



Pixelworks Completes Acquisition of Panstera, Inc.

February 1, 2001

Tualatin, Ore., February 1, 2001 — Pixelworks, Inc. (NASDAQ:PXLW), the leading provider of system-on-a-chip ICs for the advanced display market, today announced that it has completed the acquisition of San Jose-based Panstera, Inc., a privately held fabless semiconductor company. The Panstera team will form a new division of Pixelworks developing a broad line of mixed signal ICs that provide an end-to-end family of products for mass-market, XGA-resolution LCD monitors.

This move will broaden Pixelworks' product line and development efforts with IC design initiatives addressing significant markets including high-volume, low-cost, XGA-resolution flat panel monitors and digital- and dual-interface flat panel monitors. The technology and products contributed by Panstera will serve to accelerate Pixelworks' penetration into the rapidly growing XGA-resolution LCD monitor segment by providing Pixelworks' customers with the opportunity to source all of the key ICs needed for an LCD monitor from a single company.

The acquisition will be accounted for under the purchase method of accounting. Under terms of the acquisition, Pixelworks will issue 4.5 million shares of its Common Stock in exchange for all of the outstanding capital stock of Panstera, and all of the options to purchase Panstera common stock outstanding prior to the acquisition. Pixelworks expects to record a one-time charge in the quarter ending March 31, 2001 for purchased in-process research and development expenses related to the acquisition.

About Pixelworks, Inc.

Pixelworks, headquartered in Tualatin, Oregon, is the leading provider of system-on-a-chip ICs for the advanced display market. Pixelworks' solutions process and optimize video, computer graphics and Web information for display on a wide variety of devices used in business and consumer markets. Pixelworks ImageProcessor Architecture powers the world's most highly regarded flat panel display products, including monitors and projectors marketed by Compaq, Dell, NEC-Mitsubishi, Samsung, Sony and ViewSonic. For more information, please visit the company's Web site at www.pixelworks.com.

Pixelworks is a trademark of Pixelworks, Inc. All other trademarks and registration marks are the property of their respective corporations.

Safe Harbor Statement

This news release contains statements, including statements regarding the Company's acquisition of Panstera, Inc., that are forward-looking statements within the meaning of the Securities Litigation Reform Act of 1995. Such statements are based on current expectations, estimates and projections about the company's business. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Actual results could vary materially from the description contained herein due to many factors including those described above and the following: business and economic conditions, changes in growth in the flat panel monitor, multimedia projector, and advanced television industries, changes in customer ordering patterns, competitive factors, such as rival chip architectures, pricing pressures, insufficient, excess or obsolete inventory and variations in inventory valuation, continued success in technological advances, shortages of manufacturing capacity from our third-party foundries, litigation involving antitrust and intellectual property, the non-acceptance of the combined technologies by leading manufacturers, and other risk factors listed from time to time in the company's Securities and Exchange Commission filings. In addition, such statements are subject to the risks inherent in investments in and acquisitions of technologies and businesses, including the timing and successful completion of technology and product development through volume production, integration issues, unanticipated costs and expenditures, changing relationships with customers, suppliers and strategic partners, potential contractual, intellectual property or employment issues, accounting treatment and charges, and the risks that the investment or acquisition cannot be completed successfully or that anticipated benefits are not realized. The forward-looking statements contained in this press release speak only as of the date on which they are made, and the company does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this news release. If the company does update one or more forward-looking statements, investors and others should not conclude that the company will make additional updates with respect thereto or with respect to other forward-looking statements.