

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

Table A: GAAP to Non-GAAP reconciling items (Three Months Ended Q1 2017)

	<i>Cost of revenues</i>	<i>Research and development</i>	<i>SG&A and Restructuring costs</i>	<i>Amortization of Intangible assets</i>	<i>Interest and other expense, net</i>	<i>Income tax (provision) benefit</i>
GAAP [i]	\$ 332,814	\$ 88,481	\$ 78,686	\$ 48,249	\$ (24,435)	\$ (4,927)
[1] Stock based compensation	5,331	11,771	8,835	—	—	—
[2] Changes in value of deferred compensation plan	166	597	1,008	—	(1,558)	—
[3] Merger, integration, related costs and adjustments related to assets held for sale	1,350	—	(1,479)	—	—	—
[4] Inventory Step-up related to acquisition accounting	2,864	—	—	—	—	—
[5] Losses from equity method investments	—	—	—	—	5,076	—
[6] Imputed interest on convertible debt, equity component	—	—	—	—	3,489	—

amortization on convertible debt and others							
[7] Amortization of debt issuance costs	—	—	—	—	—	858	—
[8] Amortization of Intangible assets		—	—	48,249		—	—
[9] Restructuring costs	—	—	2,572	—	—	—	—
[10] Tax impact	—	—	—	—	—	415	2,125
Non - GAAP							
[ii]	<u>\$ 323,103</u>	<u>\$ 76,113</u>	<u>\$ 67,750</u>	<u>\$ —</u>	<u>\$ (16,155)</u>	<u>\$ (2,802)</u>	
Impact of reconciling items [ii - i]	\$ (9,711)	\$ (12,368)	\$ (10,936)	\$ (48,249)	\$ 8,280	\$ 2,125	

Table B: GAAP to Non-GAAP reconciling items (Three Months Ended Q4 2016)

	<i>Cost of revenues</i>	<i>Research and development</i>	<i>SG&A</i>	<i>Amortization of Intangible assets</i>	<i>Impairment related to assets held for sale</i>	<i>Interest and other expense, net</i>	<i>Income tax provision</i>
GAAP [i]	\$ 328,220	\$ 92,188	\$ 94,076	\$ 52,104	\$ 1,960	\$(33,155)	\$ (790)
[1] Stock based compensation, including costs related to modification of equity awards	6,589	16,687	12,292	—	—	—	—
[2] Changes in value of deferred compensation plan	42	147	292	—	—	(641)	—

[3] Merger, integration and related costs	2,614	476	5,136	—	—	—	—
[4] Inventory Step-up related to acquisition accounting	1,381	—	—	—	—	—	—
[5] Losses from equity method investments	—	—	—	—	—	8,766	—
[6] Imputed interest on convertible debt, equity component amortization on convertible debt and others	—	—	—	—	—	3,482	—
[7] Amortization of debt issuance costs	—	—	—	—	—	976	—
[8] Amortization of Intangible assets	—	—	—	52,104	—	—	—
[9] Impairment related to assets held for sale	—	—	—	—	1,960	—	—
[10] Restructuring costs, including executive severance	—	—	17,237	—	—	—	—
[11] Tax impact of Non-GAAP adjustments	—	—	—	—	—	(908)	(2,442)
Non - GAAP [ii]	<u>\$ 317,594</u>	<u>\$ 74,878</u>	<u>\$ 59,119</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (21,480)</u>	<u>\$ (3,232)</u>
Impact of reconciling items							
[ii - i]	<u>\$ (10,626)</u>	<u>\$ (17,310)</u>	<u>\$ (34,957)</u>	<u>\$ (52,104)</u>	<u>\$ (1,960)</u>	<u>\$ 11,675</u>	<u>\$ (2,442)</u>

Table C: Operating income (loss)

	Q1'17	Q4'16
GAAP operating loss [i]	\$ (16,356)	\$ (38,376)
Impact of reconciling items on Cost of revenues (see Table A, B)	9,711	10,626
Impact of reconciling items on R&D (see Table A, B)	12,368	17,310
Impact of reconciling items on SG&A (see Table A, B)	10,936	34,957
Impact of Amortization of Intangible Assets (see Table A, B)	48,249	52,104
Impact of Impairment related to assets held for sale (see Table B)	—	1,960
Non-GAAP operating income [ii]	\$ 64,908	\$ 78,581
Impact of reconciling items [ii - i]	\$ 81,264	\$ 116,957

Table D: Net income (loss)

	Q1'17	Q4'16
GAAP Net loss	\$ (45,782)	\$ (72,367)
Impact of reconciling items on Operating income (see Table C)	81,264	116,957
Interest and other expense, net (see Table A, B)	8,280	11,675
Income tax benefit (provision) (see Table A, B)	2,125	(2,442)
Non-GAAP Net income	\$ 45,887	\$ 53,823

Table E: Weighted-average shares, diluted

	Q1'17		Q4'16	
	GAAP	Non-GAAP	GAAP	Non-GAAP
Weighted-average common shares outstanding, basic	326,964	326,964	322,800	322,800
Effect of dilutive securities:				
Stock options, unvested restricted stock and other	—	14,852	—	17,199
Impact of convertible bond	—	17,304	—	15,138
Weighted-average common shares outstanding, diluted	326,964	359,120	322,800	355,137

Table F: Net income (loss) Per Share

	Q1'17		Q4'16	
	GAAP	Non-GAAP	GAAP	Non-GAAP
Net income (loss) (see Table D)	\$ (45,782)	\$ 45,887	\$ (72,367)	\$ 53,823

Weighted-average common shares outstanding (see Table E) [ii]	326,964	359,120	322,800	355,137
Non-GAAP earnings per share - Diluted [i/ii]	\$ (0.14))	\$ 0.13	\$ (0.22))	\$ 0.15