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**FOR IMMEDIATE RELEASE**

**EZCHIP ANNOUNCES RECORD FIRST QUARTER 2010 RESULTS;  
FIRST QUARTER REVENUES INCREASE 38%  
YEAR-OVER-YEAR TO \$13.6 MILLION**

**Yokneam, Israel, May 6, 2010** – EZchip Semiconductor Ltd. (NASDAQ: EZCH), a leader in Ethernet network processors, today announced its results for the first quarter ended March 31, 2010.

**First Quarter 2010 Highlights:**

- First quarter revenues increased 38% year-over-year and 6% sequentially, reaching \$13.6 million
- Gross margin for the quarter reached 69.1% on a GAAP basis and 73.1% on a non-GAAP basis
- Net income for the quarter was \$2.9 million on a GAAP basis and \$6.0 million on a non-GAAP basis
- Operating cash flow for the quarter was \$5.5 million
- End of quarter net cash was \$75 million

**First Quarter 2010 Results**

**Total revenues** in the first quarter of 2010 were \$13.6 million, an increase of 38% compared to \$9.8 million in the first quarter of 2009, and an increase of 6% compared to \$12.9 million in the fourth quarter of 2009.

**Net income, on a GAAP basis**, for the first quarter of 2010 was \$2.9 million (after a provision for taxes of \$1.1 million), or \$0.11 per share (diluted), compared to net income of \$1.4 million, or \$0.05 per share (diluted), in the first quarter of 2009, and net income of \$14.9 million (which included a tax benefit of \$11.7 million), or \$0.58 per share (diluted), in the fourth quarter of 2009.

**Net income, on a non-GAAP basis**, for the first quarter of 2010 was \$6.0 million, or \$0.23 per share (diluted), compared to non-GAAP net income of \$3.3 million, or \$0.13 per share (diluted), in the first quarter of 2009, and non-GAAP net income of \$5.5 million, or \$0.22 per share (diluted), in the fourth quarter of 2009.

**Cash, cash equivalents and marketable securities** as of March 31, 2010, totaled \$75.0 million, compared to \$67.2 million as of December 31, 2009. Cash generated from operations during the first quarter was \$5.5 million, cash used in investing activities was \$0.2 million and cash provided by financing activities was \$2.6 million.

**Eli Fruchter, CEO of EZchip commented,** “The first quarter of 2010 continues our growth trend and was another record quarter for EZchip. We continued to enhance our market position, broaden our customer base and grow our revenues and profitability. We made substantial progress with our next generation NP-4 and NPA network processors, as we shipped NP-4 samples to our customers, including four of the six leading CESR vendors, and we initiated the process of releasing NPA to production. We also announced our product roadmap for our high-speed and access network processors. Looking ahead, we believe we have the product offering, customer base, leading market position and roadmap to continue to grow our business.”

### **Conference Call**

The Company will be hosting a conference call later today, May 6, 2010, at 10:00am ET, 7:00am PT, 3:00pm UK time and 5:00pm Israel time. On the call, management will review and discuss the results, and will be available to answer investor questions.

To participate through live webcast, please access the corporate website, <http://www.ezchip.com>, at least 5 minutes before the conference call commences.

To participate through dial-in, please call one of the following teleconferencing numbers. Please begin placing your calls at least 10-15 minutes before the conference call commences. If you are unable to connect using the toll-free numbers, please try the international dial-in number.

US Dial-in Number: 1 888 668 9141  
UK Dial-in Number: 0 800 917 5108  
International Dial-in Number (Israel): +972 3 918 0610  
Israel Dial-in Number: 03 918 0610

For those unable to listen to the live call, a replay of the call will be available the day after the call under the 'Investor Relations' section of the website.

### **Use of Non-GAAP Financial Information**

In addition to disclosing financial results calculated in accordance with United States generally accepted accounting principles (GAAP), this release of operating results also contains non-GAAP financial measures, which EZchip Semiconductor believes are the principal indicators of the operating and financial performance of its business. The non-GAAP financial measures exclude the effects of stock-based compensation expenses recorded in accordance with ASC 718 (originally issued as SFAS 123R), amortization of intangible assets, in-process research and development charge, benefit from (provision for) taxes on income, and net loss (income) attributable to noncontrolling interest. Management believes the non-GAAP financial measures provided are useful to investors' understanding and assessment of the Company's on-going core operations and prospects for the future, as the charges eliminated are not part of the day-to-day business or reflective of the core operational activities of the Company. Management uses these non-GAAP financial measures as a basis for strategic decisions, forecasting future results and evaluating the Company's current performance. However, such measures should not be considered in isolation or as substitutes for results prepared in accordance with GAAP. Reconciliation of the non-GAAP measures to the most comparable GAAP measures are provided in the schedules attached to this release.



