IMAGE CONFIDENTIAL

EXHIBIT A

DEVELOPMENT AGREEMENT FOR THE
DIGITAL DISPLAY INTERFACE SPECIFICATIONS

INTEL AND SILICON IMAGE CONFIDENTIAL

DEVELOPMENT AGREEMENT FOR THE DIGITAL DISPLAY INTERFACE SPECIFICATIONS

Intel and Silicon Image, Inc. are developing a digital display technology roadmap and draft specifications which may become appropriate for publication and industry-wide adoption and seeks the counsel, advice, and input of ABC COMPANY ("ABC"). In order to facilitate consultations between ourselves and with other industry participants, this Agreement sets out the legal terms which will govern those consultations.

TERMS. "INTEL" refers to Intel Corporation. "SII" REFERS TO SILICON IMAGE, INC. "PARTICIPANT" refers to the industry participant named above. "FELLOW PARTICIPANTS" refers to other industry participants identified by Intel who have executed appropriate confidentiality agreements. "DRAFT SPECIFICATIONS" refers to the "PRELIMINARY VERSIONS OF EACH OF THE FOLLOWING [***] SPECIFICATIONS: THE DIGITAL DISPLAY INTERFACE SPECIFICATIONS, [***]" being prepared by Intel and generally relating to the subject of an interface for integrating digital display devices in a computer system environment.

CONSULTATION. Intel, SiI, and Participant may consult with each other on the content, feasibility, and other aspects of one or more revisions of the Draft Specifications. Intel shall be free to incorporate the suggestions of Participant into the Draft Specifications, and also into the Digital Display Interface Specifications, [***] and the digital display technology roadmap which Intel intends to publicly release. Participant agrees not to assert any copyright claim related to the Specifications.

IN CONFIDENCE. Participant will maintain the Draft Specifications in confidence with at least the same degree of care that it uses to protect its own confidential and proprietary information, but no less than a reasonable degree of care under the circumstances and will neither disclose nor copy the Draft Specifications except as necessary for its employees with a need to know. Any copies which are made will be marked "confidential," "proprietary" or with a similar legend. Unless the parties agree otherwise, this obligation of confidentiality will expire on DECEMBER 31, 2003. A party will not be liable for the disclosure of any information as required by law or which is:

included in the final, publicly released, version of one of the Specifications, or rightfully in the public domain other than by such party's breach of a duty; or rightfully received from a third party without any obligation of confidentiality; or independently developed by employees of the receiving

party.

FELLOW PARTICIPANTS. Intel may invite additional parties to become Fellow Participants. When Intel identifies such a Fellow Participant, and such Fellow Participant has executed a similar confidentiality agreement, the Participant shall be free to exchange information relating to the Draft Specification with such party, and such information shall be treated as confidential as provided above.

EARLY TERMINATION. Any party may terminate this agreement at any time without cause upon written notice to the other. All obligations of confidentiality, rights to incorporate the suggestions of Participant into the Specifications, and non-assertion of copyright claims will survive the termination of this agreement.

GENERAL. This Agreement does not create a joint venture, partnership or other form of business association between the parties, nor an obligation to buy or sell products implementing the Specifications. This Agreement will be governed by the laws of Delaware. All parties understand and acknowledge that, except as expressly granted herein in writing, no other license under any patent, copyrights, or other intellectual property right is granted to or conferred upon either party in this Agreement or by the transfer

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INTEL AND SILICON IMAGE CONFIDENTIAL

of any information by one party to the other party as contemplated hereunder, either by implication, inducement, estoppel or otherwise.

AGREED:

INTEL CORPORATION

PARTICIPANT

By: _____

By: _____

Printed Name

Printed Name

Title

Title

Date

Date

SILICON IMAGE, INC.

By: _____

Printed Name

Title

Date

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EXHIBIT B

[***] Confidential Treatment has been requested for certain portions of this document. Such portions have been filed separately with the Securities and Exchange Commission.

INTEL AND SILICON IMAGE CONFIDENTIAL

DIGITAL DISPLAY INTERFACE SPECIFICATION, [***] AGREEMENT

THIS IS A ROYALTY-FREE, RECIPROCAL PATENT LICENSE PROVIDED BY INTEL AND SILICON IMAGE FOR ADOPTERS OF THE DIGITAL DISPLAY INTERFACE SPECIFICATION, [***] WHO WISH TO MAKE USE OF THE DIGITAL DISPLAY INTERFACES ("DDI") DESCRIBED IN THE DIGITAL DISPLAY INTERFACE SPECIFICATIONS, IN THEIR DDI-COMPLIANT PRODUCTS. WHEN ADOPTER'S AUTHORIZED REPRESENTATIVE SIGNS THIS AGREEMENT AND DELIVERS IT TO INTEL AT THE ADDRESS BELOW, THIS AGREEMENT WILL BE LEGALLY BINDING AND WILL EXTEND TO ALL FELLOW ADOPTERS.

1. Definitions: As used in this Agreement,
 - "Adopter" is the party identified at the end of this Agreement.
 - "Fellow Adopters" are Intel Corporation ("Intel") , Silicon Image, Inc. ("SiI"), and any other entity which executes or has executed and delivered to Intel Corporation a substantially identical counterpart of this Agreement, including any entity which directly or indirectly controls, is controlled by, or is under common control with a Fellow Adopter, so long as such control exists.
 - The "Digital Display Interface Specification" is the document entitled DIGITAL INTERFACE SPECIFICATION, [***], published by Intel.
 - The "Digital Display Interfaces" are the electrical interfaces, mechanical interfaces, signals, signaling and coding protocols, and bus protocols disclosed in, and required by, the Digital Display Interface Specification, including described options in that specification.

[***]
- "interface Claims" means claims of a patent or patent application, which are owned or controlled by a party, that must be infringed in order to comply with the Digital Display Interfaces. "Interface Claims" does not include claims relating to manufacturing technology, claims not required to be infringed in complying with the Digital Display Interfaces (even if in the same patent as Interface Claims), or claims which, if licensed, would require a payment of royalties to unaffiliated third parties.

[***]
- "Licensed Claims" means Interface Claims [***].

2. Reciprocal License

- Each Fellow Adopter grants to each other Fellow Adopter a nonexclusive, royalty-free, irrevocable, nontransferable, non-sublicenseable, worldwide license under its Licensed Claims to make, have made, use, import, offer to sell and sell products which implement and comply with the Digital Display Interfaces; provided that such license under Interface Claims shall not extend to features of a product which are not required to implement and comply with the Digital Display Interfaces; [***].
- Adopter hereby accepts the licenses granted by the Fellow Adopters.

3. General Legal Points

- NOT PARTNERS. The Parties are independent companies and are not partners or joint venturers with each other. Intel is not acting on behalf of any other entity including, but not limited to, other adopters or promoters of the Digital Display Interface Specification.
- NO WARRANTY. The Digital Display Interface Specification is provided "AS IS" WITH NO WARRANTIES WHATSOEVER, WHETHER EXPRESS, IMPLIED OR STATUTORY, INCLUDING, BUT NOT LIMITED TO ANY WARRANTY OF MERCHANTABILITY, NONINFRINGEMENT OF THIRD-PARTY INTELLECTUAL PROPERTY, FITNESS FOR ANY PARTICULAR PURPOSE, OR ANY WARRANTY OTHERWISE ARISING OUT OF ANY PROPOSAL, SPECIFICATION, OR SAMPLE.

[***] Confidential Treatment has been requested for certain portions of this document. Such portions have been filed separately with the Securities

INTEL AND SILICON IMAGE CONFIDENTIAL

- DAMAGES. Neither Party will be liable to the other for any loss of profits, loss of use, incidental, consequential, indirect, or special damages arising out of this Agreement, whether or not such party had advance notice of the possibility of such damages.
- GOVERNING LAW. This Agreement shall be construed and controlled by the laws of Delaware. Any litigation arising out of this Agreement shall take place in Delaware, and the Parties irrevocably consent to jurisdiction of the state and Federal courts there.
- COMPLETE AGREEMENT, NO OTHER LICENSES. This Agreement sets forth the Parties' entire agreement regarding its subject matter. Except for the rights expressly provided by this Agreement, neither Party grants or receives, by implication, or estoppel, or otherwise, any rights under any patents or other intellectual property rights. No modifications or additions to or deletions from this Agreement shall be binding unless accepted in writing by an authorized representative of both Parties.

SILICON IMAGE, INC.

By: _____
Vice-President

Date: _____

INTEL CORPORATION

ADOPTER

By: _____
Vice-President

(Company Name)

By: _____

Date: _____

Name: _____

Address:
Intel Corporation
Digital Display Interface Office
M/S:
2200 Mission College Blvd.
Santa Clara, CA 95052-8119

Title: _____

Date: _____

INTEL AND SILICON IMAGE CONFIDENTIAL

EXHIBIT C

DIGITAL DISPLAY INTERFACE SPECIFICATION, [***] AGREEMENT

FOR THE INDUSTRY

[***] Confidential Treatment has been requested for certain portions of this document. Such portions have been filed separately with the Securities and Exchange Commission.

INTEL AND SILICON IMAGE CONFIDENTIAL

THIS IS A ROYALTY-FREE, RECIPROCAL PATENT LICENSE PROVIDED BY INTEL AND SILICON IMAGE FOR ADOPTERS OF THE DIGITAL DISPLAY INTERFACE SPECIFICATION, [***] WHO WISH TO MAKE USE OF THE DIGITAL DISPLAY INTERFACES ("DDI") DESCRIBED IN THE DIGITAL DISPLAY INTERFACE SPECIFICATIONS, IN THEIR DDI-COMPLIANT PRODUCTS. WHEN ADOPTER'S AUTHORIZED REPRESENTATIVE SIGNS THIS AGREEMENT AND DELIVERS IT TO INTEL AT THE ADDRESS BELOW, THIS AGREEMENT WILL BE LEGALLY BINDING AND WILL EXTEND TO ALL FELLOW ADOPTERS.

1. Definitions: As used in this Agreement,
 - "Adopter" is the party identified at the end of this Agreement.
 - "Fellow Adopters" are Intel Corporation ("Intel") , Silicon Image, Inc. ("SiI"), and any other entity which executes or has executed and delivered to Intel Corporation a substantially identical counterpart of this Agreement, including any entity which directly or indirectly controls, is controlled by, or is under common control with a Fellow Adopter, so long as such control exists.
 - The "Digital Display Interface Specification" is the document entitled DIGITAL INTERFACE SPECIFICATION, [***], published by Intel.
 - The "Digital Display Interfaces" are the electrical interfaces, mechanical interfaces, signals, signaling and coding protocols, and bus protocols disclosed in, and required by, the Digital Display Interface Specification, including described options in that specification.

