

Pixelplus Reports Financial Results for Fiscal Fourth Quarter 2008

Press Release

SEOUL, South Korea, June 29, 2009 -- Pixelplus Co., Ltd. (PXPLY: PK), a fabless semiconductor company in Korea that designs, develops, and markets CMOS image sensors for various consumer electronics applications, today announced unaudited financial results for the fourth quarter of fiscal 2008, which ended on December 31, 2008.

Based on these unaudited results of operations which were prepared in accordance with Korean GAAP on a non-consolidated basis, revenue for the fourth quarter of fiscal 2008 was 4.5 billion Korean won (US\$3.6 million), compared to 4.5 billion Korean won (US\$3.6 million) in the third quarter of fiscal 2008, and 4.1 billion Korean won (US\$3.2 million) in the fourth quarter of fiscal 2007.

Net loss in the fourth quarter of fiscal 2008 was 5.8 billion Korean won (US\$4.6 million), or a net loss of 1,706 Korean won (US\$1.40) per diluted ADS, compared to a net loss of 3.3 billion Korean won (US\$2.6 million), or a net loss of 977 Korean won (US\$0.80) per diluted ADS, in the third quarter of fiscal 2008, and a net loss of 4.2 billion Korean won (US\$3.3 million), or a net loss of 1,262 Korean won (US\$1.00) per diluted ADS, in the fourth quarter of fiscal 2007.

Revenue for fiscal 2008 was 16.2 billion Korean won (US\$12.8 million), compared to 17.3 billion Korean won (US\$13.7 million) for fiscal 2007. Net loss for fiscal 2008 was 13.9 billion Korean won (US\$11.0 million), or a net loss of 4,110 Korean won (US\$3.30) per diluted ADS, compared to a net loss of 7.9 billion Korean won (US\$6.3 million), or a net loss of 2,433 Korean won (US\$1.90) per diluted ADS, for fiscal 2007.

The Company sold roughly 7.3 million image sensors in the fourth quarter of 2008, which represented a decrease of about 0.1 million from its sale of around 7.4 million units in the third quarter of 2008. Further, the Company sold approximately 26.1 million image sensors in fiscal 2008, which represented an increase of about 14.5 million units from its sale of roughly 11.6 million image sensors in fiscal 2007. Separately, the Company furnished approximately 0.4 million image sensors arising from its supply of services to a leading Japanese module maker in the fourth quarter of 2008, and provided over 3.4 million image sensors arising from its supply of services to this Japanese module maker in fiscal 2008. So, in terms of combined figures, the Company sold and supplied a total of about 7.7 million image sensors in the fourth quarter of 2008 and a total of roughly 29.5 million image sensors in fiscal 2008.

Gross margin for the fourth quarter of fiscal 2008 was 4.6%, compared to 15.3% in the third quarter of fiscal 2008. The Company's lower-than-expected gross margin was mainly due to its greater-than-expected decrease in the average selling price of its image sensors sold in the fourth quarter of 2008. In addition, the Company's lower-than-expected gross margin was attributed to its greater-than-anticipated decrease in the total number of VGA image sensors sold in the fourth quarter of 2008, which caused the Company to incur excess inventory of those sensors and sustain a valuation loss of 600 million Korean won (US\$470,000) arising from that excess inventory.

The U.S. dollar amounts disclosed in this press release are presented solely for the convenience of the reader, and have been converted at the rate of 1,262 Korean won to one U.S. dollar, which is the noon buying rate of the U.S. Federal Reserve Bank of New York in effect on December 31, 2008. Such conversions should not be construed as representations that the Korean won amounts represent, have been, or could be, converted into, U.S. dollars at that or any other rate.

"We are confident that the Company's complete and successful transition to our SoC image sensors based on PlusPixel2™ technology will enable us to achieve our goals, and we will continue to dedicate all of our efforts and energies on achieving our long-term growth targets and business strategies through developing new products, entering new markets, and securing new design wins," said Dr. S.K. Lee, CEO and Founder of Pixelplus. "Steadily growing demand for our third generation image sensors based on

PlusPixel2™ technology is expected to positively affect the Company's results of operations, based on the assumption that current order flows continue. Our cutting-edge products, including our PO4010 CIF 'System-on-a-Chip' or "SoC", PO6030 VGA SoC, and PC1030 NTSC/PAL image sensors, as well as our PM1002, which is the Company's SoC processor for various image recognition applications, continue to perform in line with our expectations, and we have more products in various stages of development and deployment than ever in our history. In addition, we are very encouraged that we continue to effectively manage our operating expenses, and believe this demonstrates that we have significantly lowered our breakeven point over the course of the last few quarters. We also continue to develop our core strategic business with first and second-tier mobile camera phone manufacturers in Korea, with key distributors as well as manufacturers of security and surveillance applications and notebook embedded cameras in China, Hong Kong, and Taiwan, and with a leading module maker in Japan through our co-development of image sensors, and we will do everything possible to ramp new sources of revenue in moving forward. We are encouraged by our prospects and expect to steadily improve our growth and return to profitability in the second half of 2009 fueled by the strength of our new product line, as well as growth within the mobile, security and surveillance, and automotive applications markets which is expected to continue and ramp gradually upward in 2009."

Pixelplus will separately issue an announcement to discuss the Company's first quarter 2009 results on or before July 31, 2009.

Korean GAAP

The financial results mentioned in this earnings release were prepared and presented in accordance with Korean GAAP on a non-consolidated basis. Significant differences exist between Korean GAAP and U.S. GAAP, including accounting principles with respect to the consolidation of financial results of any subsidiary, which might be material to the non-consolidated financial information provided in this release.

