

## **Pixelplus Reports Financial Results for Fiscal Third Quarter 2007**

### **Press Release**

SEOUL, South Korea, October 31, 2007 -- Pixelplus Co., Ltd. (NASDAQ: PXPL), 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 third quarter of fiscal 2007, which ended on September 30, 2007.

Revenue for the third quarter of fiscal 2007 was US\$5.2 million, compared to US\$6.1 million in the second quarter of fiscal 2007, and US\$8.1 million in the third quarter of fiscal 2006. The Company's third quarter revenues were mainly due to lower than expected revenues arising from the Company's supply of services to a leading Japanese module maker. However, the Company expects this decrease in third quarter revenues acquired from this Japanese module maker to be short-term and temporary, as Pixelplus and the Japanese module maker are in the process of co-developing and transitioning to the Company's new line of third generation image sensors based on PlusPixel2™ technology.

Net loss in the third quarter of fiscal 2007 was US\$1.6 million, or a net loss of US\$0.12 per diluted ADS, compared to a net loss of US\$1.8 million, or a net loss of US\$0.14 per diluted ADS, in the second quarter of fiscal 2007, and a net loss of US\$5.2 million, or a net loss of US\$0.41 per diluted ADS, in the third quarter of fiscal 2006.

Revenue for the first nine months of fiscal 2007 was US\$15.8 million, compared to US\$27.3 million for the same period in fiscal 2006. Net loss for the first nine months of fiscal 2007 was US\$4.6 million, or a net loss of US\$0.35 per diluted share, compared to a net loss of US\$13.1 million, or a net loss of US\$1.06 per diluted share, for the same period in fiscal 2006.

The Company sold approximately 4.2 million image sensors in the third quarter of fiscal 2007, which represented an increase of about 1.2 million units from its sale of around 3.0 million units in the second quarter of fiscal 2007. Separately, the Company provided approximately 2.2 million image sensors arising from its supply of services to a leading Japanese module maker noted above in the third quarter of fiscal 2007. So, in terms of combined figures, the Company sold and supplied a total of about 6.4 million image sensors in the third quarter of fiscal 2007.

The Company is fully focused and committed to obtaining a major design win to supply its PO4010 CIF 'System-on-a-Chip' ("SoC") image sensors ("PO4010") for use in upcoming, high volume mobile camera phones of one of the world's largest mobile phone manufacturers based in Korea. The PO4010 is based on the Company's PlusPixel2™ technology and is one of the industry's smallest and most compact with an optical size of 1/11 inch. The PO4010 also uses 0.13 micron process technology, reduces optical form factor, incorporates an on-chip ISP to enhance overall image quality and sensitivity, supports full-motion video capture of 30 frames per second with power consumption of 41 milli-watts, and features a 3.6 micron pixel design which produces a dynamic range of over 100 dB. Pixelplus expects that its PO4010 will be featured in the Korean mobile phone manufacturer's 3G mobile phones with dual camera functionality which utilize two image sensors, a CIF image sensor for videoconferencing and a higher megapixel image sensor for taking digital photos. Although the Company has encountered some very minor and unexpected delays, its PO4010 is currently in the final stages of testing and inspection by the Korean mobile phone manufacturer, and the Company is confident that it will be in a position to secure a design win in the fourth quarter of 2007 and ship its PO4010 to that Korean manufacturer starting in the first quarter of 2008.

In parallel, the Company is working vigorously and continues to demonstrate samples of its PO4010 to other global first and second-tier mobile phone manufacturers in Korea. As the feedback Pixelplus has received from these other Korean mobile phone manufacturers has been positive and consistent with the Company's expectations, Pixelplus hopes to acquire separate design wins from them beginning in the first half of 2008.

Separately, earlier this year, the Company completed a co-development agreement with the leading Japanese module maker discussed above to jointly develop enhanced PO5030 VGA SoC image sensors ("PO5030"). In July 2007, the Company unveiled samples of its PO5030, which features its PlusPixel2™ technology and is one of the industry's smallest and most compact with an optical size of 1/10 inch based on 2.2 micron pixel size. Based on its co-development with the Japanese module maker, the Company believes it will be in a position to furnish the PO5030 to module makers and mobile phone manufacturers starting in the first quarter of 2008, and also is currently expanding such co-development to include the 1.3, 2.0, and 3.2 megapixel SoC image sensors, as well as higher and more advanced megapixel SoC image sensors, based on PlusPixel2™ technology.

