

CYPRESS SEMICONDUCTOR CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)
(Unaudited)

	April 3, 2016	January 3, 2016
ASSETS		
Cash, cash equivalents and short-term investments	\$ 87,061	\$ 227,561
Accounts receivable, net	297,919	292,736
Inventories, net (a)	225,752	243,595
Property, plant and equipment, net	402,520	425,003
Goodwill and other intangible assets, net	2,458,776	2,528,077
Other assets	294,433	287,289
Total assets	<u>\$ 3,766,461</u>	<u>\$ 4,004,261</u>
LIABILITIES AND EQUITY		
Accounts payable	\$ 148,278	\$ 143,383
Deferred margin and allowances on sales to distributors	56,250	73,370
Income tax liabilities	55,317	54,999
Other liabilities	330,106	346,165
Revolving credit facility and long-term debt	752,584	673,659
Total liabilities	<u>1,342,535</u>	<u>1,291,576</u>
Total Cypress stockholders' equity	2,432,220	2,720,848
Noncontrolling interest	(8,294)	(8,163)
Total equity	<u>2,423,926</u>	<u>2,712,685</u>
Total liabilities and equity	<u>\$ 3,766,461</u>	<u>\$ 4,004,261</u>

(a) Inventories include \$4.2 million and \$4.3 million of capitalized inventories related to stock-based compensation expense, 'as of April 3, 2016 and January 3, 2016, respectively.

CYPRESS SEMICONDUCTOR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
ON A GAAP BASIS
(In thousands, except per-share data)
(Unaudited)

	Three Months Ended	
	April 3, 2016	January 3, 2016
Revenues	\$ 418,964	\$ 450,128
Costs and expenses:		
Cost of revenues	293,179	306,880
Research and development	73,967	73,682
Selling, general and administrative	74,501	85,385
Amortization of intangible assets	35,187	33,960
Impairment of acquisition-related intangible assets	33,944	—
Restructuring costs	270	1,406
Total costs and expenses	<u>511,048</u>	<u>501,313</u>
Operating loss	(92,084)	(51,185)
Interest and other expense, net	(6,250)	(3,556)
Loss before income taxes and non-controlling interest	<u>(98,334)</u>	<u>(54,741)</u>
Income tax provision	(3,742)	(15,726)
Equity in net loss of equity method investee	(2,078)	(2,330)
Net loss	(104,154)	(72,797)
Net loss attributable to non-controlling interests	132	467
Net loss attributable to Cypress	<u>\$ (104,022)</u>	<u>\$ (72,330)</u>
Net loss per share attributable to Cypress:		
Basic	\$ (0.32)	\$ (0.22)
Diluted	\$ (0.32)	\$ (0.22)
Cash dividend declared per share	\$ 0.11	\$ 0.11
Shares used in net loss per share calculation:		
Basic	320,351	334,447
Diluted	320,351	334,447

CYPRESS SEMICONDUCTOR CORPORATION
RECONCILIATION OF GAAP FINANCIAL MEASURES TO NON-GAAP FINANCIAL MEASURES (a)
(In thousands, except per-share data)
(Unaudited)

