

## Pixelplus Reports Financial Results for Fiscal First Quarter 2009

### Press Release

SEOUL, South Korea, July 22, 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 first quarter of fiscal 2009, which ended on March 31, 2009.

Based on these unaudited results of operations which were prepared in accordance with Korean GAAP on a non-consolidated basis, revenue for the first quarter of fiscal 2009 was 3.5 billion Korean won (US\$2.6 million), compared to 4.5 billion Korean won (US\$3.3 million) in the fourth quarter of fiscal 2008, and 3.4 billion Korean won (US\$2.5 million) in the first quarter of fiscal 2008. The Company's lower-than-expected revenue was primarily due to the seasonality of sluggish sales in Asia typically exhibited annually in the first quarter, especially with respect to the seasonally slow first quarter in China which caused the Company to sustain weaker-than-anticipated sales to Chinese distributors and module makers.

Net loss in the first quarter of fiscal 2009 was 1.1 billion Korean won (US\$0.8 million), or a net loss of 321 Korean won (US\$0.23) per diluted ADS, compared to a net loss of 5.8 billion Korean won (US\$4.2 million), or a net loss of 1,706 Korean won (US\$1.24) per diluted ADS, in the fourth quarter of fiscal 2008, and a net loss of 2.2 billion Korean won (US\$1.6 million), or a net loss of 648 Korean won (US\$0.47) per diluted ADS, in the first quarter of fiscal 2008.

The Company sold roughly 4.9 million image sensors in the first quarter of 2009, which represented a decrease of about 2.4 million from its sale of around 7.3 million units in the fourth quarter of 2008. Separately, the Company furnished approximately 0.2 million image sensors arising from its supply of services to a leading Japanese module maker in the first quarter of 2009, which represented a decrease of about 0.2 million units from its supply of around 0.4 million units in the fourth quarter of 2008. So, in terms of combined figures, the Company sold and supplied a total of about 5.1 million image sensors in the first quarter of 2009, which represented a decrease of roughly 2.6 million units from its sale and supply of around 7.7 million units in the fourth quarter of 2008.

Gross margin for the first quarter of fiscal 2009 was 26.5%, compared to 4.6% in the fourth quarter of fiscal 2008. The Company's increase in gross margin was mainly due to its sale of excess inventory accrued in the fourth quarter of fiscal 2008.

The Company's SG&A expenses in the first quarter of fiscal 2009 were about 1.0 billion Korean won (US\$0.7 million), compared to roughly 2.9 billion Korean won (US\$2.1 million) in the fourth quarter of fiscal 2008, and approximately 1.6 billion Korean won (US\$1.2 million) in the first quarter of fiscal 2008. Moreover, the Company's operating expenses in the first quarter of fiscal 2009 were around 1.7 billion Korean won (US\$1.2 million), compared to about 3.5 billion Korean won (US\$2.6 million) in the fourth quarter of fiscal 2008, and approximately 2.7 billion Korean won (US\$2.0 million) in the first quarter of fiscal 2008.

The U.S. dollar amounts disclosed in this earnings release are presented solely for the convenience of the reader, and have been converted at the rate of 1372.3 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 March 31, 2009. 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.

"While we are not pleased with our revenues in the first quarter, the Company views this as a temporary setback which is mainly attributable to the sluggish economic recovery in Asia," said Dr. S.K. Lee, President and Chief Executive Officer of Pixelplus. "Specifically, the economic slowdown in China had a negative impact on our business in the first quarter, and this impact was much greater and broader than

we had expected. In response to the slow economic recovery in Asia, we continue to adapt to unfavorable market conditions and seek to identify and capture new business opportunities by adjusting and implementing creative sales and marketing strategies which should allow us to further strengthen our customer focus and select growth initiatives, as well as enhance our abilities to increase new business margins, drive higher profitability, and improve our performance. We remain fully committed to achieving our long-term growth targets and business strategies through developing new products, entering new markets, and securing new design wins with 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 new SoC processor for various image recognition applications. For that aim, we continue to cultivate our core strategic business with first and second-tier mobile camera phone, automobile applications, and medical endoscope 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. In parallel, we are working closely with our customers on a pro-active basis to provide them with higher resolution, better image quality, and smaller form factor products. While we will continue to invest smartly in valued R&D programs and new market opportunities and do everything possible to ramp new sources of revenue, we are confident that our strategic business adjustments will allow us to achieve our goals in the most cost-efficient and effective manner possible, and enable us to see gradual gains and improvements in moving ahead."

