

Pixelplus Reports Financial Results for Fiscal Fourth Quarter 2007 and Fiscal First Quarter 2008

Press Release

SEOUL, South Korea, June 17, 2008 -- 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 fourth quarter of fiscal 2007, which ended on December 31, 2007, and also for the first quarter of fiscal 2008, which ended on March 31, 2008.

Fourth Quarter of 2007 and Fiscal 2007

Revenue for the fourth quarter of fiscal 2007 was US\$3.2 million, compared to US\$4.8 million in the third quarter of fiscal 2007, and US\$7.2 million in the fourth quarter of fiscal 2006. The Company's revenue in the fourth quarter of 2007 is consistent with the guidance the Company provided during its third quarter 2007 earnings call held on October 31, 2007.

Net loss in the fourth quarter of fiscal 2007 was US\$3.7 million, or a net loss of US\$0.28 per diluted ADS, compared to a net loss of US\$1.5 million, or a net loss of US\$0.11 per diluted ADS, in the third quarter of fiscal 2007, and a net loss of US\$5.1 million, or a net loss of US\$0.40 per diluted ADS, in the fourth quarter of fiscal 2006.

Revenue for fiscal 2007 was US\$17.8 million, compared to US\$32.4 million for fiscal 2006. Net loss for fiscal 2007 was US\$7.9 million, or a net loss of US\$0.61 per diluted ADS, compared to a net loss of US\$17.6 million, or a net loss of US\$1.40 per diluted ADS, for fiscal 2006.

The Company sold roughly 3.0 million image sensors in the fourth quarter of 2007, which represented a decrease of about 1.2 million from its sale of around 4.2 million units in the third quarter of 2007. Further, the Company sold about 11.6 million image sensors in fiscal 2007, which represented a decrease of about 2.4 million units from its sale of roughly 14.0 million image sensors in fiscal 2006. Separately, the Company furnished approximately 1.2 million image sensors arising from its supply of services to a leading Japanese module maker in the fourth quarter of 2007, and provided over 19.0 million image sensors arising from its supply of services to this Japanese module maker in fiscal 2007. So, in terms of combined figures, the Company sold and supplied a total of about 4.2 million image sensors in the fourth quarter of 2007 and a total of roughly 30.6 million image sensors in fiscal 2007.

Gross margin for the fourth quarter of fiscal 2007 was negative 7.9%, compared to 26.1% in the third quarter of fiscal 2007. The negative gross margin was mainly attributed to the Company's lower-than-expected sales of its 1.3 megapixel products which caused the Company to incur excess inventory of those products and sustain a valuation loss of US\$0.9 million arising from that excess inventory. Had the Company not recorded the inventory valuation loss, it would have reported a positive gross margin of 18.9% in the fourth quarter of 2007.

First Quarter of 2008

Revenue for the first quarter of fiscal 2008 was US\$3.4 million, compared to US\$3.2 million in the fourth quarter of fiscal 2007, and US\$4.2 million in the first quarter of fiscal 2007. 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 2008 was US\$2.5 million, or a net loss of US\$0.19 per diluted ADS, compared to a net loss of US\$3.7 million, or a net loss of US\$0.28 per diluted ADS, in the fourth quarter of fiscal 2007, and a net loss of US\$1.1 million, or a net loss of US\$0.08 per diluted ADS, in the first quarter of fiscal 2007.

The Company sold approximately 4.3 million image sensors in the first quarter of 2008, which represented an increase of about 1.3 million units from its sale of around 3.0 million units in the fourth quarter of 2007. Separately, the Company provided approximately 1.1 million image sensors arising from its supply of services to a leading Japanese module maker in the first quarter of 2008, which represented a decrease of about 0.1 million units from its supply of around 1.2 million units in the fourth quarter of 2007. So, in terms of combined figures, the Company sold and supplied a total of about 5.4 million image sensors in the first quarter of 2008, which represented an increase of roughly 1.2 million units from its sale and supply of around 4.2 million units in the fourth quarter of 2007.

Gross margin for the first quarter of fiscal 2008 was 11.5%, compared to negative 7.9% in the fourth quarter of fiscal 2007. The Company's lower-than-expected gross margin was mainly due to its weaker-than-expected revenues arising from its supply of services to a leading Japanese module maker. However, as Pixelplus is currently working very closely with this Japanese module maker to co-develop and transition to the Company's new line of third generation image sensors featuring its PlusPixel2™ technology and incorporating the Japanese module maker's pixel design and architecture based on its CCD technology, the Company believes its gross margin will improve in subsequent quarters.

The Company expects its revenue in the second quarter of fiscal 2008 to sustain a percentage increase of at least 10% over the first quarter of fiscal 2008. The Company also expects to engage in its second quarter 2008 earnings announcement and earnings call on or before July 31, 2008.

"We are confident that the Company's complete and successful transition to our new 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. "Strong and steadily growing demand for our third generation image sensors based on PlusPixel2™ technology is expected to positively affect the Company's results of operations, with revenues projected to increase considerably starting in the third quarter of 2008, based on the assumption that current order flows continue. Our new 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 new 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 highly encouraged by our prospects and expect to significantly improve our growth and return to profitability in the second half of 2008 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 sharply upward later this year."

Pixelplus will hold an investor conference call at 5:00 PM Monday, June 16 (New York) / 10:00 PM Monday, June 16 (London) / 5:00 AM Tuesday, June 17 (Hong Kong/Singapore) / 6:00 AM Tuesday, June 17 (Seoul/Tokyo). To access the Pixelplus investor call, please dial one of the following numbers: +1 480 629 1990 (North America) / +1 480 629 1990 (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 fourth quarter of 2007, fiscal year 2007, and first quarter of 2008 contained in this document have not been audited by Pixelplus’ independent registered public accountants.