Table A

	Q1 2016			Q4 2015		
	GAAP	Adjustments (Table B)	Non-GAAP	GAAP	Adjustments (Table C)	Non-GAAP
Revenue (b)	\$ 418,964	\$ 6,250	\$ 425,214	\$ 450,128	\$ 6,250	\$ 456,378
Costs and expenses:						
Cost of revenues	293,179	(24,807)	268,372	306,880	(31,935)	274,945
Research and development	73,967	(7,737)	66,230	73,682	(7,352)	66,330
Selling, general and administrative	74,501	(15,820)	58,681	85,386	(22,185)	63,201
Amortization of intangible assets	35,187	(35,187)	-	33,960	(33,959)	-
Impairment of acquisition-related intangible assets	33,944	(33,944)	-	-	-	-
Restructuring costs	270	(270)	-	1,405	(1,406)	-
Total costs and expenses	511,048	(117,765)	393,283	501,313	(96,837)	404,476
Operating (loss) income	(92,084)	124,015	31,931	(51,185)	103,087	51,902
Interest and other expense, net	(8,329)	2,832	(5,497)	(5,886)	2,118	(3,768)
(Loss) income before income taxes	(100,412)	126,847	26,434	(57,071)	105,205	48,134
Income tax benefit (provision)	(3,742)	161	(3,581)	(15,726)	12,653	(3,073)
(Loss) income, net of taxes	(104,154)	127,008	22,853	(72,797)	117,858	45,061
Net loss attributable to noncontrolling interest	132	-	132	467	-	467
Net (loss) income attributable to Cypress	\$ (104,022)	\$ 127,008	\$ 22,985	\$ (72,330)	\$ 117,858	\$ 45,528
Net (loss) income per share attributable to Cypress:						
Basic	\$ (0.32)		\$ 0.07	\$ (0.22)		\$ 0.14
Diluted	\$ (0.32)		\$ 0.07	\$ (0.22)		\$ 0.13
Cash dividend declared per share	\$ 0.11		\$ 0.11	\$ 0.11		\$ 0.11
Shares used in net (loss) income per share calculation:						
Basic	320,351	-	320,351	334,447	-	334,447
Diluted	320,351	20,462	340,813	334,447	27,782	362,229

Table B

<i>GAAP to Non-GAAP reconciling items (Q1 2016):</i>	<i>Revenue</i>	<i>Cost of revenues</i>	<i>Research and development</i>	<i>SG&A</i>	<i>Amortization of Intangible assets</i>	<i>Restructuring costs</i>	<i>Impairment of acquisition-related intangible assets</i>	<i>Interest and other expense, net</i>	<i>Tax Related Items</i>	<i>Total</i>
[1] Revenue from intellectual property license	6,250	-	-	-	-	-	-	-	-	6,250
[2] Stock based compensation	-	5,647	6,930	10,960	-	-	-	-	-	23,538
[3] Changes in value of deferred compensation plan	-	46	130	283	-	-	-	126	-	586
[4] Spansion merger costs and related amortization	-	19,113	677	4,577	-	-	33,944	-	-	58,311
[5] Losses from equity method investments	-	-	-	-	-	-	-	2,078	-	2,078
[6] Imputed interest on convertible debt and other	-	-	-	-	-	-	-	628	-	628
[7] Amortization of Intangible assets	-	-	-	-	35,187	-	-	-	-	35,187
[8] Income tax provision	-	-	-	-	-	-	-	-	161	161
[9] Restructuring costs	-	-	-	-	-	270	-	-	-	270
Total impact of reconciling items	6,250	24,807	7,737	15,820	35,187	270	33,944	2,832	161	127,008

Table C

<i>GAAP to Non-GAAP reconciling items (Q4 2015):</i>	<i>Revenue</i>	<i>Cost of revenues</i>	<i>Research and development</i>	<i>SG&A</i>	<i>Amortization of Intangible assets</i>	<i>Restructuring costs</i>	<i>Interest and other expense, net</i>	<i>Tax Related Items</i>	<i>Total</i>
[1] Revenue from intellectual property license	6,250	-	-	-	-	-	-	-	6,250
[2] Stock based compensation	-	3,321	6,270	12,519	-	-	-	-	22,110
[3] Changes in value of deferred compensation plan	-	53	102	313	-	-	(785)	-	(317)
[4] Spansion merger costs and related amortization	-	28,561	980	9,353	-	-	-	-	38,894
[5] Losses from equity method investments	-	-	-	-	-	-	2,330	-	2,330
[6] Imputed interest on convertible debt and other	-	-	-	-	-	-	573	-	573
[7] Amortization of Intangible assets	-	-	-	-	33,959	-	-	-	33,959
[8] Income tax provision	-	-	-	-	-	-	-	12,653	12,653
[9] Restructuring costs	-	-	-	-	-	1,406	-	-	1,406
Total impact of reconciling items	6,250	31,935	7,352	22,185	33,959	1,406	2,118	12,653	117,858

(a) Refer to the accompanying "Notes to Non-GAAP Financial Measures" for a detailed discussion of management's use of non-GAAP financial measures.

