

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

(Unaudited)

	<u>Sep 29, 2002</u>	<u>Dec 30, 2001</u>
ASSETS		
Current assets:		
Cash and short-term investments *	\$ 102,992	\$ 205,422
Accounts receivable, net	106,191	97,817
Inventories, net	89,523	73,268
Other current assets	<u>242,865</u>	<u>250,328</u>
Total current assets	541,571	626,835
Property and equipment, net	538,570	499,795
Long-term investments *	69,555	134,495
Restricted investments *	62,260	74,968
Goodwill	337,437	324,764
Other assets	<u>189,337</u>	<u>225,579</u>
Total assets	<u>\$ 1,738,730</u>	<u>\$ 1,886,436</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 66,763	\$ 73,916
Accrued liabilities	145,199	165,037
Deferred income	15,154	14,249
Income taxes payable	<u>1,424</u>	<u>1,300</u>
Total current liabilities	228,540	254,502
Convertible subordinated notes	468,900	517,700
Deferred income taxes and other tax liabilities	207,558	203,272
Other long-term liabilities	<u>40,716</u>	<u>42,534</u>
Total liabilities	945,714	1,018,008
Stockholders' equity **	<u>793,016</u>	<u>868,428</u>
Total liabilities and stockholders' equity	<u>\$ 1,738,730</u>	<u>\$ 1,886,436</u>

* Cash and investments at September 29, 2002 and December 30, 2001 totaled \$234,807 and \$414,885, respectively.

** Common stock, \$.01 par value, 650,000 and 650,000 shares authorized; 139,165 and 139,052 issued; 123,736 and 121,495 outstanding, at September 29, 2002 and December 30, 2001, respectively.

##MORE##

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

	THREE MONTHS ENDED			NINE MONTHS ENDED	
	(Unaudited)			(Unaudited)	
	Sep 29, 2002	Sep 30, 2001	Jun 30, 2002	Sep 29, 2002	Sep 30, 2001
Revenues	\$ 205,021	\$ 180,284	\$ 202,121	\$ 600,297	\$ 628,093
Cost of revenues	<u>110,657</u>	<u>203,678</u>	<u>111,067</u>	<u>339,020</u>	<u>431,083</u>
Gross Margin	94,364	(23,394)	91,054	261,277	197,010
Operating expenses:					
Research and development	63,359	62,032	63,498	188,444	174,629
Selling, general and administrative	<u>32,996</u>	<u>37,488</u>	<u>34,788</u>	<u>101,124</u>	<u>116,262</u>
Total operating expenses	<u>96,355</u>	<u>99,520</u>	<u>98,286</u>	<u>289,568</u>	<u>290,891</u>
Operating loss	(1,991)	(122,914)	(7,232)	(28,291)	(93,881)
Net interest income (expense) and other	<u>(2,448)</u>	<u>4,389</u>	<u>(1,517)</u>	<u>(2,386)</u>	<u>23,232</u>
Loss before income tax	(4,439)	(118,525)	(8,749)	(30,677)	(70,649)
Benefit for income tax	<u>1,243</u>	<u>21,173</u>	<u>2,449</u>	<u>8,589</u>	<u>6,810</u>
Net loss	<u>\$ (3,196)</u>	<u>\$ (97,352)</u>	<u>\$ (6,300)</u>	<u>\$ (22,088)</u>	<u>\$ (63,839)</u>
Basic and diluted net loss per share	\$ (0.03)	\$ (0.78)	\$ (0.05)	\$ (0.18)	\$ (0.51)
Shares used in per share calculations	123,634	124,107	122,964	122,907	125,347

##MORE##

CYPRESS SEMICONDUCTOR CORPORATION
NOTES TO PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Following is a reconciliation of our GAAP net loss to our Pro Forma net loss.

