

CEO's Newsletter

November 2006

Dear Shareholder,

On my recent trip to China this month I of course visited GoldTel and our "China Customer". Both meetings went well. Our relationship with GoldTel continues to strengthen and we identified some new projects where Cyan chips could be a very sound choice and Cyan Field Application Engineers are already in technical discussions with project leaders. One of the projects is a high specification Tax Control Terminal. In common with our general understanding, GoldTel believes that the Chinese Government is likely to give the green light to the project very soon as it is planned for the new system to be in place for the 2008 Olympics. This view was similar to that of our "China Customer". I must point out however, that this is the view of these two companies and what really matters is the government. Both are of the opinion that volumes will ramp up quickly when the roll out commences. I also visited two companies that I met during the recent Hong Kong road show mentioned below. Both of these have potential for very large volumes.

eCOG1X

The eCOG1X chip development continues on program. Wafers have now left the silicon foundry and are being packaged ready to send out to customers to support their prototyping. eCOG1X is very important to our growth. The delivery of these chips will support many of our design wins and opportunities, including our "Tier 1 Global Brand Name" customer. Interest in the eCOG1X chip continues to be strong.

Hong Kong Trade Development Council

I was invited by the Hong Kong Trade Development Council to be a panellist and speaker on their recent UK and Ireland road show. The purpose of the road show was to encourage people to use Hong Kong as the gateway to China which Cyan is already doing, hence the invite. The contacts I have made within HKTDC and other panellists have been very useful. On my recent trip to China I visited VTech and another company AML both of whom had their Chairmen on the panel.



On my left is Dr Allan Wong, founder and Chairman of VTech (VTH.L).

Electronica

Cyan attended the Glyn Distribution stand at this month's Electronica exhibition in Germany. This is a largest and most important European exhibition for the electronics industry, runs every two years and attracts electronics professionals from all over Europe. A team from Cyan were on hand to support Glyn's sales team and answer questions about our product range and CyanIDE tools.

The Glyn stand covered 195 square meters and in total represented an investment of over 200,000 Euros. The organisation and professionalism shown on the stand were superb and we were pleased to be part of the exhibition. As Glyn are processing all the enquiries taken on the stand we have been told that over 50 customers have shown interest in Cyan products. This is an excellent result and we will be working closely with Glyn's sales team to convert these to design-wins over the coming months.

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 in August we broke through 3,000 registrations and registrations are still steadily rising.

Currently the design wins we have would represent almost 2 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 13.5 million units per annum.

Cumulative Website Registrations - Jan 04 to Oct 06