Finally, in the third quarter of 2007, the Company completed development and introduced samples of its PO6030 VGA SoC image sensors ("PO6030") through Pixelplus' foundry partner in Taiwan. Based on the Company's PlusPixel2™ technology in 0.13 micron CMOS process, the PO6030 integrates advanced ISP algorithms and refined 3.6 micron pixel array in a 1/6.2 inch optical format, and delivers enhanced and sharper image quality in low light conditions. This can be attributed to functional features which have been added and fortified in the pixels and the ISP engine embedded in the PO6030. Compared to its predecessors and earlier models, the PO6030's smaller, more efficient, and ultra-compact chip-size and cutting-edge pixel design and architecture enable this product to display reduced noise and distortion, greater color uniformity and consistency, and improved dynamic range and optical performance. The Company is pleased with the PO6030 as it provides high quality images and reduces optical form factor for mobile and non-mobile applications, and expects that those qualities will effectively address customers' demands. Given the highly customized characteristics of the PO6030, the Company continues to work closely with its foundry partner in Taiwan and believes that it is well positioned to develop new business, increase revenues, and strengthen its market share in the VGA SoC image sensor industry, especially in China where market demand for VGAs remains solid.

Gross margin for the third quarter of fiscal 2007 was roughly 26%, compared to approximately 36% in the second quarter of fiscal 2007.

The Company's operating expenses in the third quarter of fiscal 2007 were around US\$3.6 million, compared to about US\$4.1 million in the second quarter of fiscal 2007, and approximately US\$4.6 million in the third quarter of fiscal 2006.

The Company expects its revenues in the fourth quarter of fiscal 2007 to be a little lower than its revenues sustained in the third quarter of fiscal 2007. This is mainly because Pixelplus is currently undergoing a transition from selling its older generation products to selling its new third generation products based on PlusPixel2™ technology, and the Company's revenues arising from new business and design wins which it may acquire in the fourth quarter of 2007 would most likely be recognized thereafter.

"We remain fully committed to achieving our long-term growth targets and business strategies though developing new products, entering new markets, and securing new design wins, and we are very confident that our new SoC image sensors based on PlusPixel2™ technology will enable us to achieve our goals in the fourth quarter of 2007 and also in 2008," said Dr. S.K. Lee, CEO of Pixelplus. "Although we are not pleased with our revenues in the third quarter, we are currently transitioning and moving away from marketing and selling our older generation products to marketing and selling our new third generation products and firmly believe we will be able to improve our revenues in 2008 based on new design wins and business which we expect to acquire beginning in the fourth quarter of 2007. Our new products 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 cash balance and operating expenses, and believe this demonstrates that we have significantly lowered our breakeven point over the course of the last few quarters. We are also highly focused on developing our core strategic business in Korea and abroad, especially with several top-tier Korean mobile phone manufacturers and also with a leading Japanese module maker, and will do everything possible to ramp new sources of revenue in moving forward.”

Pixelplus will hold an investor conference call at 5:00 PM Tuesday, October 30 (New York) / 10:00 PM Tuesday, October 30 (London) / 5:00 AM Wednesday, October 31 (Hong Kong/Singapore) / 6:00 AM Wednesday, October 31 (Seoul/Tokyo). To access the Pixelplus investor call, please dial one of the following numbers: +1 480 629 9562 (North America) / +44 20 7190 1596 (Europe) / +81 3 3570 8179 (Asia). To obtain replay details for the call, available for a limited time, please contact Taylor Rafferty at the numbers provided below.