[***]
- "interface Claims" means claims of a patent or patent application, which are owned or controlled by a party, that must be infringed in order to comply with the Digital Display Interfaces. "Interface Claims" does not include claims relating to manufacturing technology, claims not required to be infringed in complying with the Digital Display Interfaces (even if in the same patent as Interface Claims), or claims which, if licensed, would require a payment of royalties to unaffiliated third parties.

[***]
- "Licensed Claims" means Interface Claims [***].

2. Reciprocal License
 - Each Fellow Adopter grants to each other Fellow Adopter a nonexclusive, royalty-free, irrevocable, nontransferable, non-sublicenseable, worldwide license under its Licensed Claims to make, have made, use, import, offer to sell and sell products which implement and comply with the Digital Display Interfaces; provided that such license under Interface Claims shall not extend to features of a product which are not required to implement and comply with the Digital Display Interfaces; [***].
 - Adopter hereby accepts the licenses granted by the Fellow Adopters.

3. General Legal Points
 - NOT PARTNERS. The Parties are independent companies and are not partners or joint venturers with each other. Intel is not acting on behalf of any other entity including, but not limited to, other adopters or promoters of the Digital Display Interface Specification.
 - NO WARRANTY. The Digital Display Interface Specification is provided "AS IS" WITH NO WARRANTIES WHATSOEVER, WHETHER EXPRESS, IMPLIED OR STATUTORY, INCLUDING, BUT NOT LIMITED TO ANY WARRANTY OF MERCHANTABILITY, NON-INFRINGEMENT OF THIRD-PARTY INTELLECTUAL PROPERTY, FITNESS FOR ANY PARTICULAR PURPOSE, OR ANY WARRANTY OTHERWISE ARISING OUT OF ANY PROPOSAL, SPECIFICATION, OR SAMPLE.

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- DAMAGES. Neither Party will be liable to the other for any loss of profits, loss of use, incidental, consequential, indirect, or special damages arising out of this Agreement, whether or not such party had advance notice of the possibility of such damages.
- GOVERNING LAW. This Agreement shall be construed and controlled by the laws of Delaware. Any litigation arising out of this Agreement shall take place in Delaware, and the Parties irrevocably consent to jurisdiction of the state and Federal courts there.

- COMPLETE AGREEMENT, NO OTHER LICENSES. This Agreement sets forth the Parties' entire agreement regarding its subject matter. Except for the rights expressly provided by this Agreement, neither Party grants or receives, by implication, or estoppel, or otherwise, any rights under any patents or other intellectual property rights. No modifications or additions to or deletions from this Agreement shall be binding unless accepted in writing by an authorized representative of both Parties.

SILICON IMAGE, INC.

By: _____
Vice-President

Date: _____

INTEL CORPORATION

ADOPTER

By: _____
Vice-President

(Company Name)

By: _____

Date: _____

Name: _____

Address:
Intel Corporation
Digital Display Interface Office
M/S:
2200 Mission College Blvd.
Santa Clara, CA 95052-8119

Title: _____

Date: _____

INTEL AND SILICON IMAGE CONFIDENTIAL

EXHIBIT D

[***]

[***] Confidential Treatment has been requested for certain portions of this document. Such portions have been filed separately with the Securities and Exchange Commission.

INTEL AND SILICON IMAGE CONFIDENTIAL

EXHIBIT E

[***]

[***] Confidential Treatment has been requested for certain portions of this document. Such portions have been filed separately with the Securities and Exchange Commission.

EXHIBIT F

BETWEEN INTEL AND SII

AGREEMENT DATE: _____, 199 _____ CNDA# 94185

CORPORATE NON-DISCLOSURE AGREEMENT

This Corporate Non-Disclosure Agreement ("Agreement") is entered into and made effective as of the date set forth above, by and between Intel Corporation ("Intel"), and the Participant identified below ("Participant"). Unless the Participant indicates that this Agreement will apply only to a specific division or location, this Agreement will apply to the Participant's entire company.

THE PARTIES AGREE AS FOLLOWS:

1. CONFIDENTIAL INFORMATION TRANSMITTAL FORM. This confidential proprietary and trade secret information of the disclosing party ("Confidential Information") to be disclosed hereunder is that information which (i) is described in the Confidential Information Transmittal Record ("CITR") excluded from time to time hereinafter and (ii) is marked with "confidential", "proprietary", or similar legend. CITRs are subject to the terms of this Agreement. CITRs will be executed by the parties prior to the disclosure of Confidential Information. All Confidential Information received from the disclosing party will be in tangible form. To be considered Confidential Information, non-tangible disclosures must be identified as confidential prior and [reduced in writing], marked as provided above and delivered to the receiving party within thirty (30) days of the original date of disclosure. The CITR will indicate the disclosing party, a description of the Confidential Information disclosed, the names of the representatives of the parties and the date when the disclosure covered by the CITR commenced.
2. OBLIGATIONS OF RECEIVING PARTY. The receiving party will maintain the confidentiality of the Confidential Information of the disclosing party with at least the same degree of care that it uses to protect its own confidential and proprietary information, but no less than a reasonable degree of care under the circumstances. The receiving party will not disclose any of the disclosing party's confidential information to any employees or to any third parties except the receiving party's employees, parent company and majority-owned subsidiaries who have a need to know and who agree to abide by non-disclosure terms at least as comprehensive as those set forth herein provided that the receiving party will be liable for breach by any such entity. The receiving party will not make any copies of the Confidential Information received from the disclosing party except as necessary for employees, parent company and majority-owned subsidiaries with a need to know. Any copies which are made will be identified as belonging to the disclosing party and marked "confidential", "proprietary", or with a similar legend.
3. PERIOD OF NON-ASSERTION. Unless a shorter period is indicated in the applicable CITR, the disclosing party will not assert any claims of breach of this Agreement or misappropriation of trade secrets against the receiving party arising from the receiving party's disclosure or the disclosing party's Confidential Information made more than five (5) years from the date of the CITR under which such Confidential Information was disclosed. However, unless at least one of the exceptions set forth in Section 4 below

has occurred, the receiving party will continue to treat such Confidential Information as the confidential information of the disclosing party and only disclose any such Confidential Information to third parties under the terms of a non-disclosure agreement.

4. TERMINATION OF OBLIGATION OF CONFIDENTIALITY. The receiving party will not be liable for the disclosure of any Confidential Information which is
 - (a) rightfully in the public domain other than by a breach of a duty in the disclosing party;
 - (b) rightfully received from third party without any obligation of confidentiality;
 - (c) rightfully known to the receiving party without any limitation on use or disclosure prior to its receipt from the disclosing party;
 - (d) independently developed by employees of the receiving party; or
 - (e) generally made available to third parties by the disclosing party without restriction on disclosure.
5. TITLE. Title or the right to possess Confidential Information as between the parties will remain in the disclosing party.
6. NO OBLIGATION OF DISCLOSURE, TERMINATION. Neither party has any obligation to disclose Confidential Information to the other. Either party may terminate this Agreement at any time without cause upon written notice to the other party; provided that each party's obligations with respect to Confidential Information disclosed during the term of this Agreement will survive any such termination. Either party may, at any time, (a) cease giving Confidential Information to the other party without any liability; and/or (b) request in writing the return or destruction of all or part of its Confidential Information previously disclosed, and all copies thereof, and the receiving party will promptly comply with such request and certify in writing its compliance.
7. RESIDUALS. Notwithstanding anything herein to the contrary, either party may use the Residuals for any purpose, including without limitation, use in development, manufacture, promotion, sale and maintenance of its products and services; provided that this right in Residuals does not represent a license under any patents, copyrights or other intellectual property rights of the disclosing party. The term "Residual" means any information retained in the unaided memories of the receiving party's employees who have had access to the disclosing party's Confidential Information pursuant to the terms of this Agreement. An employee's memory is unaided if the employee has not intentionally memorized the Confidential Information for the purpose of retaining and subsequently using or disclosing it.
8. GENERAL.
 - (a) This Agreement is neither intended to nor will it be construed as creating a joint venture, partnership or other form of business association between the parties nor an obligation to buy or sell products using or incorporating the Confidential Information.
 - (b) Both parties understand and acknowledge that no license under any patent, copyright, trade secret or other intellectual property right is granted to or conferred upon either party in this Agreement or by the disclosure of any Confidential Information by one party to the other party as contemplated hereunder, either expressly, by implication, inducement, estoppel or otherwise, and that an license under such intellectual property rights must be express and in writing.
 - (c) The failure of either party to enforce any right resulting from breach of any provision of this Agreement by the other party will not be deemed a waiver of any right relating to

a subsequent breach of such provision or any other right hereunder.

(d) This Agreement will be governed by the laws of the State of Delaware without reference to conflict of law principles.

(e) This Agreement, any accompanying CITER and CITRs executed from time to time hereafter which incorporate the terms of this Agreement, constitutes the entire agreement between the parties with respect to the disclosure(s) of Confidential Information described in each CITER, and may not be amended except in a writing signed by a duly authorized representative of the respective parties. Any other agreement between the parties, including non-disclosure agreements, will not be affected by this Agreement.

<TABLE>
<CAPTION>

<S> INTEL CONTACT: MICHAEL HAMANN -----	<C> M/S: -----	<C> TEL. NO. -----
AGREED: INTEL CORPORATION 2200 Mission College Blvd. Santa Clara, CA 95052-8119	PARTICIPANT AND INTEL AGREE THAT THIS AGREEMENT SHALL SUPERCEDE SECTION 1.2 OF PARTICIPANT'S THIRD AMENDED AND RESTATED INVESTORS RIGHTS AGREEMENT DATED JULY 29, 1998.	PARTICIPANT: SILICON IMAGE 10131 BUBB RD. Address CUPERTINO CA 95014 (city) (state) (zip)

</TABLE>

Intel

<TABLE>

<S> /s/ [Illegible] ----- Signature (V.P.) Vice President Director of Sales ----- Printed Name ----- Title	<C> /s/ Scott A. Macomber ----- Signature of Authorized Representative (e.g, President or Vice President) Scott A. Macomber ----- Printed Name ----- President ----- Title
--	---

</TABLE>

PARTICIPANT

CONFIDENTIAL

10/98 AMENDMENT TO THE
BUSINESS COOPERATION AGREEMENT
BETWEEN
SILICON IMAGE, INC AND INTEL CORPORATION

This Amendment to the BCA ("10/98 BCA Amendment") is entered into as of October 30, 1998 ("Effective Date") by and between Silicon Image, Inc. a California corporation, having an office at 10131 Bubb Road, Cupertino, CA 95134, U.S.A, ("SiI") and Intel Corporation, a Delaware corporation, having an office at 2200 Mission College Blvd., Santa Clara, California 95052, U.S.A. ("Intel").