## **ABOUT EZCHIP**

EZchip is a fabless semiconductor company that provides Ethernet network processors for networking equipment. EZchip provides its customers with solutions that scale from 1-Gigabit to 200-Gigabits per second with a common architecture and software across all products. EZchip's network processors provide the flexibility and integration that enable triple-play data, voice and video services in systems that make up the new Carrier Ethernet networks. Flexibility and integration make EZchip's solutions ideal for building systems for a wide range of applications in telecom networks, enterprise backbones and data centers. For more information on our company, visit the web site at <http://www.ezchip.com>.

*This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are statements that are not historical facts and may include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, products and services, and statements regarding future performance. These statements are only predictions based on EZchip's current expectations and projections about future events. There are important factors that could cause EZchip's actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. Those factors include, but are not limited to, the impact of general economic conditions, competitive products, product demand and market acceptance risks, customer order cancellations, reliance on key strategic alliances, fluctuations in operating results, delays in development of highly-complex products and other factors indicated in EZchip's filings with the Securities and Exchange Commission (SEC). For more details, refer to EZchip's SEC filings and the amendments thereto, including its Annual Report on Form 20-F filed on March 25, 2010 and its Current Reports on Form 6-K. EZchip undertakes no obligation to update forward-looking statements to reflect subsequent occurring events or circumstances, or to changes in our expectations, except as may be required by law.*

**-- FINANCIAL TABLES FOLLOW --**



**EZchip Semiconductor Ltd.**  
**Condensed Consolidated Statements of Operations**  
 (U.S. Dollars in thousands, except per share amounts)  
 (Unaudited)

	<b>Three Months Ended</b>		
	<b>March 31, 2010</b>	<b>December 31, 2009</b>	<b>March 31, 2009</b>
Revenues	\$ 13,588	\$ 12,874	\$ 9,848
Cost of revenues	3,705	3,588	2,806
Amortization of purchased technology	496	496	496
Gross profit	<u>9,387</u>	<u>8,790</u>	<u>6,546</u>
Operating expenses:			
Research and development, net	3,280	3,361	3,284
Selling, general and administrative	2,360	2,381	2,138
Total operating expenses	<u>5,640</u>	<u>5,742</u>	<u>5,422</u>
Operating income	<u>3,747</u>	<u>3,048</u>	<u>1,124</u>
Financial income, net	261	181	276
Income before taxes on income	<u>4,008</u>	<u>3,229</u>	<u>1,400</u>
Benefit from (provision for) taxes on income	(1,140)	11,675	--
Income before noncontrolling interest	<u>2,868</u>	<u>14,904</u>	<u>1,400</u>
Less: Net (income) loss attributable to noncontrolling interest	--	(41)	9
Net income	<u>\$ 2,868</u>	<u>\$ 14,863</u>	<u>\$ 1,409</u>
Net income per share:			
Basic	\$ 0.12	\$ 0.63	\$ 0.06
Diluted	\$ 0.11	\$ 0.58	\$ 0.05
Weighted average shares used in per share calculation:			
Basic	24,719,609	23,451,744	23,344,126
Diluted	<u>25,629,047</u>	<u>23,584,580</u>	<u>23,358,681</u>

**EZchip Semiconductor Ltd.**  
**Reconciliation of GAAP to Non-GAAP Measures**  
 (U.S. Dollars in thousands, except per share amounts)  
 (Unaudited)

	Three Months Ended		
	March 31, 2010	December 31, 2009	March 31, 2009
<b>GAAP gross profit</b>	\$ 9,387	\$ 8,790	\$ 6,546
Stock-based compensation	52	70	42
Amortization of purchased intangible assets	496	496	521
<b>Non-GAAP gross profit</b>	<b>\$ 9,935</b>	<b>\$ 9,356</b>	<b>\$ 7,109</b>
GAAP gross profit as percentage of revenues	69.1%	68.3%	66.5%
Non-GAAP gross profit as percentage of revenues	73.1%	72.7%	72.2%
<b>GAAP operating expenses</b>	<b>\$ 5,640</b>	<b>\$ 5,742</b>	<b>\$ 5,422</b>
Stock-based compensation:			
Research and development	(668)	(866)	(692)
Selling, general and administrative	(576)	(672)	(483)
Amortization of purchased intangible assets -			
Selling, general and administrative	(193)	(210)	(210)
<b>Non-GAAP operating expenses</b>	<b>\$ 4,203</b>	<b>\$ 3,994</b>	<b>\$ 4,037</b>
<b>GAAP operating income</b>	<b>\$ 3,747</b>	<b>\$ 3,048</b>	<b>\$ 1,124</b>
<b>Non-GAAP operating income</b>	<b>\$ 5,732</b>	<b>\$ 5,362</b>	<b>\$ 3,072</b>
<b>GAAP net income</b>	<b>\$ 2,868</b>	<b>\$ 14,863</b>	<b>\$ 1,409</b>
Stock-based compensation	1,296	1,608	1,217
Amortization of purchased intangible assets	689	706	731
Provision for (benefit from) taxes on income	1,140	(11,675)	--
Net income (loss) attributable to noncontrolling interest	--	41	(9)
<b>Non-GAAP net income</b>	<b>\$ 5,993</b>	<b>\$ 5,543</b>	<b>\$ 3,348</b>
Non-GAAP net income per share - Diluted	\$ 0.23	\$ 0.22	\$ 0.13
Non-GAAP weighted average shares - Diluted*	26,017,203	23,688,230	23,465,246