About Pixelplus Co., Ltd.

Pixelplus is a South Korea-based developer of high-performance, high-resolution, and cost-effective CMOS image sensors for use primarily in mobile camera phones. In addition to mobile phones, Pixelplus provides CMOS image sensors and SoC solutions for use in webcams and notebook embedded cameras, toys and games, and security and surveillance system applications.

As a fabless semiconductor company, Pixelplus is focused on creating proprietary design technologies to develop CMOS image sensors with sharp, colorful and enhanced image quality, size efficiency, and low power consumption.

Forward Looking Statement

This earnings release contains certain statements that are not historical in nature but are "forward-looking statements" within the meaning of the "safe-harbor" provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally can be identified by the use of forward-looking terminology, such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe," "project," or "continue" or the negative of such words or other similar words. Pixelplus cautions readers that forward-looking statements are based on the Company's current expectations, estimates and assumptions about our company and our industry, and are subject to a number of risks and uncertainties. Actual results may differ materially from those contained in such forward-looking statements. Investors are directed to Pixelplus' reports and documents filed from time to time with the U.S. Securities and Exchange Commission for a description of various factors that should be considered before investing in Pixelplus' securities. These factors may cause Pixelplus' results to differ materially from the forward-looking statements made in this release. The forward-looking statements speak only as of the date of this earnings release and Pixelplus assumes no duty or obligation to update them to reflect new, changing, or unanticipated events or circumstances. The financial results for the fourth quarter of

2008 contained in this document have not been audited by Pixelplus' independent registered public accountants.

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Pixelplus Co., Ltd.
Non-Consolidated Statements of Operations
(In millions of Korean won, except per ADS data)
(unaudited)

	THREE MONTHS ENDED		YEAR ENDED	
	Dec. 31, 2008	Dec.31 2007	Dec. 31, 2008	Dec. 31, 2007
Revenues	4,514	4,059	16,196	17,284
Products	4,173	3,852	15,270	12,836
Services	341	207	925	4,448
Cost of revenues	4,306	4,159	14,725	15,274
Products	4,289	4,139	14,608	14,200
Services	16	20	117	1,074
Gross profit	209	(99)	1,471	2,010
Operating expenses	3,540	3,451	13,452	12,395
Selling, general and administrative	2,858	2,010	9,244	6,896
Research and development, net of government grants	682	1,440	4,208	5,500
Income(loss) from operations	(3,331)	(3,550)	(11,982)	(10,385)
Other income(expense)				
Interest income(expense), net	(154)	71	(241)	239
Foreign exchange gain (loss), net	(612)	46	(618)	110
Others, net	(854)	(76)	(312)	2,817
Income(loss) before income taxes	(4,951)	(3,509)	(13,153)	(7,219)
Income tax expenses	-	-	-	-
Income(loss) before gain(loss) from equity method investments, net and minority interest	(4,951)	(3,509)	(13,153)	(7,219)
Gain(loss) from equity method investments, net	(857)	(696)	(773)	(696)
Minority interest				
Before cumulative effect of change in accounting principle	(5,808)	(4,205)	(13,925)	(7,914)
Cumulative effect of change in accounting principle	-	-	-	-
Net Income (loss)	<u>(5,808)</u>	<u>(4,205)</u>	<u>(13,925)</u>	<u>(7,914)</u>
Accretion of preferred shares	-	-	-	-
Net income(loss) attributable to common shareholders	<u>(5,808)</u>	<u>(4,205)</u>	<u>(13,925)</u>	<u>(7,914)</u>
Income(Loss) per ADS				
- basic and diluted	(1,706)	(1,262)	(4,110)	(2,433)
ADSs used in computing Income(loss) per ADS	3,403,433	3,332,537	3,388,461	3,253,317
- basic and diluted				

Pixelplus Co., Ltd.
Non-Consolidated Balance Sheets
(In millions of Korean won, except per ADS data)
(Unaudited)

	Dec. 31, 2008	Dec. 31, 2007
Assets		
Cash and cash equivalents	93	317
Restricted cash	5,000	6,002
Accounts receivable, net	2,080	3,165
Inventories, net	2,225	1,424
Other current assets	905	1,868
Total current assets	10,303	12,775
Other non current assets	6,126	6,221
Total assets	<u>16,429</u>	<u>18,996</u>
Liabilities, minority interest and Shareholders' equity		
Trade accounts payable	3,574	542
Other accounts payable	2,029	682
Short-term borrowings	8,460	5,617
Other current liabilities	2,380	1,137
Total current liabilities	16,443	7,978
Long-term borrowings	2,272	-
Other non current liabilities	811	422
Total liabilities	19,525	8,400
Shareholders' equity		
Common stock	3,403	3,333
Additional paid-in capital	7507	38,338
Accumulated other comprehensive loss	(81)	(99)
Accumulated deficit	(13,925)	(30,976)
Total Shareholders' equity	(3,096)	10,596
Total liabilities, minority interest and Shareholders' equity	<u>16,429</u>	<u>18,996</u>

The Company's functional currency on its financial statements is the Korean won. Please note that the numbers specified for the fiscal year 2007 in the consolidated financial statements provided in the Company's Form 20-F, which were converted at the rate of 935.8 Korean won to one U.S. dollar in effect on December 31, 2007, are different from the numbers specified for the fiscal year 2007 in the above non-consolidated financial statements which were prepared in accordance with Korean GAAP.