RECITALS

WHEREAS, obtaining, support and participation from other key companies in the development of the digital display interface specification(s) may require that Intel and SiI enter into one or more separate digital display interface specification development agreement(s) that may materially conflict with one or more terms of the existing BCA and/or Exhibit A therein and may provide a materially different working group structure;

WHEREAS, Intel and SiI each desire that their rights and obligations under the BCA shall apply, to the extent possible, to their respective activities in the DDI Working Group and the [***] Digital Display Interface Specifications developed by the DDI Working Group;

WHEREAS, Intel and SiI desire to modify the specification license agreements provided in Exhibits B, C, D, and E of the BCA and also desire that all the rights and obligations contained in the BCA regarding executing the amended [***] Exhibits D and/or E herein, as applicable, shall apply to the digital display interface specifications produced [***] by the DDI Working Group;

NOW THEREFORE, in consideration of the mutual covenants and promises contained herein, the parties agree as follows:

AGREEMENT

1. ADDITIONAL DEFINITIONS

1.1. "BCA" shall mean the existing BUSINESS COOPERATION AGREEMENT BETWEEN SILICON IMAGE, INC. AND INTEL CORPORATION.

[***] Confidential Treatment has been requested for certain portions of this document. Such portions have been filed separately with the Securities and Exchange Commission.

1.2. "DDI Working Group" shall mean a group including Intel, Silicon Image, and one or more other entities that enter into a DDI [***] WG Agreement and/or DDI [***] WG Agreement in order to cooperate in developing the [***] Digital Display Interface Specifications.

1.3. "DDI [***] WG Agreement" shall mean an agreement, other than the BCA or Exhibit A therein, executed by the DDI Working Group that provides for joint development of the [***] Digital Display Interface Specification by the DDI Working Group and that provides a working group structure that materially differs from that provided by the existing BCA and Exhibit A therein and/or includes terms that materially differ from and conflict with one or more terms of the BCA and/or Exhibit A therein.

1.4. "DDI [***] WG Agreement" shall mean an agreement, other than the BCA or Exhibit A therein, executed by the DDI Working Group that provides for joint development of the [***] Digital Display Interface Specification by the DDI Working Group and that provides a working group structure that materially differs from that provided by the existing BCA and Exhibit A therein and/or includes terms that materially differ from and conflict with one or more terms of the BCA and/or Exhibit A therein.

2. CHANGES TO EXHIBITS B AND C OF THE BCA. Intel and SiI each agree that the Exhibit B and C amended industry specification license agreements provided in this 10/98 BCA Amendment replace the BCA Exhibit B and C industry specification license agreements, respectively.

3. [***]

4. CHANGES TO BCA SECTION 5.3 IF A DDI WORKING GROUP RELEASES A DIGITAL DISPLAY INTERFACE SPECIFICATION. If Intel and SiI enter into a DDI [***] WG Agreement and the DDI Working Group publicly releases a [***] Digital Display Interface Specification, Intel and SiI each agree that Section 5.3 of the BCA shall be amended as set forth below.

[***]

5. CHANGES TO BCA SECTION 5.4 IF A DDI WORKING GROUP RELEASES A DIGITAL DISPLAY INTERFACE SPECIFICATION. If Intel and SiI enter into a DDI [***] WG Agreement and the DDI Working Group publicly releases a [***] Digital Display Interface Specification, Intel and SiI each agree that Section 5.4 of the BCA shall be amended as set forth below.

[***]

6. EFFECT OF INTEL/SII SPECIFICATION APPROVAL AS PART OF WG. In the event that Intel and SiI enter into a DDI [***] WG Agreement and/or DDI [***] WG Agreement and the agreement provides for individual working group members to approve or disapprove the working group digital display interface specifications, Intel and SiI each agree that their

[***] Confidential Treatment has been requested for certain portions of this document. Such portions have been filed separately with the Securities and Exchange Commission.

respective approval of any such draft or final specifications, whether under the BCA and/or under the DDI WG Agreement, shall deem that specification an Approved Specification for the purposes of the BCA and Section 4.2.2 therein.

7. APPLICABILITY OF BCA TO INTEL'S AND SII'S DDI WORKING GROUP ACTIVITIES. If Intel and SiI enter into a DDI [***] WG Agreement and/or a DDI [***] WG Agreement, Intel and SiI each agree that to the extent that the BCA is not in direct conflict with the DDI [***] WG Agreement and/or DDI [***] WG Agreement, the BCA shall apply to their respective activities in the DDI Working Group and the [***] Digital Display Interface Specifications developed by the DDI Working Group.

8. POSSIBLE FUTURE AMENDMENTS TO THE BCA. If Intel and SiI enter into a DDI [***] WG Agreement and/or a DDI [***] WG Agreement, Intel and SiI each agree to negotiate in good faith to amend the BCA solely to address any material conflicts between the DDI [***] WG Agreement and the BCA and/or the DDI [***] WG Agreement and the BCA, respectively. Intel and SiI each agree that any such amendment(s) shall preserve to the extent possible their rights and obligations under the BCA as applied to their respective activities in the DDI Working Group and the [***] Digital Display Interface Specifications developed by the DDI Working Group.

[***] Confidential Treatment has been requested for certain portions of this document. Such portions have been filed separately with the Securities and Exchange Commission.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by duly authorized officers or representatives on the date below written.

INTEL CORPORATION

Silicon Image, Inc.

By: /s/ Patrick P. Gelsinger

By: /s/ David D. Lee

Patrick P. Gelsinger

David D. Lee

Printed Name

Printed Name

V.P., General Manager

CEO

Title

Title

Date

Date

[SIGNATURE PAGE TO 10/98 AMENDMENT TO THE BUSINESS COOPERATION
AGREEMENT BETWEEN SILICON IMAGE, INC. AND INTEL CORPORATION]

Exhibit A

THIS 10/98 BCA AMENDMENT MAKES NO CHANGES TO EXHIBIT A OF THE BCA.

Amended Exhibit B of the BCA

AMENDED

DIGITAL DISPLAY INTERFACE SPECIFICATION, [***] AGREEMENT

for the Industry

[***] Confidential Treatment has been requested for certain portions of this document. Such portions have been filed separately with the Securities and Exchange Commission.

This is a royalty-free, reciprocal patent license provided by Intel and Silicon Image for Adopters of the Digital Display Interface Specification, [***] who wish to make use of the Digital Display Interfaces ("DDI") described in the Digital Display Interface Specifications, in their DDI-compliant products. When Adopter's authorized representative during the Adoption Period signs this Agreement and delivers it to Intel at the address below, this Agreement will be legally binding and will extend to all Fellow Adopters.

1. DEFINITIONS: As used in this Agreement,
 - "Adoption Period" means any time prior to the later of (1) the date six (6) months after [INSERT the public release date of the Digital Display Interface Specification] or (2) the date six (6) months after Adopter first sells a product that includes a Compliant Portion.
 - "Adopter" is the party identified at the end of this Agreement.
 - "Fellow Adopters" are Intel Corporation ("Intel"), Silicon Image, Inc. ("SiI"), and any other entity which during the Adoption Period executes and delivers or has executed and delivered to Intel Corporation a substantially identical counterpart of this Agreement, including any of the party's Affiliates.
 - "Affiliate" means any entity which directly or indirectly controls, is controlled by, or is under common control with the subject party, so long as such control exists.
 - The "Digital Display Interface Specification" is the document entitled DIGITAL INTERFACE SPECIFICATION, [***], published by Intel.
 - The " Digital Display Interfaces" are the electrical interfaces, mechanical interfaces, signals, signaling and coding protocols, and bus protocols disclosed in, and required by, the Digital Display Interface Specification, including described options in that specification.
 - "Interface Claims" means claims of a patent or patent application, which

are owned or controlled by a party, that must be infringed in order to comply with the Digital Display Interfaces. "Interface Claims" does not include claims relating to manufacturing technology, claims not required to be infringed in complying with the Digital Display Interfaces (even if in the same patent as Interface Claims), or claims which, if licensed, would require a payment of royalties to unaffiliated third parties.

- "Compliant Portion" means portions of products (hardware, software or combinations thereof) that implement and are compliant with the Digital Display Interfaces.

2. RECIPROCAL LICENSE

- Each Fellow Adopter grants to each other Fellow Adopter a nonexclusive, royalty-free, irrevocable, nontransferable, non-sublicenseable, worldwide license under its Interface Claims to make, have made, use, import, offer to sell and sell products which implement and comply with the Digital Display Interfaces; provided that such license under Interface Claims shall not extend to features of a product which are not required to implement and comply with the Digital Display Interfaces.
- Adopter hereby accepts the licenses granted by the Fellow Adopters.

3. GENERAL LEGAL POINTS

- NOT PARTNERS. The Parties are independent companies and are not partners or joint venturers with each other. Intel is not acting on behalf of any other entity including, but not limited to, other adopters or promoters of the Digital Display Interface Specification.

[***] Confidential Treatment has been requested for certain portions of this document. Such portions have been filed separately with the Securities and Exchange Commission.

- NO WARRANTY. The Digital Display Interface Specification is provided "AS IS" WITH NO WARRANTIES WHATSOEVER, WHETHER EXPRESS, IMPLIED OR STATUTORY, INCLUDING, BUT NOT LIMITED TO ANY WARRANTY OF MERCHANTABILITY, NONINFRINGEMENT OF THIRD-PARTY INTELLECTUAL PROPERTY, FITNESS FOR ANY PARTICULAR PURPOSE, OR ANY WARRANTY OTHERWISE ARISING OUT OF ANY PROPOSAL, SPECIFICATION, OR SAMPLE.

- DAMAGES. Neither Party will be liable to the other for any loss of profits, loss of use, incidental, consequential, indirect, or special damages arising out of this Agreement, whether or not such party had advance notice of the possibility of such damages.

- GOVERNING LAW. This Agreement shall be construed and controlled by the laws of Delaware. Any litigation arising out of this Agreement shall take place in Delaware, and the Parties irrevocably consent to jurisdiction of the state and Federal courts there.

- COMPLETE AGREEMENT, NO OTHER LICENSES. This Agreement sets forth the Parties' entire agreement regarding its subject matter. Except for the rights expressly provided by this Agreement, neither Party grants or receives, by implication, or estoppel, or otherwise, any rights under any patents or other intellectual property rights. No modifications or additions to or deletions from this Agreement shall be binding unless accepted in writing by an authorized representative of both Parties.

Silicon Image, Inc.

By: _____
Vice-President

Date: _____

INTEL CORPORATION

ADOPTER

By: _____
Vice-President

(Company Name)

Date: _____

By: _____

Address:	Name:
Intel Corporation	-----
Digital Display Interface Office	Title:
M/S:	-----
2200 Mission College Blvd.	Date:
Santa Clara, CA 95052-8119	-----

Amended Exhibit C of the BCA

Amended

DIGITAL DISPLAY INTERFACE SPECIFICATION, [***] AGREEMENT

for the Industry

[***] Confidential Treatment has been requested for certain portions of this document. Such portions have been filed separately with the Securities and Exchange Commission.

