

CYPRESS SEMICONDUCTOR CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

	July 3, 2016	January 3, 2016
ASSETS		
Cash, cash equivalents and short-term investments	\$ 189,303	\$ 227,561
Accounts receivable, net	325,142	292,736
Inventories	220,890	243,595
Property, plant and equipment, net	402,369	425,003
Goodwill and other intangible assets, net	1,937,263	2,528,077
Other assets	328,787	287,289
Total assets	<u>\$ 3,403,754</u>	<u>\$ 4,004,261</u>
LIABILITIES AND EQUITY		
Accounts payable	\$ 174,389	\$ 143,383
Deferred margin and allowances on sales to distributors	19,052	73,370
Income tax liabilities	49,531	54,999
Other liabilities	377,368	346,165
Revolving credit facility and long-term debt	820,364	673,659
Total liabilities	<u>1,440,704</u>	<u>1,291,576</u>
Total Cypress stockholders' equity	1,968,835	2,720,848
Noncontrolling interest	<u>(5,785)</u>	<u>(8,163)</u>
Total equity	<u>1,963,050</u>	<u>2,712,685</u>
Total liabilities and equity	<u>\$ 3,403,754</u>	<u>\$ 4,004,261</u>

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

	Three Months Ended	
	July 3, 2016	April 3, 2016
Revenues	\$ 450,127	\$ 418,964
Costs and expenses:		
Cost of revenues	291,349	293,179
Research and development	70,171	73,967
Selling, general and administrative	82,490	74,770
Amortization of intangible assets	32,605	35,187
Impairment of acquisition-related intangible assets	—	33,944
Goodwill impairment charge	488,504	—
Total costs and expenses	<u>965,119</u>	<u>511,047</u>
Operating loss	(514,992)	(92,083)
Interest and other expense, net	(7,316)	(6,251)
Loss before income taxes and non-controlling interest	(522,308)	(98,334)
Income tax benefit (provision)	5,221	(3,742)
Equity in net loss of equity method investee	(2,568)	(2,078)
Net loss	(519,655)	(104,154)
Net loss attributable to non-controlling interests	381	132
Net loss attributable to Cypress	<u>\$ (519,274)</u>	<u>\$ (104,022)</u>
Net loss per share attributable to Cypress:		
Basic	\$ (1.65)	\$ (0.32)
Diluted	\$ (1.65)	\$ (0.32)
Cash dividend declared per share	\$ 0.11	\$ 0.11
Shares used in net loss per share calculation:		
Basic	314,305	320,351
Diluted	314,305	320,351

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

Table A: Revenue

	Q2'16	Q1'16
GAAP revenue	\$ 450,127	\$ 418,964
Add: Revenue from Intellectual Property License	6,250	6,250
Non-GAAP revenue	<u>\$ 456,377</u>	<u>\$ 425,214</u>

Table B: GAAP to Non-GAAP reconciling items (Q2 2016)

	<i>Cost of revenues</i>	<i>Research and development</i>	<i>SG&A</i>	<i>Amortization of Intangible assets</i>	<i>Goodwill impairment charge</i>	<i>Interest and other expense, net</i>	<i>Income tax benefit (provision)</i>
GAAP	\$ 291,349	\$ 70,171	\$ 82,490	\$ 32,605	\$ 488,504	\$ 9,884	\$ 5,221
[1] Stock based compensation, including costs related to modification of equity awards	4,278	5,329	9,242	-	-	-	-
[2] Changes in value of deferred compensation plan	86	242	530	-	-	(604)	-
[3] Merger, integration and related costs	3,149	19	8,514	-	-	-	-
[4] Losses from equity method investments	-	-	-	-	-	2,568	-
[5] Imputed interest on convertible debt and other	-	-	-	-	-	1,919	-
[6] Amortization of Intangible assets	-	-	-	32,605	-	-	-
[7] Restructuring costs, including CEO severance	-	-	5,153	-	-	-	-
[8] Goodwill impairment charge	-	-	-	-	488,504	-	-
[9] Tax impact of Non-GAAP adjustments	-	-	380	-	-	(292)	(8,402)
Non-GAAP	<u>\$ 283,836</u>	<u>\$ 64,581</u>	<u>\$ 58,671</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,293</u>	<u>\$ (3,181)</u>

