



Pixelworks Achieves Profitability in Second Quarter; Record Revenues Fueled by Strong Sales of ImageProcessor ICs

July 18, 2000

Selected Quarter Highlights

- Second quarter net income totals \$0.6 million; marks first profitable quarter in company history in inaugural quarter as public company
- Record revenues grow 72 percent sequentially, 556 percent year-over-year
- Company completes successful IPO, raising \$60.5 million

Tualatin, Ore., July 18, 2000

— Pixelworks, Inc. (Nasdaq: PXLW), a leading designer and developer of system-on-a-chip semiconductors and software that enable the visual display of broadband content, today announced record financial results for the first reported quarter since completion of its initial public offering on May 19, 2000.

Revenue for the second quarter, which ended June 30, 2000, was \$12.1 million, a 72 percent increase over revenue of \$7.1 million in the first quarter and a 556 percent increase over the \$1.8 million recorded in the comparable 1999 period.

Net income for the second quarter was \$0.6 million, or \$0.02 per diluted share, based on 35.8 million weighted-average diluted shares outstanding. This marked the first quarter of profitability since the inception of the company in 1997, coming in the company's inaugural quarter as a public company. This compared to a net loss of \$3.0 million or \$0.49 per basic and diluted share based on 6.2 million weighted-average basic and diluted shares outstanding for the comparable period in the prior year, and a net loss of \$17.3 million or \$2.19 per basic and diluted share based on 7.9 million weighted-average basic and diluted shares outstanding in the first quarter of 2000.

Net income for the second quarter, excluding non-cash charges related to amortization of deferred stock compensation expense, was \$1.2 million, or \$0.03 per diluted share. This compared to a net loss for the comparable prior year period, excluding non-cash charges for amortization of deferred stock compensation and accretion of preferred stock redemption preference, of \$1.4 million, or \$0.22 per basic and diluted share. Net income in the second quarter increased \$1.8 million over the \$0.6 million net loss, excluding non-cash charges of \$16.6 million, in the first quarter of 2000.

"We are extremely pleased with our progress in the second quarter," said Allen Alley, President, CEO and Chairman of Pixelworks. "After successfully completing our IPO in a challenging market environment, we demonstrated that Pixelworks is solidly on strategic course by generating healthy revenue growth and achieving our first-ever profitable quarter."

"Our growth is being driven by higher than expected sales of Pixelworks ImageProcessor ICs used in innovative display products developed by our customers including Samsung, Sony, Compaq, ViewSonic and other industry leaders. These products have been received enthusiastically by consumers and industry experts proving end-users want the features and performance that Pixelworks ImageProcessor ICs provide," Alley concluded.

About Pixelworks, Inc.

Pixelworks, headquartered in Tualatin, Oregon, designs, develops and markets system-on-a-chip semiconductors and software that enable the visual display of broadband content through a wide variety of electronic devices. 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. For more information, please visit the company's Web site at www.pixelworks.com.

Forward-Looking Statements

This news release contains forward-looking statements that are based on expectations and assumptions that involve a number of uncertainties and risks that could cause actual results to differ materially from those discussed in the forward-looking statements, including but not limited to risks associated with rapidly evolving markets, the company's products and uncertainties regarding the development of those markets; new product development and the ongoing introduction of new and enhanced products by the company and its competitors; the company's reliance on independent foundries and contractors; intensive competition in the markets in which the company competes; dependence on sales to a limited number of large customers; dependence on key personnel; and the reliance on international sales. Additional information regarding factors that could cause actual results to differ from those anticipated is included in filings made by the company from time to time with the Securities and Exchange Commission. Those include, the prospectus included in its Form S-1 Registration Statement filed on May 19, 2000, and will over time include other filings.