This is a royalty-free, reciprocal patent license provided by Intel and Silicon Image for Adopters of the Digital Display Interface Specification, [***] who wish to make use of the Digital Display Interfaces ("DDI") described in the Digital Display Interface Specifications, in their DDI-compliant products. When Adopter's authorized representative during the Adoption Period signs this Agreement and delivers it to Intel at the address below, this Agreement will be legally binding and will extend to all Fellow Adopters.

1. DEFINITIONS: As used in this Agreement,

- "Adoption Period" means any time prior to the later of (1) the date six (6) months after [INSERT the public release date of the Digital Display Interface Specification] or (2) the date six (6) months after Adopter first sells a product that includes a Compliant Portion.
- "Adopter" is the party identified at the end of this Agreement.
- "Fellow Adopters" are Intel Corporation ("Intel"), Silicon Image, Inc. ("SiI"), and any other entity which during the Adoption Period executes and delivers or has executed and delivered to Intel Corporation a substantially identical counterpart of this Agreement, including any of the party's Affiliates.
- "Affiliate" means any entity which directly or indirectly controls, is controlled by, or is under common control with the subject party, so long as such control exists.
- The "Digital Display Interface Specification" is the document entitled DIGITAL DISPLAY INTERFACE SPECIFICATION, [***], published by Intel.
- The " Digital Display Interfaces" are the electrical interfaces, mechanical interfaces, signals, signaling and coding protocols, and bus protocols disclosed in, and required by, the Digital Display Interface Specification, including described options in that specification.
- "Interface Claims" means claims of a patent or patent application, which are owned or controlled by a party, that must be infringed in order to comply with the Digital Display Interfaces. "Interface Claims" does not include claims relating to manufacturing technology, claims not required to be infringed in complying with the Digital Display Interfaces (even if in the same patent as Interface Claims), or claims which, if licensed, would require a payment of royalties to unaffiliated third parties.
- "Compliant Portion" means portions of products (hardware, software or combinations thereof) that implement and are compliant with the Digital Display Interfaces.

2. RECIPROCAL LICENSE

- Each Fellow Adopter grants to each other Fellow Adopter a nonexclusive, royalty-free, irrevocable, nontransferable, non-sublicenseable, worldwide

license under its Interface Claims to make, have made, use, import, offer to sell and sell products which implement and comply with the Digital Display Interfaces; provided that such license under Interface Claims shall not extend to features of a product which are not required to implement and comply with the Digital Display Interfaces.

- Adopter hereby accepts the licenses granted by the Fellow Adopters.

3. GENERAL LEGAL POINTS

- NOT PARTNERS. The Parties are independent companies and are not partners or joint venturers with each other. Intel is not acting on behalf of any other entity including, but not limited to, other adopters or promoters of the Digital Display Interface Specification.

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- NO WARRANTY. The Digital Display Interface Specification is provided "AS IS" WITH NO WARRANTIES WHATSOEVER, WHETHER EXPRESS, IMPLIED OR STATUTORY, INCLUDING, BUT NOT LIMITED TO ANY WARRANTY OF MERCHANTABILITY, NON-INFRINGEMENT OF THIRD-PARTY INTELLECTUAL PROPERTY, FITNESS FOR ANY PARTICULAR PURPOSE, OR ANY WARRANTY OTHERWISE ARISING OUT OF ANY PROPOSAL, SPECIFICATION, OR SAMPLE.

- DAMAGES. Neither Party will be liable to the other for any loss of profits, loss of use, incidental, consequential, indirect, or special damages arising out of this Agreement, whether or not such party had advance notice of the possibility of such damages.

- GOVERNING LAW. This Agreement shall be construed and controlled by the laws of Delaware. Any litigation arising out of this Agreement shall take place in Delaware, and the Parties irrevocably consent to jurisdiction of the state and Federal courts there.

- COMPLETE AGREEMENT, NO OTHER LICENSES. This Agreement sets forth the Parties' entire agreement regarding its subject matter. Except for the rights expressly provided by this Agreement, neither Party grants or receives, by implication, or estoppel, or otherwise, any rights under any patents or other intellectual property rights. No modifications or additions to or deletions from this Agreement shall be binding unless accepted in writing by an authorized representative of both Parties.

Silicon Image, Inc.

By: _____
Vice-President

Date: _____

INTEL CORPORATION

ADOPTER

By: _____
Vice-President

(Company Name)

Date: _____

By: _____

Address:

Name: _____

Intel Corporation
Digital Display Interface Office
M/S:
2200 Mission College Blvd.
Santa Clara, CA 95052-8119

Title: _____
Date: _____

LICENSE AGREEMENT BETWEEN INTEL AND SILCON IMAGE FOR THE
DIGITAL DISPLAY INTERFACE SPECIFICATION, [***]

Amended Exhibit D of the BCA
[***]

[***] Confidential Treatment has been requested for certain portions of this document. Such portions have been filed separately with the Securities and Exchange Commission.

Amended Exhibit E of the BCA
[***]

[***] Confidential Treatment has been requested for certain portions of this document. Such portions have been filed separately with the Securities and Exchange Commission.

SILICON IMAGE, INC.

NON-PLAN STOCK OPTION GRANT AGREEMENT

This Stock Option Agreement ("AGREEMENT") is made and entered into as of _____ (the "DATE OF GRANT") by and between Silicon Image, Inc., a California corporation (the "COMPANY"), and _____, an individual whose principal address is set forth beneath his signature on the last page of this Agreement ("PARTICIPANT"). Capitalized terms not defined in the text shall have the meanings ascribed to them in Section 17 below.

1. GRANT OF OPTION. The Company hereby grants to Participant an option (the "OPTION") to purchase _____ shares of the Company's Common Stock (the "SHARES") at a price of \$_____ per Share (the "EXERCISE PRICE"), subject to all of the terms and conditions of this Agreement.

2. EXERCISE PERIOD.

2.1 EXERCISE PERIOD OF OPTION. Provided that Participant continues to provide services to the Company throughout the specified period, the Option will become exercisable with respect to _____ of the Shares on _____ and thereafter at the end of each full succeeding month the Option shall become exercisable as to _____% of the Shares. If application of the vesting percentage causes a fractional share, such share shall be rounded down to the nearest whole share for each month except for the last month in such vesting period, at the end of which last month this Option shall become exercisable for the full remainder of the Shares.

2.2 EXPIRATION. The Option shall expire on tenth anniversary of the Date of Grant (the "EXPIRATION DATE") and must be exercised, if at all, on or before the Expiration Date.

3. TERMINATION.

3.1 TERMINATION FOR ANY REASON EXCEPT DEATH, DISABILITY OR CAUSE. If Participant is Terminated for any reason, except death, Disability or for Cause, the Option, to the extent (and only to the extent) that it would have been exercisable by Participant on the Termination Date, may be exercised by Participant no later than three (3) months after the Termination Date, but in any event no later than the Expiration Date.

3.2 TERMINATION BECAUSE OF DEATH OR DISABILITY. If Participant is Terminated because of death or Disability of Participant (or Participant dies within three (3) months of Termination when Termination is

for any reason other than Participant's Disability or

for Cause), the Option, to the extent that it is exercisable by Participant on the Termination Date, may be exercised by Participant (or Participant's legal representative) no later than twelve (12) months after the Termination Date, but in any event no later than the Expiration Date.

3.3 TERMINATION FOR CAUSE. If Participant is Terminated for Cause, then the Option will expire on Participant's Termination Date, or at such later time and on such conditions as are determined by the Committee.

3.4 NO OBLIGATION TO EMPLOY. Nothing in this Agreement shall confer on Participant any right to continue in the employ of, or other relationship with, the Company or any Parent or Subsidiary of the Company, or limit in any way the right of the Company or any Parent or Subsidiary of the Company to terminate Participant's employment or other relationship at any time, with or without Cause.

4. MANNER OF EXERCISE.

4.1 STOCK OPTION EXERCISE AGREEMENT. To exercise this Option, Participant (or in the case of exercise after Participant's death, Participant's executor, administrator, heir or legatee, as the case may be) must deliver to the Company an executed stock option exercise agreement in the form attached hereto as EXHIBIT A, or in such other form as may be approved by the Committee from time to time (the "EXERCISE AGREEMENT"), which shall set forth, INTER ALIA, Participant's election to exercise the Option, the number of Shares being purchased, any restrictions imposed on the Shares and any representations, warranties and agreements regarding Participant's investment intent and access to information as may be required by the Company to comply with applicable securities laws. If someone other than Participant exercises the Option, then such person must submit documentation reasonably acceptable to the Company verifying that such person has the right to exercise the Option.

4.2 LIMITATIONS ON EXERCISE. The Option may not be exercised unless such exercise is in compliance with all applicable federal and state securities laws, as they are in effect on the date of exercise. The Option may not be exercised as to fewer than 100 Shares unless it is exercised as to all Shares as to which the Option is then exercisable.

4.3 PAYMENT. The Exercise Agreement shall be accompanied by full payment of the Exercise Price for the Shares being purchased in cash (by check), or where permitted by law:

- (a) by cancellation of indebtedness of the Company to the Participant;
- (b) by surrender of shares of the Company's Common

Stock that either: (1) have been owned by Participant for more than six (6) months and have been paid for within the meaning of SEC Rule 144 and, if such shares were purchased from the Company by use of a promissory note, such note has been fully paid with respect to such shares); or (2) were obtained by Participant in the open public

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market; and (3) are clear of all liens, claims, encumbrances or security interests;

- (c) [Reserved]
- (d) by waiver of compensation due or accrued to Participant for services rendered;
- (e) provided that a public market for the Company's stock exists, (1) through a "same day sale" commitment from Participant and a broker-dealer that is a member of the National Association of Securities Dealers (an "NASD DEALER") whereby Participant irrevocably elects to exercise the Option and to sell a portion of the Shares so purchased to pay for the exercise price and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the exercise price directly to the Company, OR (2) through a "margin" commitment from Participant and an NASD Dealer whereby Participant irrevocably elects to exercise the Option and to pledge the Shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the exercise price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the exercise price directly to the Company; or
- (f) by any combination of the foregoing.

