

CEO's Newsletter

October 2006

Dear Shareholder,

The interim statement and the RNS on our Letter of Intent with GoldTel have clearly been well received. We were convinced that becoming a public company would increase our credibility in our marketplace and this has indeed been the case with bigger and better opportunities coming our way, one of which being the tier 1 brand name opportunity we mentioned in the interims. There has been little news from Cyan up until now. I hope you will appreciate that floating in December will not generate news flow in a few weeks, it has in fact taken a few months and we have been busy making things happen. Now things are moving forward and this should be reflected in news flow.

Letter of Intent with GoldTel Group

I would like to explain a bit more about why our relationship with GoldTel should generate real value for Cyan.

1. GoldTel have several product ranges with high volume. Clearly our target here is to see what design wins we can achieve for our microcontroller chips in their products. We feel that we are in a good position to win volume business from the telecoms and the retail systems product groups. Our ultra low power consumption and high compute performance can allow new ways of designing pay phones for instance. So this point is straight forward. GoldTel could be a big customer.
2. GoldTel have an excellent manufacturing resource that we can leverage by providing our customers with a quality, high volume manufacturer that we can become familiar with and help smooth the design win into volume production. This is also of great importance to GoldTel as it brings volume business to them which they can leverage for their own expansion.
3. GoldTel have a microelectronics division with its own range of silicon chips that complement Cyan's chips. By including GoldTel's chips into our CyanIDE tools we can promote their use with our chips and GoldTel's chips. GoldTel's customers get a free toolset that supports their products and dramatically eases their design process, but only if they use Cyan chips!
4. The Chengdu College of the University of Engineering, Science and Technology, China is located on GoldTel Park and currently has 16,000 students (gives you some idea of the size of GoldTel Park), 60% of which are software engineering students. This is a potential gold mine for Cyan. By making available our Chinese version of the CyanIDE tools we will slowly but surely produce a growing number of qualified software engineers that will be able to specify Cyan chips in the products they design when they leave the college for industry.

I will be visiting GoldTel next month to kick start some, maybe all, of this work. I think you can appreciate from the above points that this relationship could be very rewarding for both GoldTel and Cyan.

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 20.5 million units per annum.

Cumulative Website Registrations - Jan 04 to Sep 06

