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FOR IMMEDIATE RELEASE

**EZCHIP CONCLUDES RECORD YEAR WITH REVENUES
SURPASSING \$40 MILLION**

*Fourth quarter revenues increase 34% year-over-year to \$12.9 million;
Presented substantial increase in gross profit and operating and net income;
Successfully completed secondary offering*

Yokneam, Israel, February 11, 2010 – EZchip Semiconductor Ltd. (NASDAQ: EZCH), a leader in Ethernet network processors, today announced its results for the fourth quarter and full year ended December 31, 2009.

Fourth Quarter and Full Year 2009 Highlights:

- Annual revenues for 2009 of \$40.0 million, an increase of 19% year-over-year
- Fourth quarter revenues of \$12.9 million, an increase of 34% year-over-year and 21% sequentially
- Fourth quarter gross margin reached 68.3% on a GAAP basis and 72.7% on a non-GAAP basis
- Net income, on a GAAP basis, was \$14.9 million for the fourth quarter and \$17.4 million for 2009 (including a tax benefit of \$11.7 million, for the quarter and for 2009)
- Net income, on a non-GAAP basis, was \$5.5 million for the fourth quarter (43% of revenues) and \$14.0 million for 2009 (35% of revenues), a year-over-year increase of 110% and 105%, respectively
- Net cash increased by \$6.6 million during the fourth quarter and by \$19.1 million during the year reaching \$67.2 million by year-end
- Successfully completed secondary offering and exchange transaction in December 2009 resulting in the share blocks held by the Company's significant shareholders being sold into the market and in EZchip Semiconductor owning 100% of EZchip Technologies

Fourth Quarter 2009 Results:

Total revenues in the fourth quarter of 2009 were \$12.9 million, an increase of 34% compared to \$9.6 million in the fourth quarter of 2008, and an increase of 21% compared to \$10.7 million in the third quarter of 2009.

Net income, on a GAAP basis, for the fourth quarter of 2009 was \$14.9 million, or \$0.58 per share (diluted), compared to net income of \$1.0 million, or \$0.04 per share (diluted), in the fourth quarter of 2008, and net income of \$1.8 million, or \$0.07 per share (diluted), in the third quarter of 2009.

Since the Company has established a pattern of profitability, accounting rules require the Company to create a deferred tax asset based primarily on its expected future benefit from its past

net operating losses, which will be utilized over time against future taxable income. Consequently, net income in the fourth quarter of 2009 included a tax benefit of \$11.7 million.

Net income, on a non-GAAP basis, for the fourth quarter of 2009 was \$5.5 million, or \$0.22 per share (diluted), compared to non-GAAP net income of \$2.6 million, or \$0.10 per share (diluted), in the fourth quarter of 2008, and non-GAAP net income of \$3.9 million, or \$0.15 per share (diluted), in the third quarter of 2009.

Cash, cash equivalents and marketable securities as of December 31, 2009, totaled \$67.2 million, compared to \$60.6 million as of September 30, 2009. Cash generated from operations during the fourth quarter was \$5.6 million, cash used in investing activities was \$0.2 million and cash provided by financing activities was \$1.2 million.

Full Year 2009 Results:

Total revenues for the year ended December 31, 2009 were \$40.0 million, a 19% increase compared to \$33.6 million in 2008.

Net income on a GAAP basis for 2009 was \$17.4 million (including a one-time tax benefit of \$11.7 million), or \$0.66 per share (diluted), compared to a net loss of \$4.6 million, or \$0.20 loss per share, in 2008.

Net income on a non-GAAP basis for 2009 was \$14.0 million, or \$0.54 per share (diluted), compared with non-GAAP net income of \$6.8 million, or \$0.27 per share (diluted), in 2008.