4.4 TAX WITHHOLDING. Prior to the issuance of any Shares upon exercise of the Option, Participant must pay or provide for any applicable federal or state withholding obligations of the Company. If the Committee permits, Participant may provide for payment of withholding taxes upon exercise of the Option by requesting that the Company retain Shares with a Fair Market Value equal to the minimum amount of taxes required to be

withheld, determined on the date provided by the Code for the determination of such amount of tax to be withheld (the "TAX DATE"). In such case, the Company shall issue the net number of Shares to the Participant by deducting the Shares retained from the Shares issuable upon exercise. All elections by a Participant to have Shares withheld for this purpose shall be made in writing in a form acceptable to the Committee and shall be subject to the following restrictions:

- (a) the election must be made on or prior to the applicable Tax Date;
- (b) once made, then except as provided below, the election shall be irrevocable as to the particular Shares as to which the election is made;
- (c) all elections shall be subject to the consent or disapproval of the Committee;

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- (d) if the Participant is an Insider and if the Company is subject to Section 16(b) of the Exchange Act: (1) the election may not be made within six (6) months of the Date of Grant, except as otherwise permitted by SEC Rule 16b-3(e) under the Exchange Act, and (2) either (A) the election to use stock withholding must be irrevocably made at least six (6) months prior to the Tax Date (although such election may be revoked at any time at least six (6) months prior to the Tax Date) or (B) the exercise of the Option or election to use stock withholding must be made in the ten (10) day period beginning on the third day following the release of the Company's quarterly or annual summary statement of sales or earnings; and
- (e) in the event that the Tax Date is deferred until six (6) months after the delivery of Shares under Section 83(b) of the Code, the Participant shall receive the full number of Shares with respect to which the exercise occurs, but such Participant shall be unconditionally obligated to tender back to the Company the proper number of Shares on the Tax Date.

4.5 ISSUANCE OF SHARES. Provided that the Exercise Agreement and payment are in form and substance satisfactory to counsel for

the Company, the Company shall issue the Shares registered in the name of Participant, Participant's authorized assignee, or Participant's legal representative, and shall deliver certificates representing the Shares with the appropriate legends affixed thereto.

5. ADJUSTMENT OF SHARES. In the event that the number of outstanding shares of the capital stock of the Company is changed by a stock dividend, recapitalization, stock split, reverse stock split, subdivision, combination, reclassification or similar change in the capital structure of the Company without consideration, then the number of Shares issuable upon exercise of the Option and the Exercise Price shall be proportionately adjusted, subject to any required action by the Board or the shareholders of the Company and compliance with applicable securities laws; PROVIDED, HOWEVER, that fractions of a Share shall not be issued but shall either be paid in cash at Fair Market Value or shall be rounded up to the nearest Share, as determined by the Committee.

6. CORPORATE TRANSACTIONS. In the event of (a) a dissolution or liquidation of the Company, (b) a merger or consolidation in which the Company is not the surviving corporation (c) a merger in which the Company is the surviving corporation but after which the shareholders of the Company immediately prior to such merger (other than any shareholder which merges with the Company in such merger, or which owns or controls another corporation which merges, with the Company in such merger) cease to own their shares or other equity interests in the Company, or (d) the sale of all or substantially all of the assets of the Company, any or all outstanding Options may be assumed, converted or replaced by the successor or acquiring corporation (if any), which assumption, conversion or replacement will be binding on Participant. In the alternative, the successor or acquiring corporation may substitute equivalent

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Options or provide substantially similar consideration to Participant as was provided to shareholders (after taking into account the existing provisions of this Option). The successor or acquiring corporation may also issue, in place of outstanding Shares of the Company held by the Participant, substantially similar shares or other property subject to repurchase restrictions and other provisions no less favorable to the Participant than those which applied to such outstanding Shares immediately prior to such transaction described in this Section 6. In the event such successor or acquiring corporation (if any) refuses to assume or substitute this Option, as provided above, pursuant to a transaction described in this Section 6, then notwithstanding any other provision in this Agreement to the contrary, the vesting of such Option will expire on such transaction at such time and on such conditions as the Board will determine. Subject to any greater rights granted to Participant under the foregoing provisions of this Section 6, in the event of the occurrence of any transaction described in Section 6 hereof, any outstanding Options will be treated as provided in the applicable

agreement or plan of merger, consolidation, dissolution, liquidation or sale of assets.

7. COMPLIANCE WITH LAWS AND REGULATIONS. The exercise of the Option and the issuance and transfer of Shares shall be subject to compliance by the Company and Participant with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's Common Stock may be listed at the time of such issuance or transfer. Participant understands that the Company is under no obligation to register or qualify the Shares with the SEC, any state securities commission or any stock exchange to effect such compliance.

8. NONTRANSFERABILITY OF OPTION. The Option may not be transferred in any manner other than by will or by the laws of descent and distribution and may be exercised during the lifetime of Participant only by Participant or in the event of Participant's incapacity, by Participant's legal representative. The terms of the Option shall be binding upon the executors, administrators, successors and assigns of Participant.

9. TAX CONSEQUENCES. Set forth below is a brief summary as of the Date of Grant of some of the federal and California tax consequences of exercise of the Option and disposition of the Shares. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. PARTICIPANT SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THE OPTION OR DISPOSING OF THE SHARES.

9.1 EXERCISE OF NONQUALIFIED STOCK OPTION. There may be a regular federal and California income tax liability upon the exercise of the Option. Participant may be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the fair market value of the Shares on the date of exercise over the Exercise Price. The Company will be required to withhold from Participant's compensation or collect from Participant and pay to the applicable taxing authorities an amount equal to a percentage of this compensation income at the time of exercise.

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9.2 DISPOSITION OF SHARES. If the Shares are held for more than twelve (12) months after the date of the issuance of the Shares pursuant to the exercise of the Option, any gain realized on disposition of the Shares will be treated as long term capital gain for federal and California income tax purposes.

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10. PRIVILEGES OF STOCK OWNERSHIP; CERTIFICATES.

10.1 PRIVILEGES OF STOCK OWNERSHIP. Participant shall not have any of the rights of a shareholder of the Company with respect to any Shares until Participant exercises the Option and pays the Exercise Price as to all or a portion of the Shares pursuant to the terms of this Agreement and such Shares are duly issued to Participant. After such exercised Shares are issued to Participant, Participant shall be a shareholder and have all the rights of a shareholder with respect to such issued Shares, including the right to vote and receive all dividends or other distributions made or paid with respect to such issued Shares; PROVIDED THAT, if such issued Shares are restricted stock, then any new, additional or different securities Participant may become entitled to receive with respect to such issued Shares by virtue of a stock dividend, stock split or any other change in the corporate or capital structure of the Company shall be subject to the same restrictions as the issued Shares.

10.2 CERTIFICATES. All certificates for Shares or other securities delivered pursuant to this Agreement shall be subject to such stock transfer orders, legends and other restrictions as the Committee may deem necessary or advisable, including restrictions under any applicable federal, state or foreign securities law, or any rules, regulations and other requirements of the SEC or any stock exchange or automated quotation system upon which the Shares may be listed.

11. COMMITTEE POWERS.

11.1 INTERPRETATION. Any dispute regarding the interpretation of this Agreement shall be submitted by Participant or the Company to the Committee for review. The resolution of such a dispute by the Committee shall be final and binding on the Company and Participant.

11.2 MODIFICATION, EXTENSION OR RENEWAL. The Committee may modify, extend or renew the Option and authorize the grant of a new option(s) in substitution therefor, provided that any such action may not, without the written consent of Participant, impair any of Participant's rights under this Agreement. The Committee may reduce the Exercise Price without the consent of Participant.

12. ENTIRE AGREEMENT. This Agreement supercedes all prior agreements and understandings with respect to its subject matter thereof.

13. NOTICES. Any notice required to be given or delivered to the Company under the terms of this Agreement shall be in writing and addressed to the Corporate Secretary of the Company at its principal corporate offices. Any notice required to be given or delivered to Participant shall be in writing and addressed to Participant at the address indicated below Participant's signature on the last page of this Agreement or to such other address as Participant may designate in writing from time to time to the Company. All notices shall be deemed to have been given or delivered: upon personal delivery; three (3) days after deposit in the United States mail by certified or registered mail (return receipt requested); one (1) business day

after deposit with any return receipt express courier (prepaid); or one (1) business day after transmission by telefax or telecopier.

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14. SUCCESSORS AND ASSIGNS. The Company may assign any of its rights under this Agreement including its Right of First Refusal. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement shall be binding upon Participant and Participant's heirs, executors, administrators, legal representatives, successors and assigns.

15. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of California as such laws are applied to agreements between California residents entered into and to be performed entirely within California.

16. ACCEPTANCE. Participant has read and understands the terms and provisions thereof, and accepts the Option subject to all the terms and conditions of this Agreement. Participant acknowledges that there may be adverse tax consequences upon exercise of the Option or disposition of the Shares and that Participant should consult a tax adviser prior to such exercise or disposition.

17. DEFINITIONS. As used herein, the following terms shall have the following meanings:

"AFFILIATE" means any corporation that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, another corporation, where "control" (including the terms "controlled by" and "under common control with") means the possession, direct or indirect, of the power to cause the direction of the management and policies of the corporation, whether through the ownership of voting securities, by contract or otherwise.

"BOARD" means the Board of Directors of the Company.

"CAUSE" means Termination because of (i) any willful material violation by the Participant of any law or regulation applicable to the business of the Company or a Parent or Subsidiary of the Company, the Participant's conviction for, or guilty plea to, a felony or a crime involving moral turpitude, any willful perpetration by the Participant of a common law fraud, (ii) the Participant's commission of an act of personal dishonesty which involves personal profit in connection with the Company or any other entity having a business relationship with the Company, (iii) any material breach by the Participant of any provision of any agreement or understanding between the Company or any Parent or Subsidiary of the Company and the Participant regarding the terms of the Participant's service as an

employee, director or consultant to the Company or a Parent or Subsidiary of the Company, including without limitation, the willful and continued failure or refusal of the Participant to perform the material duties required of such Participant as an employee, director or consultant of the Company or a Parent or Subsidiary of the Company, other than as a result of having a Disability, or a breach of any applicable invention assignment and confidentiality agreement or similar agreement between the Company and the Participant, (iv) Participant's disregard of the policies of the Company or any Parent or Subsidiary of the Company so as to cause loss, damage or injury to the property, reputation or employees of the Company or a Parent or Subsidiary of the Company, or (v) any other misconduct by the Participant which is materially injurious to the financial condition or

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business reputation of, or is otherwise materially injurious to, the Company or a Parent or Subsidiary of the Company.

"CODE" means the Internal Revenue Code of 1986, as amended.

"COMMITTEE" means the committee appointed by the Board to administer the Company's equity incentive or other stock option plans, or if no committee is appointed, the Board.

"DISABILITY" means a disability, whether temporary or permanent, partial or total, as determined by the Committee.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"FAIR MARKET VALUE" means, as of any date, the value of a share of the Company's Common Stock determined as follows:

- (a) if such Common Stock is then quoted on the Nasdaq National Market System, its last reported sale price on the Nasdaq National Market System or, if no such reported sale takes place on such date, the average of the closing bid and asked prices;
- (b) if such Common Stock is publicly traded and is then listed on a national securities exchange, the last reported sale price or, if no such reported sale takes place on such date, the average of the closing bid and asked prices on the principal national securities exchange on which the Common Stock is listed or admitted to trading;

- (c) if such Common Stock is publicly traded but is not quoted on the Nasdaq National Market System nor listed or admitted to trading on a national securities exchange, the average of the closing bid and asked prices on such date, as reported by The Wall Street Journal, for the over-the-counter market; or
- (d) if none of the foregoing is applicable, by the Board in good faith.