Pixelplus will separately issue an announcement to discuss the Company's second quarter 2009 results on or before August 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 first quarter of 2009 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	
	Mar. 31 2009	Mar. 31 2008
<b>Revenues</b>	<b>3,533</b>	<b>3,389</b>
Products	3,310	3,195
Services	223	194
<b>Cost of revenues</b>	<b>2,597</b>	<b>2,999</b>
Products	2,588	2,965
Services	9	34
<b>Gross profit</b>	<b>936</b>	<b>390</b>
<b>Operating expenses</b>	<b>1,730</b>	<b>2,701</b>
Selling, general and administrative	963	1,621
Research and development, net of government grants	767	1,080
<b>Income(loss) from operations</b>	<b>(794)</b>	<b>(2,311)</b>
Other income(expense)		
Interest income(expense), net	(121)	12
Foreign exchange gain (loss), net	(194)	97
Others, net	136	35
<b>Income(loss) before income taxes</b>	<b>(972)</b>	<b>(2,167)</b>
Income tax expenses	-	-
<b>Income(loss) before gain(loss) from equity method investments, net and minority interest</b>	<b>(972)</b>	<b>(2,167)</b>
Gain(loss) from equity method investments, net minority interest	(121)	0
<b>Before cumulative effect of change in accounting principle</b>	<b>(1,093)</b>	<b>(2,167)</b>
Cumulative effect of change in accounting principle	0	0
<b>Net Income (loss)</b>	<b><u>(1,093)</u></b>	<b><u>(2,167)</u></b>
Accretion of preferred shares	-	-
<b>Net income(loss) attributable to common shareholders</b>	<b><u>(1,093)</u></b>	<b><u>(2,167)</u></b>
Income(Loss) per ADS		
- basic and diluted	(321)	(648)
ADSs used in computing Income(loss) per ADS		
- basic and diluted	3,403,433	3,346,537

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

	<u>Mar. 31, 2009</u>	<u>Dec. 31, 2008</u>
<b>Assets</b>		
Cash and cash equivalents	73	93
Restricted cash	5,000	5,000
Accounts receivable, net	1,496	2,080
Inventories, net	2,217	2,225
Other current assets	824	905
Total current assets	<u>9,610</u>	<u>10,303</u>
Other non current assets	5,998	6,126
<b>Total assets</b>	<b><u>15,608</u></b>	<b><u>16,429</u></b>
<b>Liabilities, minority interest and Shareholders' equity</b>		
Trade accounts payable	4,359	3,574
Other accounts payable	2,925	2,029
Short-term borrowings	8,390	8,460
Other current liabilities	1,195	2,380
Total current liabilities	<u>16,869</u>	<u>16,443</u>
Long-term borrowings	2,272	2,272
Other non current liabilities	645	811
Total liabilities	<u>19,786</u>	<u>19,525</u>
<b>Shareholders' equity</b>		
Common stock	3,403	3,403
Additional paid-in capital	7,435	7,507
Accumulated other comprehensive loss	2	(81)
Accumulated deficit	(15,019)	(13,925)
Total Shareholders' equity	<u>(4,178)</u>	<u>(3,096)</u>
<b>Total liabilities, minority interest and Shareholders' equity</b>	<b><u>15,608</u></b>	<b><u>16,429</u></b>

The Company's functional currency on its financial statements is the Korean won. Please note that the above non-consolidated financial statements were prepared in accordance with Korean GAAP.