

CYPRESS SEMICONDUCTOR CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

(Unaudited)

	<u>Jan 02, 2005</u>	<u>Dec 28, 2003</u>
ASSETS		
Cash, cash equivalents, and investments *	\$ 307,641	\$ 379,868
Accounts receivable, net	107,288	121,756
Inventories	99,709	72,085
Property and equipment, net	444,651	442,887
Goodwill and other intangible assets	447,003	375,483
Other assets	<u>166,702</u>	<u>183,606</u>
 Total assets	 <u><u>\$ 1,572,994</u></u>	 <u><u>\$ 1,575,685</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued liabilities	\$ 179,282	\$ 155,693
Deferred income	33,426	28,292
Convertible subordinated notes	599,998	668,652
Income tax liabilities	71,992	103,930
Other liabilities	<u>27,938</u>	<u>49,930</u>
 Total liabilities	 912,636	 1,006,497
Stockholders' equity **	<u>660,358</u>	<u>569,188</u>
 Total liabilities and stockholders' equity	 <u><u>\$ 1,572,994</u></u>	 <u><u>\$ 1,575,685</u></u>

* Cash, cash equivalents, and investments includes restricted amounts totaling \$62.7 million and \$62.8 million as of January 02, 2005 and December 28, 2003, respectively.

** Common stock, \$.01 par value, 650,000 and 650,000 shares authorized; 128,493 and 120,483 outstanding as of January 02, 2005 and December 28, 2003, respectively.

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CYPRESS SEMICONDUCTOR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	THREE MONTHS ENDED (Unaudited)			TWELVE MONTHS ENDED (Unaudited)	
	Jan 02 2005	Dec 28 2003	Sep 26 2004	Jan 02 2005	Dec 28 2003
Revenues	\$ 210,181	\$ 236,031	\$ 219,595	\$ 948,438	\$ 836,756
Costs of revenues	131,442	115,229	112,401	492,058	435,749
Gross margin	78,739	120,802	107,194	456,380	401,007
Operating expenses:					
Research and development	66,910	60,790	64,764	261,629	251,432
Selling, general and administrative	37,041	34,270	37,239	139,799	130,349
Acquisition and other costs	9,361	5,941	25,339	56,498	34,215
Restructuring costs	243	(4,337)	(326)	(164)	(6,685)
Total operating costs	113,555	96,664	127,016	457,762	409,311
Operating income (loss)	(34,816)	24,138	(19,822)	(1,382)	(8,304)
Net interest income (expense) and other	3,402	(575)	(2,470)	(495)	5,795
Income (loss) before income tax	(31,414)	23,563	(22,292)	(1,877)	(2,509)
Income tax (provision) benefit	3,316	(400)	26,628	26,575	(2,822)
Net income (loss)	<u>\$ (28,098)</u>	<u>\$ 23,163</u>	<u>\$ 4,336</u>	<u>\$ 24,698</u>	<u>\$ (5,331)</u>
Basic net income (loss) per share	\$ (0.22)	\$ 0.19	\$ 0.03	\$ 0.20	\$ (0.04)
Diluted net income (loss) per share	\$ (0.22)	\$ 0.15	\$ 0.02	\$ 0.17	\$ (0.04)
Shares used in calculation:					
Basic	127,362	119,940	125,172	124,580	121,509
Diluted	127,362	168,988	130,961	134,592	121,509
Reconciliation of our GAAP Net Income (Loss) to our Non-GAAP Net Income:					
GAAP Net Income (Loss)	\$ (28,098)	\$ 23,163	\$ 4,336	\$ 24,698	\$ (5,331)
Adjustments:					
Cost of revenues (acquisition and stock compensation expenses)	68	139	29	148	693
Restructuring costs	243	(4,337)	(326)	(164)	(6,685)
Amortization of intangibles	9,361	9,441	9,739	38,898	37,715
In-process research and development charge	-	-	15,600	15,600	-
Acquisition and stock compensation	1,253	2,130	2,180	9,084	13,143
Non-recurring charges	-	(3,500)	-	2,000	(3,500)
Synthetic lease - guarantee accrual	1,825	-	-	1,825	-
Employee loan reserve	-	-	-	(7,752)	241
(Gain) loss on retirement of bonds	209	-	-	209	7,524
Impairments, asset write-downs	(1,129)	(10)	1,344	(446)	(16,873)
Tax effects on non-GAAP adjustments	(1,758)	(2,130)	1,163	(768)	(7)
Non-GAAP Net Income (Loss)	<u>\$ (18,026)</u>	<u>\$ 24,896</u>	<u>\$ 34,065</u>	<u>\$ 83,332</u>	<u>\$ 26,920</u>
Basic net income (loss) per share	\$ (0.14)	\$ 0.21	\$ 0.27	\$ 0.67	\$ 0.22
Diluted net income (loss) per share	\$ (0.14)	\$ 0.16	\$ 0.22	\$ 0.54	\$ 0.19

To supplement the consolidated financial results prepared under generally accepted accounting principles ("GAAP"), Cypress uses a non-GAAP measure of net income (loss) that is GAAP net income (loss) adjusted to exclude charges related to acquisitions including amortization of intangibles, in-process research and development and stock compensation, employee loan reserves, off-balance sheet lease accruals, restructuring, impairments and asset write-downs, gains or losses on the retirement of bonds and other non-recurring costs. Management does not consider these cash and non-cash charges, as applicable, to be reflective of the core operational activities of the Company as they result from corporate transactions outside the ordinary course of business. As a result, management uses this non-GAAP measure internally for strategic decision making, forecasting future results and evaluating the Company's current performance. Given management's use of this measure, Cypress believes this measure is important to investor understanding of the Company's disclosures regarding current and future operating results. Management also believes this non-GAAP measure enables investors to better assess changes in Cypress' core business across different time periods. This measure is not in accordance with, or an alternative for, generally accepted accounting principles and may be different from non-GAAP measures used by other companies.