"INSIDER" means an officer or director of the Company or any other person whose transactions in the Company's Common Stock are subject to Section 16 of the Exchange Act.

"PARENT" means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if, at the time in question, each of such corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

"SEC" means the Securities and Exchange Commission.

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"SECURITIES ACT" means the Securities Act of 1933, as amended.

"SUBSIDIARY" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time in question, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

"TERMINATION" or "TERMINATED" means that the Participant has ceased to provide services as an employee, director, consultant, independent contractor or advisor, to the Company or a Parent, Subsidiary or Affiliate of the Company, except in the case of sick leave, military leave, or any other leave of absence approved by the Committee, PROVIDED, that such leave is for a period of not more than three months, or reinstatement upon the expiration of such leave is guaranteed by contract or statute. The Committee shall have sole discretion to determine whether a Participant has ceased to provide services and the effective date on which the Participant ceased to provide services (the "TERMINATION DATE").

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed in triplicate by its duly authorized representative and Participant has executed this Agreement in triplicate as of the Effective Date.

By: _____

(Signature)

Name: _____

Name: _____

Title: _____

Address: _____

Fax Number: _____

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EXHIBIT A

STOCK OPTION EXERCISE AGREEMENT

NO. __ NP- __

SILICON IMAGE, INC.

NON-PLAN STOCK OPTION EXERCISE AGREEMENT

This Exercise Agreement is made and entered into as of _____, 19__ (the "EFFECTIVE DATE") by and between Silicon Image, Inc., a California corporation (the "COMPANY"), and the purchaser named below (the "PURCHASER"). Capitalized terms not defined herein shall have the meanings ascribed to them in that certain Non-Plan Stock Option Grant Agreement NP-__ dated as of _____ by and between the Company and Purchaser (the "GRANT AGREEMENT").

PURCHASER: _____

SOCIAL SECURITY NUMBER: _____

ADDRESS: _____

TOTAL NUMBER OF SHARES: _____

PURCHASE PRICE PER SHARE: \$ _____

TOTAL PURCHASE PRICE: _____

DATE OF GRANT: _____

1. EXERCISE OF OPTION.

1.1 EXERCISE. Pursuant to exercise of that certain option (the "OPTION") granted to Purchaser under the Grant Agreement, and subject to the terms and conditions of this Exercise Agreement, Purchaser hereby purchases from the Company, and the Company hereby sells to Purchaser, the total number of shares set forth above ("SHARES") of the Company's Common Stock at a purchase price per share set forth above for a total purchase price set forth above (the "PURCHASE PRICE"). As used in this Exercise Agreement, the term "SHARES" refers to the Shares purchased under this Exercise Agreement and includes all securities received (a) in replacement of the Shares, (b) as a result of stock dividends or stock splits with respect to the Shares, and (c) all securities received in replacement of the Shares in a merger, recapitalization, reorganization or similar corporate transaction.

1.2 TITLE TO SHARES. The exact spelling of the name(s) under which Purchaser will take title to the Shares is:

Purchaser desires to take title to the Shares as follows:

- Individual, as separate property
- Husband and wife, as community property
- Joint Tenants
- Alone or with spouse as trustee(s) of the following trust (including date):

- Other; please specify: _____

1.3 PAYMENT. Purchaser hereby delivers payment of the Purchase Price in the manner permitted in the Grant Agreement as follows (check and complete as appropriate):

- in cash in the amount of \$ _____, receipt of which is acknowledged by the Company;
- by cancellation of indebtedness of the Company to Purchaser in the amount of \$ _____;
- by delivery of _____ fully-paid, nonassessable and vested shares of the Common Stock of the Company owned by Purchaser for at least six (6) months prior to the date hereof which have been paid for within the meaning of SEC Rule 144 (if purchased by use of a promissory note, such note having been fully paid with respect to such vested shares), or obtained by Purchaser in the open public market, and owned free and clear of all liens, claims, encumbrances or security interests, valued at the current Fair Market Value of \$ _____ per share;
- by the waiver hereby of compensation due or accrued for services rendered in the amount of \$ _____;
or
- provided that a public market for the Company's stock exists, through a "same day sale" commitment from Purchaser and a broker-dealer that is a member of the National Association of Securities Dealers (an "NASD DEALER") or through a "margin" commitment from Purchaser and an NASD Dealer, either as provided in Section 4 of the Grant Agreement.

2. DELIVERY.

2.1 DELIVERIES BY PURCHASER. Purchaser hereby delivers to the Company (i) this Exercise Agreement, (ii) two (2) copies of a blank Stock Power and Assignment Separate from Stock Certificate in the form of EXHIBIT 1 attached hereto (the "STOCK POWERS"), both executed by Purchaser (and Purchaser's spouse, if any), (iii) if Purchaser is married, a Consent of Spouse in the form of EXHIBIT 2 attached hereto (the "SPOUSE CONSENT") executed by Purchaser's spouse, and (iv) the Purchase Price.

2.2 DELIVERIES BY THE COMPANY. Upon its receipt of the Purchase Price and all the documents to be executed and delivered by Purchaser to the Company under Section 2.1, the Company will issue a duly executed stock certificate evidencing the Shares in the name of Purchaser.

3. REPRESENTATIONS AND WARRANTIES OF PURCHASER. Purchaser represents and warrants to the Company that:

3.1 AGREES TO TERMS OF THE AGREEMENT. Purchaser has received a copy of the Grant Agreement, has read and understands the terms of the Grant Agreement and this Exercise Agreement, and agrees to be bound by their terms and conditions. Purchaser acknowledges that there may be adverse tax consequences upon exercise of the Option or disposition of the Shares, and that Purchaser should consult a tax adviser prior to such exercise or disposition.

3.2 PURCHASE FOR OWN ACCOUNT FOR INVESTMENT. Purchaser is purchasing the Shares for Purchaser's own account for investment purposes only and not with a view to, or for sale in connection with, a distribution of the Shares within the meaning of the Securities Act of 1933, as amended (the "SECURITIES ACT"). Purchaser has no present intention of selling or otherwise disposing of all or any portion of the Shares and no one other than Purchaser has any beneficial ownership of any of the Shares.

3.3 ACCESS TO INFORMATION. Purchaser has had access to all information regarding the Company and its present and prospective business, assets, liabilities and financial condition that Purchaser reasonably considers important in making the decision to purchase the Shares, and Purchaser has had ample opportunity to ask questions of the Company's representatives concerning such matters and this investment.

3.4 UNDERSTANDING OF RISKS. Purchaser is fully aware of: (i) the highly speculative nature of the investment in the Shares; (ii) the financial hazards involved; (iii) the lack of liquidity of the Shares and the restrictions on transferability of the Shares (E.G., that Purchaser may not be able to sell or dispose of the Shares or use them as collateral for loans); (iv) the qualifications and backgrounds of the management of the Company; and (v) the tax consequences of investment in the Shares. Purchaser is capable of evaluating the merits and risks of this investment, has the ability to protect Purchaser's own interests in this transaction and is financially capable of bearing a total loss of this investment.

3.5 NO GENERAL SOLICITATION. At no time was Purchaser presented with or solicited by any publicly issued or circulated newspaper, mail, radio, television or other form of general advertising or solicitation in connection with the offer, sale and purchase of the Shares.

3.6 PURCHASER'S QUALIFICATIONS. Purchaser has a preexisting personal or business relationship with the Company and/or certain of its officers and/or directors of a nature and duration sufficient to make

Purchaser aware of the character, business acumen and general business and financial circumstances of the Company and/or such officers and directors. By reason of Purchaser's business or financial experience, Purchaser is capable of evaluating the

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merits and risks of this investment, has the ability to protect Purchaser's own interests in this transaction and is financially capable of bearing a total loss of this investment.

4. COMPLIANCE WITH SECURITIES LAWS.

4.1 COMPLIANCE WITH FEDERAL SECURITIES LAWS. Purchaser understands and acknowledges that the Shares have not been registered with the Securities and Exchange Commission ("SEC") under the Securities Act and that, notwithstanding any other provision of the Grant Agreement to the contrary, the exercise of any rights to purchase any Shares is expressly conditioned upon compliance with the Securities Act and all applicable state securities laws. Purchaser agrees to cooperate with the Company to ensure compliance with such laws. The Shares are being issued under the Securities Act pursuant to the exemption provided by SEC Rule 701.

4.2 COMPLIANCE WITH CALIFORNIA SECURITIES LAWS. THE SALE OF THE SECURITIES THAT ARE THE SUBJECT OF THIS EXERCISE AGREEMENT, IF NOT YET QUALIFIED WITH THE CALIFORNIA COMMISSIONER OF CORPORATIONS AND NOT EXEMPT FROM SUCH QUALIFICATION, IS SUBJECT TO SUCH QUALIFICATION, AND THE ISSUANCE OF SUCH SECURITIES, AND THE RECEIPT OF ANY PART OF THE CONSIDERATION THEREFOR PRIOR TO SUCH QUALIFICATION IS UNLAWFUL UNLESS THE SALE IS EXEMPT. THE RIGHTS OF THE PARTIES TO THIS EXERCISE AGREEMENT ARE EXPRESSLY CONDITIONED UPON SUCH QUALIFICATION BEING OBTAINED OR AN EXEMPTION BEING AVAILABLE.

5. RESTRICTED SECURITIES.

5.1 NO TRANSFER UNLESS REGISTERED OR EXEMPT. Purchaser understands that Purchaser may not transfer any Shares unless such Shares are registered under the Securities Act or qualified under applicable state securities laws or unless, in the opinion of counsel to the Company, exemptions from such registration and qualification requirements are available. Purchaser understands that only the Company may file a registration statement with the SEC and that the Company is under no obligation to do so with respect to the Shares. Purchaser has also been advised that exemptions from registration and qualification may not be available or may not permit Purchaser to transfer all or any of the Shares in the amounts or at the times proposed by Purchaser.

5.2 SEC RULE 144. In addition, Purchaser has been advised that SEC Rule 144 promulgated under the Securities Act, which permits certain limited sales of unregistered securities, is not presently available

with respect to the Shares and, in any event, requires that the Shares be held for a minimum of one (1) year, and in certain cases two (2) years, after they have been purchased AND PAID FOR (within the meaning of Rule 144), before they may be resold under Rule 144. Purchaser understands that Rule 144 may indefinitely restrict transfer of the Shares so long as Purchaser remains an "affiliate" of the Company or if "current public information" about the Company (as defined in Rule 144) is not publicly available.

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5.3 SEC RULE 701. The Shares may become freely tradeable by non-affiliates if issued pursuant to SEC Rule 701 promulgated under the Securities Act (under limited conditions regarding the method of sale) 90 days after the first sale of Common Stock of the Company to the general public pursuant to a registration statement filed with and declared effective by the SEC, subject to the lengthier market standoff agreement contained in Section 7 of this Exercise Agreement or any other agreement entered into by Purchaser. Affiliates must comply with the provisions (other than the holding period requirements) of Rule 144.

