



2007 Annual Report

Silicon Image, Inc.
1060 East Arques Avenue, Sunnyvale, CA 94085
www.SiliconImage.com



Dear Fellow Stockholders:

In 2007 Silicon Image delivered approximately 9% year over year revenue growth or \$320.5M in total revenue, 15% Non-GAAP operating profit and positive cash flow. We ended the year with a strong balance sheet with approximately \$250 million in cash and short-term investments and no debt.

Our vision to drive the development of semiconductors to enable the enjoyment of high definition digital video and high quality digital audio across millions of devices, gained momentum. This is evidenced by the HDMI (High Definition Multimedia Interface) adopter base growing to more than 800. In its December 2007 report, InStat (a market research firm) estimated that at the end of 2007 the installed base of HDMI devices exceeded 246 million, and more importantly will grow to over 1 billion devices by the end of 2010.

Business/Market Strategy

We spent much of 2007 increasing our capacity to integrate more analog mixed signal processing into our DTV solutions. Our goal is not only to advance digital intelligence through advancements in the HDMI standard, but also to offer higher levels of overall Input/Output integration throughout our product lines. The January 2007 acquisition of sci-worx GmbH from Infineon Technologies AG and our February 2007 technology license agreement with Sunplus Technology Co., Ltd. will accelerate achievement of that goal.

During 2007, we also focused on two emerging market opportunities. The first was the launch of our Mobile High Definition Link™ technology aimed at addressing the needs of mobile devices for high quality digital connectivity. A significantly smaller connector, fewer pins with multi-purpose capability and low power requirements are essential to enabling the massive cell phone market, estimated to exceed 300 million units in the smart phone segment, as well as personal media players, digital still cameras and other increasingly smaller and thinner mobile devices. It is our goal to promote a new digital interface standard for mobile devices that brings together key members of the mobile industry having a strong vested interest in how that standard develops.

In 2007, we started building support for another advancement in device connectivity that we call the Personal Entertainment Network (PEN). The Personal Entertainment Network essentially creates a way for consumers to share high quality digital content across their digital TVs and source devices like set-top boxes, DVD players and cell phones. Over the past five years, we have been incubating a new protocol and security architecture that can be implemented in a low cost chip, which will give consumers a plug and play experience while accessing entertainment content on any device, in any location. This solution will also run over standard 802.11 wireless connections. During 2008, we plan to launch this exciting innovative initiative in the marketplace.

Operationally, during 2007 we strengthened our management team by adding two senior team members with broad-based industry experience. First, we established and filled the Chief Operating Officer position and recruited a new Chief Financial Officer. These additions, along with continued focus on execution should enhance our capability to continuously improve operational performance as we move forward.

The Future

Our mission is to continue to be the leader in the design, development and implementation of semiconductors for the secure storage, distribution and presentation of high-definition content in the home and mobile environment.

To make this a reality for consumers, true plug and play interoperability is essential. To that end, in January 2007, we announced the expansion of our Simplay Labs program. With facilities in Asia, Europe and North America, Simplay Labs today provides many of the world's leading CE and PC manufacturers, including Bose, Hewlett-Packard, JVC, Microsoft, Panasonic, Thomson and Yamaha, among others, the most comprehensive suite of compatibility testing and consulting services, technologies and tools available, to ensure that they are delivering industry-compatible high-definition products to consumers.

Our view of tomorrow's consumer includes the ability to purchase digital content from any source (cable, satellite, terrestrial broadcast or the internet) and to securely store it, move it and display it on any device they own. This will require the advancement of mobile and home connectivity in the area of protocols and content protection. These areas represent key core competencies within Silicon Image.

We believe we have the IP, talent and vision to implement compelling products, technologies and standards that will address our vision of digital content everywhere.

I want to thank our customers, employees, suppliers and stockholders, for their support in 2007.


Steve Tirado
President & CEO
Silicon Image, Inc.

GAAP to Non-GAAP reconciliation:

	Year Ended December 31, 2007	% of Total Revenue/revenue after Adjustments(2)
	(\$ in thousands, except percentages) (Unaudited)	
Revenue		
Total revenue	\$320,503	100.0%
Adjustment to revenue	<u>(6,723)(1)</u>	<u>(2.1)%</u>
Revenue after adjustments	<u>313,780</u>	<u>97.9%</u>
Cost of revenue		
GAAP Operating profit	28,155	8.8%
Non-GAAP adjustments:		
Stock-based compensation expense	19,450	6.1%
Adjustments related to change in distributor revenue recognition	(4,105)(1)	(1.3)%
Amortization of intangible assets	<u>3,549</u>	<u>1.1%</u>
Total Non-GAAP adjustments	<u>18,894</u>	<u>6.0%</u>
Non-GAAP Operating profit(2)	<u>\$ 47,049</u>	<u>15.0%</u>


(1) This adjustment represents the change in recognition of distributor revenue and related standard cost of sales.

(2) The Non-GAAP Operating profit expressed as a percentage is calculated as a percentage of revenue after adjustments.



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This letter to stockholders, contains forward-looking statements within the meaning of federal securities laws. These forward-looking statements include statements related to growth of our target markets, growth in demand for our products, plans regarding product development and new product introductions, increased market acceptance of HDMI products, and the anticipated benefits of our sci-worx and Sunplus transactions. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those anticipated by these forward-looking statements. In particular, growth of our target markets and demand for our products in those markets could differ from current expectations, rates of adoption of industry standards may differ from current expectations, product development plans may differ from current expectations, our new product introductions may not be timely or successful, and we may not obtain the anticipated benefits of the sci-worx and Sunplus transactions. In addition, see “Factors Affecting Future Results” in the most recent Quarterly Report on Form 10-Q and “Risk Factors” in the most recent Annual Report on Form 10-K filed by Silicon Image with the Securities and Exchange Commission. Silicon Image assumes no obligation to update this forward-looking information.





Corporate Directory

Board of Directors

Peter Hanelt, Chairman of the Board
William George
Masood Jabbar
William Raduchel
John Hodge
Steve Tirado

Corporate Headquarters

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Investor Relations

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Corporate Officers

Steve Tirado
President and Chief Executive Officer
Harold L. Covert
Chief Financial Officer
Paul Dal Santo
Chief Operating Officer
Noland Granberry
Chief Accounting Officer and Corporate Controller
Edward Lopez
Chief Legal Officer
J. Duane Northcutt
Chief Technology Officer
Sal Cobar
Vice President, Worldwide Sales
Dale Zimmerman
Vice President, Worldwide Marketing

Stock Listing

Silicon Image's common stock trades
on the NASDAQ National Market
under the symbol: SIMG

Transfer Agent

BNY Mellon Shareowner Services
480 Washington Boulevard, Jersey City,
NJ 07310-8015
Domestic Stockholder Inquires: (800) 522-6645
TDD for hearing impaired:
800-231-5469
Foreign Shareowners:
201-680-6578
TDD Foreign Shareowners:
201-680-6610
Web: www.bnymellon.com/shareowner/isd

Outside Counsel

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