(b) Non-GAAP revenue includes \$6.25 million of Samsung intellectual property licensing revenue, not included in GAAP revenue as a result of the effects of purchase accounting for the Spansion merger.

CYPRESS SEMICONDUCTOR CORPORATION
SUPPLEMENTAL FINANCIAL DATA
(In thousands)
(Unaudited)

	Three Months Ended	
	April 3, 2016	January 3, 2016
<u>Selected Cash Flow Data (Preliminary):</u>		
Net cash provided by (used in) operating activities	\$ 13,729	\$ 42,094
Net cash provided by (used in) investing activities	\$ (18,896)	\$ (24,351)
Net cash provided by (used in) financing activities	\$ (135,432)	\$ 15,188
<u>Other Supplemental Data (Preliminary):</u>		
Capital expenditures	\$ 13,027	\$ 9,227
Depreciation	\$ 34,395	\$ 39,443
Payment of dividend	\$ 36,550	\$ 36,914
Dividend paid per share	\$ 0.11	\$ 0.11
Dividend yield per share (a)	5.0%	4.5%

(a) Dividend yield per share is calculated based on annualized dividend paid per share divided by the common stock share price at the end of the period.

CYPRESS SEMICONDUCTOR CORPORATION
CONSOLIDATED DILUTED EPS CALCULATION

(In thousands, except per-share data)
(Unaudited)

	Three Months Ended			
	April 3,		January 3,	
	2016		2016	
	GAAP	Non-GAAP	GAAP	Non-GAAP
Net income (loss) attributable to Cypress	\$ (104,022)	\$ 22,985	\$ (72,330)	\$ 45,528
Weighted-average common shares outstanding basic	320,351	320,351	334,447	334,447
Effect of dilutive securities:				
Stock options, unvested restricted stock and other	—	11,045	—	15,363
Impact of convertible bond	—	9,417	—	12,419
Weighted-average common shares outstanding for diluted computation	320,351	340,813	334,447	362,229
Net income (loss) per share attributable to Cypress - basic	\$ (0.32)	\$ 0.07	\$ (0.22)	\$ 0.14
Net income (loss) per share attributable to Cypress - diluted	\$ (0.32)	\$ 0.07	\$ (0.22)	\$ 0.13

	Three Months Ended	
	April 3,	January 3,
	2016	2016
Average stock price for the period ended	\$ 8.10	\$ 9.87
Common stock outstanding at period end (in thousands)	311,547	332,276

NOTES TO NON-GAAP FINANCIAL MEASURES

To supplement its consolidated financial results presented in accordance with GAAP, Cypress uses the following non-GAAP financial measures which are adjusted from the most directly comparable GAAP financial measures:

- Revenue
- Gross margin
- Research and development expenses
- Selling, general and administrative expenses
- Operating income (loss)
- Net income (loss)
- Diluted net income (loss) per share

The non-GAAP measures set forth above exclude charges related to our merger with Spansion, stock-based compensation, and other adjustments. Non-GAAP revenue includes the effect of revenue from an intellectual property license agreement. Management believes that these non-GAAP financial measures reflect an additional and useful way of viewing aspects of Cypress's operations that, when viewed in conjunction with Cypress's GAAP results, provide a more comprehensive understanding of the various factors and trends affecting Cypress's business and operations. Management uses these non-GAAP measures for strategic and business decision-making, internal budgeting, forecasting and resource allocation processes. In addition, these non-GAAP financial measures facilitate management's internal comparisons to Cypress's historical operating results and comparisons to competitors' operating results. Pursuant to the requirements of Regulation G and to make clear to our investors the adjustments we make to GAAP measures, we have provided a reconciliation of the non-GAAP measures to the most directly comparable GAAP financial measures.