Eli Fruchter, CEO of EZchip commented, “2009 was a year of progress and achievement for EZchip both on the financial and business fronts, despite the very challenging macroeconomic environment. This year we further enhanced our market position, expanding our product portfolio, broadening our customer base, and driving greater revenues and profitability. Revenues for the year increased 19% year-over-year, crossing the \$40 million mark, with gross margins reaching new levels contributing to record operating and net income. Consequently, we generated net cash of \$19.1 million with close to \$17 million in cash from operations, ending 2009 with over \$67 million in cash and cash equivalents, and no debt.”

“On the business front, during 2009 we continued to make substantial progress with our next generation network processors, the NP-4 and our new NPA family of carrier access products. During the fourth quarter we successfully completed testing our NPA, while our next generation network processor, the NP-4, which we believe is one of the most advanced of its kind, sampled and is now in testing with very positive results so far.

“Looking ahead, we believe we have the product roadmap, customer base and leading market position to continue to grow our business, as products based on our processors enter the market, and our next generation processors go into production with initial revenues expected already in late 2010. Furthermore, we are constantly expanding our presence in the various Carrier Ethernet segments and we believe that we will benefit from the growth in these segments in the coming years, which will enable us to further expand and diversify our customer base. ”

Conference Call

The Company will be hosting a conference call later today, February 11, 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 10 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 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 0609
Israel Dial-in Number: 03 918 0609

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 100-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 30, 2009 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)

	Three Months Ended			Twelve Months Ended	
	December 31, 2009 <u>Unaudited</u>	September 30, 2009 <u>Unaudited</u>	December 31, 2008 <u>Unaudited</u>	December 31, 2009 <u>Unaudited</u>	December 31, 2008 <u>Audited</u>
Revenues	\$ 12,874	\$ 10,651	\$ 9,585	\$ 40,046	\$ 33,566
Cost of revenues	3,588	2,970	3,049	11,224	11,983
Amortization of purchased technology	496	496	497	1,985	2,083
Gross profit	<u>8,790</u>	<u>7,185</u>	<u>6,039</u>	<u>26,837</u>	<u>19,500</u>
Operating expenses:					
Research and development, net	3,361	3,361	3,438	13,243	12,953
In-process research and development charge	--	--	--	--	5,125
Selling, general and administrative	2,381	2,150	1,967	8,697	7,467
Total operating expenses	<u>5,742</u>	<u>5,511</u>	<u>5,405</u>	<u>21,940</u>	<u>25,545</u>
Operating income (loss)	<u>3,048</u>	<u>1,674</u>	<u>634</u>	<u>4,897</u>	<u>(6,045)</u>
Financial income, net	181	232	403	902	1,408
Income (loss) before taxes on income	<u>3,229</u>	<u>1,906</u>	<u>1,037</u>	<u>5,799</u>	<u>(4,637)</u>
Benefit from taxes on income	11,675	--	--	11,675	--
Income (loss) before noncontrolling interest	<u>14,904</u>	<u>1,906</u>	<u>1,037</u>	<u>17,474</u>	<u>(4,637)</u>
Less: Net (income) loss attributable to noncontrolling interest	(41)	(85)	--	(92)	37
Net income (loss)	<u>\$ 14,863</u>	<u>\$ 1,821</u>	<u>\$ 1,037</u>	<u>\$ 17,382</u>	<u>\$ (4,600)</u>
Net income (loss) per share:					
Basic	\$ 0.63	\$ 0.08	\$ 0.04	\$ 0.74	\$ (0.20)
Diluted	\$ 0.58	\$ 0.07	\$ 0.04	\$ 0.66	\$ (0.20)
Weighted average shares used in per share calculation:					
Basic	23,451,744	23,357,356	23,338,713	23,376,217	23,048,868
Diluted	23,584,580	23,363,095	23,342,501	23,516,260	23,048,868