Table C: GAAP to Non-GAAP reconciling items (Q1 2016)

	<i>Cost of revenues</i>	<i>Research and development</i>	<i>SG&A</i>	<i>Amortization of Intangible assets</i>	<i>Impairment of acquisition- related intangible assets</i>	<i>Interest and other expense, net</i>	<i>Income tax benefit (provision)</i>
GAAP	\$ 293,179	\$ 73,967	\$ 74,769	\$ 35,187	\$ 33,944	\$ 8,329	\$ (3,742)
[1] Stock based compensation	5,647	6,930	10,960	-	-	-	-
[2] Changes in value of deferred compensation plan	46	130	283	-	-	126	-
[3] Merger, integration and related costs	19,113	677	4,577	-	33,944	-	-
[4] Losses from equity method investments	-	-	-	-	-	2,078	-
[5] Imputed interest on convertible debt and other	-	-	-	-	-	628	-
[6] Amortization of Intangible assets	-	-	-	35,187	-	-	-
[7] Tax impact of Non-GAAP adjustments	-	-	-	-	-	-	161
[8] Restructuring costs	-	-	269	-	-	-	-
Non - GAAP	<u>\$ 268,372</u>	<u>\$ 66,230</u>	<u>\$ 58,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,497</u>	<u>\$ (3,581)</u>

Table D: Operating income (loss)

	Q2'16		Q1'16	
GAAP operating loss	\$	(514,992)	\$	(92,083)
Add: Net impact of Non-GAAP adjustments (see tables A,B,C)		564,281		124,014
Non-GAAP operating income	\$	<u>49,289</u>	\$	<u>31,931</u>

Table E: Net income (loss)

	Q2'16		Q1'16	
GAAP Net loss	\$	(519,274)	\$	(104,022)
Add: Net Impact of Non-GAAP adjustments (see Tables A,B,C)		559,470		127,007
Non-GAAP Net income	\$	<u>40,196</u>	\$	<u>22,985</u>

Table F: Weighted-average shares

	Q2'16		Q1'16	
	GAAP	Non-GAAP	GAAP	Non-GAAP
Weighted-average common shares outstanding basic	314,305	314,305	320,351	320,351
Effect of dilutive securities:				
Stock options, unvested restricted stock and other	—	12,858	—	11,045
Impact of convertible bond	—	12,577	—	9,417
Weighted-average common shares outstanding for diluted computation	<u>314,305</u>	<u>339,740</u>	<u>320,351</u>	<u>340,813</u>

Table G: Net income (loss) Per Share

	Q2'16		Q1'16	
GAAP Net loss per share - Diluted	\$	(1.65)	\$	(0.32)
Excluded Items per share impact of Non-GAAP adjustments		1.77		0.39
Non-GAAP earnings per share - Diluted	\$	<u>0.12</u>	\$	<u>0.07</u>

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

CYPRESS SEMICONDUCTOR CORPORATION

SUPPLEMENTAL FINANCIAL DATA

(In thousands)

(Unaudited)

	Three Months Ended	
	July 3, 2016	April 3, 2016
<u>Selected Cash Flow Data (Preliminary):</u>		
Net cash provided by (used in) operating activities	\$ 8,774	\$ 13,729
Net cash provided by (used in) investing activities	\$ (15,287)	\$ (18,896)
Net cash provided by (used in) financing activities	\$ 108,755	\$ (135,432)
<u>Other Supplemental Data (Preliminary):</u>		
Capital expenditures	\$ 12,787	\$ 13,027
Depreciation	\$ 19,558	\$ 34,395
Payment of dividend	\$ 34,270	\$ 36,550
Dividend paid per share	\$ 0.11	\$ 0.11