6. RESTRICTIONS ON TRANSFERS.

6.1 DISPOSITION OF SHARES. Purchaser hereby agrees that Purchaser shall make no disposition of the Shares (other than as permitted by this Exercise Agreement) unless and until:

(a) Purchaser shall have notified the Company of the proposed disposition and provided a written summary of the terms and conditions of the proposed disposition;

(b) Purchaser shall have complied with all requirements of this Exercise Agreement applicable to the disposition of the Shares;

(c) Purchaser shall have provided the Company with written assurances, in form and substance satisfactory to counsel for the Company, that (i) the proposed disposition does not require registration of the Shares under the Securities Act or (ii) all appropriate action necessary for compliance with the registration requirements of the Securities Act or of any exemption from registration available under the Securities Act (including Rule 144) has been taken; and

(d) Purchaser shall have provided the Company with written assurances, in form and substance satisfactory to the Company, that the proposed disposition will not result in the contravention of any transfer restrictions applicable to the Shares pursuant to the provisions of the Commissioner Rules identified in Section 4.2.

6.2 RESTRICTION ON TRANSFER. Purchaser shall not transfer, assign, grant a lien or security interest in, pledge, hypothecate, encumber or otherwise dispose of any of the Shares which are subject to the Company's Right of First Refusal, except as permitted by this Exercise Agreement.

6.3 TRANSFEREE OBLIGATIONS. Each person (other than the Company) to whom the Shares are transferred by means of one of the permitted transfers specified in this Exercise Agreement must, as a condition precedent to the validity of such transfer, acknowledge in writing to the Company that such person is bound by the provisions of this Exercise Agreement and that the transferred shares are subject to (i) the Company's Right of First Refusal granted hereunder and (ii) the market stand-off provisions of Section 7, to the same extent such shares would be so subject if retained by the Purchaser.

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7. MARKET STANDOFF AGREEMENT. Purchaser agrees in connection with any registration of the Company's securities that, upon the request of the Company or the underwriters managing any public offering of the Company's securities, Purchaser will not sell or otherwise dispose of any Shares without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed 180 days) after the effective date of such registration requested by such managing underwriters and subject to all restrictions as the Company or the underwriters may specify.

8. [RESERVED]

9. COMPANY'S RIGHT OF FIRST REFUSAL. Before any Shares held by Purchaser or any transferee of such Shares (either being sometimes referred to herein as the "HOLDER") may be sold or otherwise transferred (including without limitation a transfer by gift or operation of law), the Company and/or its assignee(s) shall have an assignable right of first refusal to purchase the Shares to be sold or transferred (the "OFFERED SHARES") on the terms and conditions set forth in this Section (the "RIGHT OF FIRST REFUSAL").

9.1 NOTICE OF PROPOSED TRANSFER. The Holder of the Shares shall deliver to the Company a written notice (the "NOTICE") stating: (i) the Holder's bona fide intention to sell or otherwise transfer the Offered Shares; (ii) the name of each proposed bona fide purchaser or other transferee ("PROPOSED TRANSFEREE"); (iii) the number of Offered Shares to be transferred to each Proposed Transferee; (iv) the bona fide cash price or other consideration for which the Holder proposes to transfer the Offered Shares (the "OFFERED PRICE"); and (v) that the Holder will offer to sell the Offered Shares to the Company and/or its assignee(s) at the Offered Price as provided in this Section.

9.2 EXERCISE OF RIGHT OF FIRST REFUSAL. At any time within thirty (30) days after the date of the Notice, the Company and/or its assignee(s) may, by giving written notice to the Holder, elect to purchase all (or, with the consent of Holder, a portion) of the Offered Shares proposed to be transferred to any one or more of the Proposed Transferees named in the Notice, at the purchase price determined as specified below.

9.3 PURCHASE PRICE. The purchase price for the Offered Shares purchased under this Section will be the Offered Price. If the Offered Price includes consideration other than cash, then the cash equivalent value of the non-cash consideration shall conclusively be deemed to be the value of such non-cash consideration as determined in good faith by the Company's Board of Directors.

9.4 PAYMENT. Payment of the purchase price for Offered Shares will be payable, at the option of the Company and/or its assignee(s) (as applicable), by check or by cancellation of all or a portion of any outstanding indebtedness of the Holder to the Company (or to such assignee, in the case of a purchase of Offered Shares by such assignee) or by any combination thereof. The purchase price will be paid without interest within sixty (60) days after the Company's receipt of the Notice, or, at the option of the Company and/or its assignee(s), in the manner and at the time(s) set forth in the Notice.

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9.5 HOLDER'S RIGHT TO TRANSFER. If all of the Offered Shares proposed in the Notice to be transferred to a given Proposed Transferee are not purchased by the Company and/or its assignee(s) as provided in this Section, then the Holder may sell or otherwise transfer such Offered Shares to that Proposed Transferee at the Offered Price or at a higher price, PROVIDED that such sale or other transfer is consummated within 120 days after the date of the Notice, and PROVIDED FURTHER, that (i) any such sale or other transfer is effected in compliance with all applicable securities laws and (ii) the Proposed Transferee agrees in writing that the provisions of this Section will continue to apply to the Offered Shares in the hands of such Proposed Transferee. If the Offered Shares described in the Notice are not transferred to the Proposed Transferee within such 120 day period, then a new Notice must be given to the Company, and the Company will again be offered the Right of First Refusal before any Shares held by the Holder may be sold or otherwise transferred.

9.6 EXEMPT TRANSFERS. Notwithstanding anything to the contrary in this Section, the following transfers of Shares will be exempt from the Right of First Refusal: (i) the transfer of any or all of the Shares during Purchaser's lifetime by gift or on Purchaser's death by will or intestacy to Purchaser's "immediate family" (as defined below) or to a trust for the benefit of Purchaser or Purchaser's immediate family, provided that

each transferee or other recipient agrees in a writing satisfactory to the Company that the provisions of this Section will continue to apply to the transferred Shares in the hands of such transferee or other recipient; (ii) any transfer of Shares made pursuant to a statutory merger or statutory consolidation of the Company with or into another corporation or corporations (except that the Right of First Refusal will continue to apply thereafter to such Shares, in which case the surviving corporation of such merger or consolidation shall succeed to the rights of the Company under this Section unless the agreement of merger or consolidation expressly otherwise provides); or (iii) any transfer of Shares pursuant to the winding up and dissolution of the Company. As used herein, the term "IMMEDIATE FAMILY" will mean Purchaser's spouse, the lineal descendant or antecedent, father, mother, brother or sister, adopted child or grandchild of the Purchaser or the Purchaser's spouse, or the spouse of any child, adopted child, grandchild or adopted grandchild of Purchaser or the Purchaser's spouse.

9.7 TERMINATION OF RIGHT OF FIRST REFUSAL. The Right of First Refusal will terminate as to all Shares on the effective date of the first sale of Common Stock of the Company to the general public pursuant to a registration statement filed with and declared effective by the SEC under the Securities Act (other than a registration statement relating solely to the issuance of Common Stock pursuant to a business combination or an employee incentive or benefit plan).

10. RIGHTS AS SHAREHOLDER. Subject to the terms and conditions of this Exercise Agreement, Purchaser will have all of the rights of a shareholder of the Company with respect to the Shares from and after the date that Purchaser delivers payment of the Purchase Price until such time as Purchaser disposes of the Shares or the Company and/or its assignee(s) exercise(s) the Right of First Refusal. Upon an exercise of the Right of First Refusal, Purchaser will have no further rights as a holder of the Shares so purchased upon such exercise, except the right to receive payment for the Shares so purchased in accordance with the provisions of this Exercise

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Agreement, and Purchaser will promptly surrender the stock certificate(s) evidencing the Shares so purchased to the Company for transfer or cancellation.

11. ESCROW. As security for Purchaser's faithful performance of this Exercise Agreement, Purchaser agrees, immediately upon receipt of the stock certificate(s) evidencing the Shares, to deliver such certificate(s), together with the Stock Powers executed by Purchaser and by Purchaser's spouse, if any (with the date and number of Shares left blank), to the Secretary of the Company or other designee of the Company ("ESCROW HOLDER"), who is hereby appointed to hold such certificate(s) and Stock Powers in

escrow and to take all such actions and to effectuate all such transfers and/or releases of such Shares as are in accordance with the terms of this Exercise Agreement. Purchaser and the Company agree that Escrow Holder will not be liable to any party to this Exercise Agreement (or to any other party) for any actions or omissions unless Escrow Holder is grossly negligent or intentionally fraudulent in carrying out the duties of Escrow Holder under this Exercise Agreement. Escrow Holder may rely upon any letter, notice or other document executed by any signature purported to be genuine and may rely on the advice of counsel and obey any order of any court with respect to the transactions contemplated by this Exercise Agreement. The Shares will be released from escrow upon termination of the Right of First Refusal.

12. RESTRICTIVE LEGENDS AND STOP-TRANSFER ORDERS.

12.1 LEGENDS. Purchaser understands and agrees that the Company will place the legends set forth below or similar legends on any stock certificate(s) evidencing the Shares, together with any other legends that may be required by state or federal securities laws, the Company's Articles of Incorporation or Bylaws, any other agreement between Purchaser and the Company or any agreement between Purchaser and any third party:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNDER THE SECURITIES LAWS OF CERTAIN STATES. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

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THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON PUBLIC RESALE, TRANSFER, AND RIGHT OF FIRST REFUSAL OPTIONS HELD BY THE ISSUER AND/OR ITS ASSIGNEE(S) AS SET FORTH IN A STOCK OPTION

EXERCISE AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH PUBLIC SALE AND TRANSFER RESTRICTIONS AND THE RIGHT OF FIRST REFUSAL ARE BINDING ON TRANSFEREES OF THESE SHARES.

12.2 STOP-TRANSFER INSTRUCTIONS. Purchaser agrees that, to ensure compliance with the restrictions imposed by this Exercise Agreement, the Company may issue appropriate "stop-transfer" instructions to its transfer agent, if any, and if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

12.3 REFUSAL TO TRANSFER. The Company will not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Exercise Agreement or (ii) to treat as owner of such Shares, or to accord the right to vote or pay dividends to, any purchaser or other transferee to whom such Shares have been so transferred.