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

	Three Months Ended			Twelve Months Ended	
	December 31, 2009	September 30, 2009	December 31, 2008	December 31, 2009	December 31, 2008
GAAP gross profit	\$ 8,790	\$ 7,185	\$ 6,039	\$ 26,837	\$ 19,500
Stock-based compensation	70	51	32	214	116
Amortization of purchased tangible & intangible assets	496	496	562	2,035	2,723
Non-GAAP gross profit	\$ 9,356	\$ 7,732	\$ 6,633	\$ 29,086	\$ 22,339
GAAP gross profit as percentage of revenues	68.3%	67.5%	63.0%	67.0%	58.1%
Non-GAAP gross profit as percentage of revenues	72.7%	72.6%	69.2%	72.6%	66.6%
GAAP operating expenses	\$ 5,742	\$ 5,511	\$ 5,405	\$ 21,940	\$ 25,545
Stock-based compensation:					
Research and development	(866)	(676)	(434)	(2,908)	(1,600)
Selling, general and administrative	(672)	(543)	(454)	(2,223)	(1,418)
Amortization of purchased intangible assets:					
In-process research and development charge	--	--	--	--	(5,125)
Selling, general and administrative	(210)	(210)	(119)	(840)	(475)
Non-GAAP operating expense	\$ 3,994	\$ 4,082	\$ 4,398	\$ 15,969	\$ 16,927
GAAP operating income/(loss)	\$ 3,048	\$ 1,674	\$ 634	\$ 4,897	\$ (6,045)
Non-GAAP operating income	\$ 5,362	\$ 3,650	\$ 2,235	\$ 13,117	\$ 5,412
GAAP net income/(loss)	\$ 14,863	\$ 1,821	\$ 1,037	\$ 17,382	\$ (4,600)
Stock-based compensation	1,608	1,270	920	5,345	3,134
Amortization of purchased assets	706	706	681	2,875	3,198
In-process research and development charge	--	--	--	--	5,125
Benefit from taxes on income	(11,675)	--	--	(11,675)	--
Net income (loss) attributable to noncontrolling interest	41	85	--	92	(37)
Non-GAAP net income	\$ 5,543	\$ 3,882	\$ 2,638	\$ 14,019	\$ 6,820
Non-GAAP net income per share - Diluted	\$ 0.22	\$ 0.15	\$ 0.10	\$ 0.54	\$ 0.27
Non-GAAP weighted average shares - Diluted*	23,688,230	23,467,558	23,358,251	23,607,890	23,075,088

* 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)

	December 31, 2009	December 31, 2008
	<u>(Unaudited)</u>	<u>(Audited)</u>
ASSETS		
CURRENT ASSETS:		
Cash, cash equivalents and marketable securities	\$ 67,238	\$ 48,115
Trade receivables, net	6,340	5,040
Other receivables	6,065	623
Inventories	1,533	3,884
Deferred tax asset	6,038	--
Total current assets	<u>87,214</u>	<u>57,662</u>
LONG-TERM INVESTMENTS:		
Prepaid development and production costs, net	--	50
Severance pay fund	4,099	3,148
Long term deferred tax asset	5,571	--
Total long-term investments	<u>9,670</u>	<u>3,198</u>
PROPERTY AND EQUIPMENT, NET	394	273
Goodwill	96,276	96,276
Intangible assets, net	3,869	6,694
TOTAL ASSETS	<u><u>\$ 197,423</u></u>	<u><u>\$ 164,103</u></u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 1,963	\$ 888
Other payables and accrued expenses	10,218	4,220
Total current liabilities	<u>12,181</u>	<u>5,108</u>
LONG TERM LIABILITIES:		
Accrued severance pay	4,779	4,081
EQUITY:		
Share capital	140	134
Additional paid-in capital	257,078	247,356
Accumulated other comprehensive income (loss)	507	(705)
Accumulated deficit	(77,262)	(94,644)
Noncontrolling interest *	--	2,773
Total equity	<u>180,463</u>	<u>154,914</u>
TOTAL LIABILITIES AND EQUITY	<u><u>\$ 197,423</u></u>	<u><u>\$ 164,103</u></u>

* Due to initial application of ASC 810 (originally issued as SFAS 160) "Consolidation".

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