

MOSCHIP MAKES CASH PROFIT ON CONSOLIDATED BASIS

Hyderabad, India, October 27, 2006: MosChip has achieved cash profit at the consolidated level for the second consecutive quarter in the quarter ended September 2006.

“We are pleased to announce a consolidated cash profit of Rs. 11.02 lakhs for the half-year ended September 2006, as against a consolidated cash loss of Rs. 8.65 lakhs during the corresponding period in the previous year. The gross margins from product sales improved strongly from 47% to 54%, making up for the slight reduction in revenues from services,” said Dayakar Reddy, Managing Director of the Company while announcing the financial results of the company. “The momentum from product revenues is expected to get stronger in the coming quarters as new design wins are happening for MCS 1000, MCS 7820 and MCS 7840, which were launched recently.”

MosChip had sampled MCS 7820 and MCS 7840 to its customers in Q2 2006-07 to address the need of customers in point-of-sale, industrial automation and instrumentation systems by integrating four serial ports into one chip using the High Speed USB 2.0 interface. MCS 1000, an internet security product has recently bagged a design win from a defense supplier in the US market. Another product MCS 8140 with an embedded processor is expected to be sampled in Q4 of this financial year. This product development has leveraged the MCS 1000 technology and is an open architecture which allows this product to be used in different vertical segments.

“MosChip is expanding its infrastructure to be able to substantially add to its engineering team to focus on various applications of MCS8140 & additional services business in the semiconductor space. We are also continuing to look for inorganic growth via mergers and acquisition and make MosChip a major player in the semiconductor industry,” added Dayakar Reddy.

The Company has recorded consolidated total income of Rs. 14.08 crores for the half year ended September 2006 as against a Rs. 13.73 crores for the corresponding period in the previous year. Product sales during the half year ended September 2006 were 12.59 crores as against Rs. 11.02 crores during the corresponding period in the previous year. The net loss reduced by more than fifty percent to Rs. 85.89 lakhs for the half year ended September 2006 as against Rs. 190.72 lakhs during the corresponding period in the previous year.



PRESS RELEASE

About MosChip

MosChip Semiconductor Technology Limited, a fabless semiconductor company, was founded in 1999 with headquarters in Hyderabad, Andhra Pradesh, India. The company's design center is in Hyderabad. The sales activity is handled by its wholly owned subsidiary, viz., MosChip Semiconductor Technology, USA. The company has launched several new products in the PCI, USB and Internet Security Space. For more information about MosChip, please visit www.moschip.com.

SAFE HARBOR: This release comprises certain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those mentioned in such forward-looking statements. The risks and uncertainties including but not limited to, those risks and uncertainties viz, our ability to compete in highly competitive semiconductor industry, ability to define, develop and sell new products, dependency on subcontractors for the supply and quality of silicon wafers, dependency on international markets considering the cyclical nature of the semiconductor industry and our ability to attract and retain technical manpower. MosChip may from time to time make additional forward looking statements in any manner and does not undertake to update any of these forward looking statements that may be made from time to time by or on behalf of the company.