	<u>THREE MONTHS ENDED</u> <u>(Unaudited)</u>			<u>NINE MONTHS ENDED</u> <u>(Unaudited)</u>	
	Sep 29, 2002	Sep 30, 2001	Jun 30, 2002	Sep 29, 2002	Sep 30, 2001
GAAP net loss	<u>\$ (55,089)</u>	<u>\$ (362,309)</u>	<u>\$ (28,061)</u>	<u>\$ (122,941)</u>	<u>\$ (369,708)</u>
Acquisition costs (1)	19,579	37,860	26,775	72,954	93,770
Restructuring (2)	2,433	132,113	(10,305)	(6,277)	132,113
Loss on investments (3)	13,848	81,435	2,101	15,949	66,437
Gain on retirement of bonds	-	-	(1,242)	(5,946)	-
Employee loan reserve (4)	14,701	-	-	14,701	-
Tax effects on pro forma adjustments	1,332	13,549	4,432	9,472	13,549
Pro forma net loss	<u>\$ (3,196)</u>	<u>\$ (97,352)</u>	<u>\$ (6,300)</u>	<u>\$ (22,088)</u>	<u>\$ (63,839)</u>

- (1) In-process technology, non-cash stock compensation costs, cash charges based on the achievement of milestones under acquisition agreements, the amortization of intangible assets and goodwill (in 2001 only) related to those acquisitions.
- (2) In Q3 2002, restructuring costs consist of a \$9.4 million charge related to workforce reductions, assets held for sale, operating leases and stock compensation offset by \$7.0 million of assets placed back into service previously written down and held for sale as part of the Q3 2001 restructuring plan.
- (3) Includes impairment charges related to investments and loans to development stage companies, due to the deterioration in the companies valuation or financial prospects.
- (4) In Q3 2002, a reserve of \$14.7 million was recorded against the outstanding loans to employees under the shareholder-approved Stock Purchase Assistance Program due to a decline in the value of the collateral, based upon an independent fair value analysis. The total reserve at the end of Q3 2002 is \$15.7 million. The Company does not currently intend to call the loans.

Cypress provides pro forma results as additional information for its operating results. These measures are not in accordance with, or an alternative for, generally accepted accounting principles and may be different from pro forma measures used by other companies.

##MORE##

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

	THREE MONTHS ENDED			NINE MONTHS ENDED	
	(Unaudited)			(Unaudited)	
	Sep 29, 2002	Sep 30, 2001	Jun 30, 2002	Sep 29, 2002	Sep 30, 2001
Revenues	\$ 205,021	\$ 180,284	\$ 202,121	\$ 600,297	\$ 628,093
Cost of revenues	111,096	208,111	110,852	340,214	437,337
Gross Margin	93,925	(27,827)	91,269	260,083	190,756
Operating expenses:					
Research and development	70,987	77,496	80,119	224,588	196,429
Selling, general and administrative	48,551	41,571	35,362	119,296	125,507
Restructuring costs (credits)	2,433	132,113	(10,305)	(6,277)	132,113
Acquisition and non-recurring costs	10,658	91,566	9,795	32,145	134,157
Total operating expenses	132,629	342,746	114,971	369,752	588,206
Operating loss	(38,704)	(370,573)	(23,702)	(109,669)	(397,450)
Net interest income (expense) and other	(16,296)	(4,511)	(2,376)	(12,389)	14,332
Loss before income tax	(55,000)	(375,084)	(26,078)	(122,058)	(383,118)
(Provision) benefit for income tax	(89)	12,775	(1,983)	(883)	13,410
Net loss	<u>\$ (55,089)</u>	<u>\$ (362,309)</u>	<u>\$ (28,061)</u>	<u>\$ (122,941)</u>	<u>\$ (369,708)</u>
Basic and diluted net loss per share	\$ (0.45)	\$ (2.92)	\$ (0.23)	\$ (1.00)	\$ (2.95)
Shares used in per share calculations:	123,634	124,107	122,964	122,907	125,347

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