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Pixelplus Co., Ltd.
Consolidated Statements of Operations
(In thousands, except per ADS data)
(unaudited)

| | THREE MONTHS ENDED | | | YEAR ENDED | |
|------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|
| | Mar. 31, 2008 | Dec. 31, 2007 | Mar. 31, 2007 | Dec. 31, 2007 | Dec. 31, 2006 |
| Revenues | 3,428 | 3,208 | 4,162 | 17,794 | 32,364 |
| Products | 3,232 | 2,925 | 2,309 | 13,221 | 27,134 |
| Services | 196 | 283 | 1,853 | 4,573 | 5,230 |
| Cost of revenues | 3,034 | 3,462 | 3,079 | 13,703 | 31,568 |
| Products | 2,999 | 3,438 | 2,642 | 12,613 | 30,113 |
| Services | 35 | 24 | 437 | 1,090 | 1,455 |
| Gross profit | 394 | (254) | 1,083 | 4,091 | 796 |
| Operating expenses | 3,023 | 2,692 | 2,727 | 12,686 | 18,262 |
| Selling, general and administrative | 1,898 | 1,348 | 1,301 | 7,585 | 12,361 |
| Research and development, net of government grants | 1,125 | 1,344 | 1,426 | 5,101 | 5,901 |
| Income(loss) from operations | (2,629) | (2,946) | (1,644) | (8,595) | (17,466) |
| Other income(expense) | | | | | |
| Interest income(expense), net | 13 | 73 | 46 | 244 | 301 |
| Foreign exchange gain (loss), net | 100 | (153) | 30 | (144) | (1,255) |
| Others, net | 36 | (687) | 518 | 547 | (115) |
| Income(loss) before income taxes | (2,480) | (3,713) | (1,050) | (7,948) | (18,530) |
| Income tax expenses | - | - | - | - | - |
| Income(loss) before gain(loss) from equity method investments, net and minority interest | (2,480) | (3,713) | (1,050) | (7,948) | (18,530) |
| Gain(loss) from equity method investments, net | - | - | - | - | 5 |
| Minority interest | - | - | - | - | 827 |
| Before cumulative effect of change in accounting principle | (2,480) | (3,713) | (1,050) | (7,948) | (17,703) |
| Cumulative effect of change in accounting principle | - | - | - | - | 133 |
| Net Income (loss) | <u>(2,480)</u> | <u>(3,713)</u> | <u>(1,050)</u> | <u>(7,948)</u> | <u>(17,570)</u> |
| Accretion of preferred shares | - | - | - | - | - |
| Net income(loss) attributable to common shareholders | <u>(2,480)</u> | <u>(3,713)</u> | <u>(1,050)</u> | <u>(7,948)</u> | <u>(17,570)</u> |
| Income(Loss) per ADS | | | | | |
| - basic and diluted | (0.19) | (0.28) | (0.08) | (0.61) | (1.40) |
| ADs used in computing Income(loss) per ADS | 13,386,146 | 13,330,146 | 12,922,212 | 13,093,138 | 12,508,108 |
| - basic and diluted | | | | | |

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

| | Mar. 31, 2008 | Dec. 31, 2007 | Dec. 31, 2006 |
|----------------------------------------------------------------------|----------------------|----------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents | 165 | 635 | 12,365 |
| Restricted cash | 6,071 | 6,069 | 956 |
| Accounts receivable, net | 5,112 | 3,201 | 5,047 |
| Inventories, net | 2,361 | 1,441 | 5,044 |
| Other current assets | 1,954 | 1,950 | 2,271 |
| Total current assets | 15,663 | 13,296 | 25,683 |
| Other non current assets | 7,246 | 6,128 | 6,271 |
| Total assets | <u>22,909</u> | <u>19,424</u> | <u>31,954</u> |
| Liabilities, minority interest and Shareholders' equity | | | |
| Trade accounts payable | 2,171 | 548 | 3,400 |
| Other accounts payable | 518 | 835 | 1,322 |
| Short-term borrowings | 8,639 | 5,513 | 7,517 |
| Other current liabilities | 1,493 | 1,338 | 1,132 |
| Total current liabilities | 12,821 | 8,234 | 13,371 |
| Long-term borrowings | 1,149 | - | 169 |
| Other non current liabilities | 506 | 427 | 473 |
| Total liabilities | 14,476 | 8,661 | 14,013 |
| Shareholders' equity | | | |
| Common stock | 3,435 | 3,371 | 3,250 |
| Additional paid-in capital | 40,618 | 40,543 | 39,951 |
| Accumulated other comprehensive loss | (89) | (100) | (156) |
| Accumulated deficit | (35,531) | (33,051) | (25,104) |
| Total Shareholders' equity | 8,433 | 10,763 | 17,941 |
| Total liabilities, minority interest and Shareholders' equity | <u>22,909</u> | <u>19,424</u> | <u>31,954</u> |

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 988.6 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 March 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. Please note that the numbers specified for the fiscal years 2006 and 2007 in the financial statements provided in the Company's Form 20-F, which were converted at the rates of 930.0 Korean won to one U.S. dollar and 935.8 Korean won to one U.S. dollar in effect on December 31, 2006 and December 31, 2007,

respectively, are different from the numbers specified for the fiscal years 2006 and 2007 in the above financial statements.