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 press 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 press 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 third quarter of 2007 contained in this document have not been audited by Pixelplus’ independent registered public accountants.**

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**Pixelpus Co., Ltd.**  
**Consolidated Statements of Operations**  
(In thousands of USD, except per ADS data)  
(Unaudited)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	Sept. 30, 2007	Sept. 30, 2006	Sept. 30, 2007	Sept. 30, 2006
Revenues	5,150	8,126	15,783	27,287
Products	4,667	6,043	11,141	22,799
Services	483	2,083	4,642	4,488
Cost of revenues	3,803	9,279	11,081	26,455
Products	3,712	8,678	9,928	25,373
Services	91	601	1,153	1,082
Gross profit	<u>1,347</u>	<u>(1,153)</u>	<u>4,702</u>	<u>832</u>
Operating expenses	3,584	4,600	10,650	14,097
Selling, general and administrative	2,239	2,868	6,584	9,805
Research and development, net of government grants	1,345	1,732	4,066	4,292
Income(loss) from operations	<u>(2,237)</u>	<u>(5,753)</u>	<u>(5,948)</u>	<u>(13,265)</u>
Other income(expense)				
Interest income(expense), net	72	52	185	318
Foreign exchange gain (loss), net	3	71	10	(1,148)
Reversal of Allowance for Doubtful Accounts	89	0	801	0
Gain from sales of securities	482	0	482	0
Others, net	11	(6)	(114)	22
Income(loss) before income taxes, gain from equity method investments, dilution gain and minority interest	<u>(1,580)</u>	<u>(5,636)</u>	<u>(4,584)</u>	<u>(14,073)</u>
Income tax expenses	0	0	0	0
Income(loss) before gain from equity method investments, dilution gain and minority interest	<u>(1,580)</u>	<u>(5,636)</u>	<u>(4,584)</u>	<u>(14,073)</u>
Gain from equity method investments, net	0	0	0	30
Dilution gain from equity method investment and consolidated subsidiary	0	0	0	0
Minority interest	0	473	0	918
Before cumulative effect of change in accounting principle	<u>(1,580)</u>	<u>(5,163)</u>	<u>(4,584)</u>	<u>(13,125)</u>
Cumulative effect of change in accounting principle	0	0	0	0
Net income (loss)	<u>(1,580)</u>	<u>(5,163)</u>	<u>(4,584)</u>	<u>(13,125)</u>

Accretion of preferred shares	0	0	0	0
Net loss attributable to common shareholders	<u>(1,580)</u>	<u>(5,163)</u>	<u>(4,584)</u>	<u>(13,125)</u>
Loss per ADS – basic and diluted	(0.12)	(0.41)	(0.35)	(1.06)
ADSs used in computing loss per ADS – basic and diluted	13,170,712	12,554,422	13,013,266	12,390,136

**Pixelplus Co., Ltd.**  
**Consolidated Balance Sheets**  
(In thousands of USD, except per ADS data)  
(Unaudited)

	<b>Sept. 30, 2007</b>	<b>Dec. 31, 2006</b>
<b>Assets</b>		
Cash and cash equivalents	1,239	13,380
Restricted cash	5,473	1,035
Accounts receivable, net	3,264	5,461
Inventories, net	4,399	5,457
Other current assets	2,399	2,457
Total current assets	16,774	27,790
 Other non current assets	 6,830	 6,787
Total assets	<b><u>23,604</u></b>	<b><u>34,577</u></b>
<b>Liabilities, minority interest and Shareholders' equity</b>		
Trade accounts payable	1,722	3,679
Other accounts payable	887	1,430
Short-term borrowings	4,378	8,134
Other current liabilities	362	1,225
Total current liabilities	7,349	14,468
 Long-term borrowings	 46	 182
Other non current liabilities	658	513
Total liabilities	8,053	15,163
 Minority interest	 0	 0
 Series A convertible redeemable preferred stock	 0	 0
<b>Shareholders' equity</b>		
Common stock	3,648	3,516
Additional paid-in capital	43,777	43,231
Accumulated other comprehensive loss	(126)	(168)
Accumulated deficit	(31,748)	(27,165)
Total Shareholders' equity	15,551	19,414
Total liabilities, minority interest and Shareholders' equity	<b><u>23,604</u></b>	<b><u>34,577</u></b>

The Company's functional currency on a consolidated basis is the Korean won. The U.S. dollar amounts disclosed in the financial statements are presented solely for the convenience of the reader, and have been converted at the rate of 913.6 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 September 30, 2007. 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. Please note that the numbers specified for the fiscal year 2006 in the financial statements provided in the Company's

Form 20-F, which were converted at the rate of 930.0 Korean won to one U.S. dollar in effect on December 31, 2006, are different from the numbers specified for the fiscal year 2006 in the above financial statements.