13. TAX CONSEQUENCES. PURCHASER UNDERSTANDS THAT PURCHASER MAY SUFFER ADVERSE TAX CONSEQUENCES AS A RESULT OF PURCHASER'S PURCHASE OR DISPOSITION OF THE SHARES. PURCHASER REPRESENTS THAT PURCHASER HAS CONSULTED WITH ANY TAX ADVISER PURCHASER DEEMS ADVISABLE IN CONNECTION WITH THE PURCHASE OR DISPOSITION OF THE SHARES AND THAT PURCHASER IS NOT RELYING ON THE COMPANY FOR ANY TAX ADVICE. IN PARTICULAR, IF THE SHARES ARE SUBJECT TO REPURCHASE BY THE COMPANY OR IF PURCHASER IS AN INSIDER SUBJECT TO SECTION 16(b) OF THE EXCHANGE ACT, PURCHASER REPRESENTS THAT PURCHASER HAS CONSULTED WITH PURCHASER'S TAX ADVISER CONCERNING THE ADVISABILITY OF FILING AN 83(b) ELECTION WITH THE INTERNAL REVENUE SERVICE. Set forth below is a brief summary as of the date of the Grant Agreement of some of the federal and California tax consequences of exercise of the Option and disposition of the Shares. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. PARTICIPANT SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.

13.1 EXERCISE OF NONQUALIFIED STOCK OPTION. There may be a regular federal income tax liability and a California income tax liability upon the exercise of the Option. Purchaser may be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the fair market value of the Shares on the date of exercise over the Purchase Price Per Share. The Company will be required to withhold from Purchaser's

compensation or collect from Purchaser and pay to the applicable taxing authorities an amount equal to a percentage of this compensation income at

the time of exercise.

13.2 DISPOSITION OF SHARES. If the Shares are held for more than twelve months after the date of the transfer of the Shares pursuant to the exercise of the Option, any gain realized on disposition of the Shares will be treated as long term capital gain for federal and California income tax purposes.

14. COMPLIANCE WITH LAWS AND REGULATIONS. The issuance and transfer of the Shares will be subject to and conditioned upon compliance by the Company and Purchaser with all applicable state and federal laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which the Company's Common Stock may be listed or quoted at the time of such issuance or transfer.

15. SUCCESSORS AND ASSIGNS. The Company may assign any of its rights under this Exercise Agreement, including its rights to repurchase Shares under the Right of First Refusal. This Exercise Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Exercise Agreement will be binding upon Purchaser and Purchaser's heirs, executors, administrators, legal representatives, successors and assigns.

16. GOVERNING LAW; SEVERABILITY. This Exercise Agreement shall be governed by and construed in accordance with the internal laws of the State of California as such laws are applied to agreements between California residents entered into and to be performed entirely within California, excluding that body of laws pertaining to conflict of laws. If any provision of this Exercise Agreement is determined by a court of law to be illegal or unenforceable, then such provision will be enforced to the maximum extent possible and the other provisions will remain fully effective and enforceable.

17. NOTICES. Any notice required to be given or delivered to the Company shall be in writing and addressed to the Corporate Secretary of the Company at its principal corporate offices. Any notice required to be given or delivered to Purchaser shall be in writing and addressed to Purchaser at the address indicated above or to such other address as Purchaser may designate in writing from time to time to the Company. All notices shall be deemed effectively given: upon personal delivery; three (3) days after deposit in the United States mail by certified or registered mail (return receipt requested); one (1) business day after its deposit with any return receipt express courier (prepaid); or one (1) business day after transmission by telefax or telecopier.

18. FURTHER INSTRUMENTS. The parties agree to execute such further instruments and to take such further action as may be reasonably necessary to carry out the purposes and intent of this Exercise Agreement.

19. HEADINGS. The captions and headings of this Exercise Agreement are included for ease of reference only and will be disregarded in interpreting or construing this Exercise Agreement. All references herein to

Sections will refer to Sections of this Exercise Agreement.

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20. ENTIRE AGREEMENT. The Grant Agreement and this Exercise Agreement, together with all its Exhibits, constitute the entire agreement and understanding of the parties with respect to the subject matter of this Exercise Agreement, and supersede all prior understandings and agreements, whether oral or written, between the parties hereto with respect to the specific subject matter hereof.

IN WITNESS WHEREOF, the Company has caused this Exercise Agreement to be executed in duplicate by its duly authorized representative and Purchaser has executed this Exercise Agreement in duplicate as of the Effective Date.

SILICON IMAGE, INC.

PURCHASER

By: _____

(Signature)

Name: _____
(Please print name)

(Please print name)

Title: _____
(Please print title)

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LIST OF EXHIBITS

- Exhibit 1: Stock Power and Assignment Separate from Stock Certificate
- Exhibit 2: Spouse Consent
- Exhibit 3: Copy of Purchaser's Check or Other Evidence of Payment

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EXHIBIT 1

STOCK POWER AND ASSIGNMENT
SEPARATE FROM STOCK CERTIFICATE

STOCK POWER AND ASSIGNMENT
SEPARATE FROM STOCK CERTIFICATE

FOR VALUE RECEIVED and pursuant to that certain Non-Plan Stock Option Exercise Agreement No. NP-__ dated as of _____, 19__, (the "AGREEMENT"), the undersigned hereby sells, assigns and transfers unto _____, shares of the Common Stock of Silicon Image, Inc., a California corporation (the "COMPANY"), standing in the undersigned's name on the books of the Company represented by Certificate No(s). _____ delivered herewith, and does hereby irrevocably constitute and appoint the Secretary of the Company as the undersigned's attorney-in-fact, with full power of substitution, to transfer said stock on the books of the Company. THIS ASSIGNMENT MAY ONLY BE USED AS AUTHORIZED BY THE AGREEMENT AND ANY EXHIBITS THERETO.

Dated: _____, 19__

PURCHASER

(Signature)

(Please Print Name)

(Spouse's Signature, if any)

(Please Print Spouse's Name)

INSTRUCTIONS: Please do not fill in any blanks other than the signature line. The purpose of this Stock Power and Assignment is to enable the Company to acquire the shares upon exercise of its "Right of First Refusal" and/or set forth in the Agreement without requiring additional signatures on the part of the Purchaser or Purchaser's Spouse.

EXHIBIT 2

SPOUSE CONSENT

SPOUSE CONSENT

I, the undersigned spouse of _____ ("PURCHASER"), have read, understood, and hereby approve the Non-Plan Stock Option Exercise Agreement between Purchaser and the Company (the "AGREEMENT"). In consideration of the Company's granting my spouse the right to purchase the Shares as set forth in the Agreement, I hereby agree to be irrevocably bound by the Agreement and further agree that any community property interest shall similarly be bound by the Agreement. I hereby appoint Purchaser as my attorney-in-fact with respect to any amendment or exercise of any rights under the Agreement.

Date: _____

Purchaser's Spouse

Address: _____

EXHIBIT 3

COPY OF PURCHASER'S CHECK
OR OTHER EVIDENCE OF PAYMENT

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Exhibit 10.22

August 26, 1999

Silicon Image, Inc.
10131 Bubb Road
Cupertino, CA 95134

RE: LETTER OF INTENT

This Letter of Intent ("Letter") sets forth in general terms the basic conditions which Intel Corporation ("Intel") anticipates would be specifically addressed in a definitive license agreement ("Agreement") with Silicon Image, Inc. ("Sil"). The Agreement will address the license of certain Sil intellectual property rights to Intel Corporation, for Intel's use in content protection specifications and Intel products.

It is anticipated that, as the parties have discussed, the consummation of this transaction will occur on or before September 30, 1999.

While we understand that the specifics of the Agreement must be negotiated, we anticipate this Agreement will address, but not be limited to, the following points.

AGREEMENT:

- For purposes of this Agreement, the parties agree to the following definitions:

"Intel Products" mean any software, hardware or software/hardware product manufactured and sold by Intel or a third party on behalf of Intel.

"Intel Specifications" means any specification used or provided by Intel that incorporates Sil's intellectual property.

"Intellectual Property" means, patent, patent applications, copyrights, mask works and trade secret rights owned by or licensed to Sil.

"Technology" means techniques for modifying TMDS encoding/decoding process under the control of a cryptographic key in order to protect the exchange of data over TMDS-based interconnects.

- Intellectual Property License. Sil grants to Intel a non-exclusive, world-wide, irrevocable, transferable, fully paid up, royalty free, perpetual license (with the right to sublicense) under Sil's

Intellectual Property rights in the Technology, now or later owned or controlled by Sil, to reproduce, modify, perform, display, make,

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have made, use, sell, distribute, offer for sale, and import the Technology and derivative works thereof in connection with Intel Products and Intel Specifications.

- The agreement is conditioned on Intel's incorporating the Technology in a DVI content protection specification for monitors (the "Specification"). If Intel does not so incorporate the Technology, then the agreement shall be of no effect.
- Intel would provide appropriate credit and recognition to Sil for the Technology in the Specification such as:
"Intel [or insert name of licensing entity] acknowledges the contributions of Sil to this Specification."
- The parties acknowledge that they have not set forth or agreed upon all essential terms for the Agreement, including without limitation, warranties and representations, conditions precedent, indemnities and other anticipated terms, and that such essential terms will be the subject of further negotiations.
- Following the execution of this Letter by both parties, the parties agree to use commercially reasonable efforts to reach agreement on the remaining issues which will undoubtedly arise during the negotiations, to reduce these agreements into a formal Agreement acceptable to each in their discretion, and to obtain the necessary internal approvals to execution of such Agreement to create a binding contract.
- Neither of the parties to this Letter shall disclose to the public or to any third party the existence of this Letter or relationship described herein other than with the express prior written consent of the other party, except as may be required by law. Each party will be responsible for its own expenses in connection with all matters relating to the transaction herein proposed. If this proposed transaction shall not be consummated for any reason, neither of the parties will be responsible for any of the other's expenses. In no event shall either party be liable to the other for any indirect, speculative, special or consequential damages, including but not limited to lost profits, in connection with performance under this Letter. Neither party shall have any liability to the other based on the failure to ultimately consummate the transaction envisioned herein.
- Except for the matters set forth after the heading AGREEMENT, designated by bullet points, including this paragraph, this Letter does not create

a legal, binding obligation on either party but merely represents the present intentions of the parties. The performance of either party prior to execution of formal Agreement of any of the obligations which may be included in a contract between the parties when negotiations are complete shall not be considered as evidence of intent by either party to be bound by this Letter other than as set forth under the heading AGREEMENT above.

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Your signature below shall indicate your agreement with the foregoing Letter. We look forward to working with you in an effort to consummate the envisioned transaction.

AGREED AND ACCEPTED this 26th day of August , 1999.

INTEL CORPORATION

/s/ Kea Grilley

Signature

/s/ Kea Grilley

Printed Name

Director, Platform Marketing, DPG

Title

LEGAL OK

AKM | 8/27/99

SILICON IMAGE, INC.

/s/ David D. Lee

Signature

David D. Lee

Printed Name

CEO

Title

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Registration Statement on Form S-1 (No. 333-83665) of our report dated July 14, 1999, except as to Note 11, which is as of September 9, 1999, relating to the financial statements of Silicon Image, Inc., which appears in such Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

PricewaterhouseCoopers LLP

San Jose, California
September 9, 1999