\* In calculating diluted non-GAAP net income per share, the diluted weighted average number of shares outstanding excludes the effects of stock-based compensation expenses in accordance with ASC 718 (originally issued as SFAS 123R).



**EZchip Semiconductor Ltd.**  
**Condensed Consolidated Balance Sheet**  
 (U.S. Dollars in thousands)

	<b>March 31, 2010</b>	<b>December 31, 2009</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash, cash equivalents and marketable securities	\$ 75,049	\$ 67,238
Trade receivables, net	5,835	6,340
Other receivables	1,883	6,065
Inventories	1,852	1,533
Deferred tax asset	6,272	6,038
Total current assets	<u>90,891</u>	<u>87,214</u>
<b>NON CURRENT ASSETS:</b>		
Severance pay fund	4,413	4,099
Long term deferred tax asset	4,258	5,571
Total non current assets	<u>8,671</u>	<u>9,670</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	390	394
Goodwill	96,276	96,276
Intangible assets, net	3,179	3,869
<b>TOTAL ASSETS</b>	<u><u>\$ 199,407</u></u>	<u><u>\$ 197,423</u></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Trade payables	\$ 1,291	\$ 1,963
Other payables and accrued expenses	5,406	10,218
Total current liabilities	<u>6,697</u>	<u>12,181</u>
<b>LONG TERM LIABILITIES:</b>		
Accrued severance pay	5,203	4,779
<b>SHAREHOLDERS' EQUITY:</b>		
Share capital	144	140
Additional paid-in capital	261,428	257,078
Accumulated other comprehensive income	329	507
Accumulated deficit	(74,394)	(77,262)
Total shareholders' equity	<u>187,507</u>	<u>180,463</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><u>\$ 199,407</u></u>	<u><u>\$ 197,423</u></u>

**EZchip Semiconductor Ltd.**  
**Selected Condensed Consolidated Cash Flow Data**  
 (U.S. Dollars in thousands)  
 (Unaudited)

	Three Months Ended		
	March 31, 2010	December 31, 2009	March 31, 2009
<b>Cash flows from operating activities:</b>			
Net income	\$ 2,868	\$ 14,863	\$ 1,409
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	741	751	789
Decrease (increase) in trade and other receivables, net	4,995	(6,188)	(1,631)
Decrease (increase) in inventory	(319)	626	(92)
Decrease (increase) in deferred tax asset	1,109	(11,675)	--
Increase (decrease) in trade payables and other accrued liabilities, net	(5,202)	5,441	649
Stock-based compensation	1,296	1,608	1,217
Net income (loss) attributable to noncontrolling interest	--	41	(9)
Net cash provided by operating activities	<u>5,488</u>	<u>5,467</u>	<u>2,332</u>
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment	(219)	(16)	(69)
Net cash used in investing activities:	<u>(219)</u>	<u>(16)</u>	<u>(69)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of share capital	1,072	--	--
Proceeds from exercise of options	1,558	1,238	12
Net cash provided by financing activities	<u>2,630</u>	<u>1,238</u>	<u>12</u>
Unrealized loss on marketable securities, net	<u>(88)</u>	<u>(8)</u>	<u>(13)</u>
Increase in cash, cash equivalents and marketable securities	7,811	6,681	2,262
Cash, cash equivalents and marketable securities at the beginning of the period	<u>67,238</u>	<u>60,557</u>	<u>48,115</u>
Cash, cash equivalents and marketable securities at the end of the period	<u>\$ 75,049</u>	<u>\$ 67,238</u>	<u>\$ 50,377</u>

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