

CEO's Newsletter

February 2007

Dear Shareholder,

We exhibited the Embedded World show in Nuremberg (see picture below) which is the largest show for us in Europe. eCOG1X was the main feature as we were demonstrating the chips and developments kits for the first time to the industry at large.

Next month we will be exhibiting at the IIC exhibition in Shanghai and Shenzhen. I do not need to mention how important the China market is to Cyan and as with the Nuremberg exhibition the eCOG1X will be the main feature.



eCOG1X

The development project of eCOG1X is now complete. We now have parts in production and shipping to customers for their prototypes. Development Kits for our customers have been designed and manufactured and we have shipped a number of units to our customers and distributors. As we introduce more variants in the product range there will be additional work but

considerably less than designing the chip initially. I am pleased to say that the total cost of the eCOG1X design and development project cost less than £1.25 million which is an incredibly small amount of money for the development of almost any chip, let alone one as complex as the eCOG1X. Furthermore, several elements of the eCOG1X design, such as the Analogue tile (a piece of silicon that interfaces to real world signals), the embedded Flash memory and several peripheral functions (USB, Ethernet, motor control, Smart Card interfaces and many other silicon design issues including new rapid design processes) are the same as will be used in future variants of our 16 and 32 bit microcontrollers. This is a testament to our skill and experience as chip designers and to our belief in “rapid design processes” that we have been continually developing. This performance will benchmark favourably against anyone.

China Pay Phone Customer

One of our China customers is designing a special pay phone using contactless smart cards, which will also act as a “clocking in and out” terminal, and will be installed in factories throughout China. This is a project for the largest fixed network service provider in China and the volumes are estimated at 100K plus per annum. I am pleased to report that after successful initial field trials of the pay phone, 500 units will be put into factories around China for extended field trials in varied environments. We feel confident that these trials will be successful and these will quickly be followed by the first pilot production run of 1,000 units. Cyan Asia won this business by engaging with a Chinese design house, a strategy that we are actively expanding. The design uses the eCOG1k.

GoldTel

We continue to work with GoldTel and I can report that we are currently discussing 9 projects with them ranging in volumes of 10K pa to 1m pa using both the eCOG1 and eCOG1X products. Some projects are exploiting our ultra low power consumption characteristics and others our extensive range of peripherals. I hope to be visiting GoldTel next month.

Sales Metrics

We chart the number of people registering and downloading our tools as this bears a resemblance to the number of design wins we have or can expect. You will notice that we have broken through 3,500 registrations and registrations are still steadily rising.

Currently the design wins we have would represent almost **3.13 million** units per annum if they were all in full production at the same time. If we converted all opportunities to design wins and then production they would represent an additional **36.8 million** units per annum.

Cumulative Website Registrations - Jan 04 to Jan 06

