

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

(Unaudited)

|  | <u>Apr 2,<br/>2006</u>  | <u>Jan 1,<br/>2006</u>  |
|--|-------------------------|-------------------------|
| <b>ASSETS</b>  |                         |                         |
| Cash, cash equivalents, and investments <sup>(a)</sup> | \$ 414,441              | \$ 393,788              |
| Accounts receivable, net                               | 156,689                 | 151,213                 |
| Inventories  | 84,337                  | 73,573                  |
| Property and equipment, net                            | 472,233                 | 464,656                 |
| Goodwill and other intangible assets                   | 410,217                 | 459,496                 |
| Other assets   | <u>229,806</u>          | <u>155,148</u>          |
| <br>Total assets                                       | <br><u>\$ 1,767,723</u> | <br><u>\$ 1,697,874</u> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>            |                         |                         |
| Accounts payable and accrued liabilities               | \$ 188,914              | \$ 164,066              |
| Deferred income  | 39,946                  | 29,404                  |
| Convertible subordinated notes                         | 598,997                 | 599,997                 |
| Income tax liabilities                                 | 59,093                  | 59,590                  |
| Other liabilities                                      | <u>44,383</u>           | <u>49,378</u>           |
| <br>Total liabilities                                  | <br>931,333             | <br>902,435             |
| Minority interest                                      | 39,154                  | 38,304                  |
| Stockholders' equity <sup>(b)</sup>                    | <u>797,236</u>          | <u>757,135</u>          |
| <br>Total liabilities and stockholders' equity         | <br><u>\$ 1,767,723</u> | <br><u>\$ 1,697,874</u> |

<sup>(a)</sup> Cash, cash equivalents, and investments include restricted cash totaling \$63.4 million and \$63.5 million as of April 2, 2006 and January 1, 2006, respectively.

<sup>(b)</sup> Common stock, \$.01 par value, 650,000 and 650,000 shares authorized; 139,345 and 137,036 shares outstanding as of April 2, 2006 and January 1, 2006, respectively.

**CYPRESS SEMICONDUCTOR CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(On a GAAP basis)  
(In thousands, except per share data)

(Unaudited)

|   | THREE MONTHS ENDED |                    |                   |
|---|--------------------|--------------------|-------------------|
|   | Apr 2,<br>2006     | Apr 3,<br>2005     | Jan 1,<br>2006    |
| Revenues  | \$ 249,137         | \$ 200,304         | \$ 238,473        |
| Cost of revenues <sup>(a)</sup>                       | 145,725            | 126,649            | 140,779           |
| Gross margin  | 103,412            | 73,655             | 97,694            |
| Operating expenses:                                   |                    |                    |                   |
| Research and development <sup>(a)</sup>               | 62,666             | 58,040             | 55,609            |
| Selling, general and administrative <sup>(a)</sup>    | 44,920             | 38,409             | 40,796            |
| Amortization of intangibles                           | 4,450              | 8,400              | 5,692             |
| In-process research and development charge            | -                  | 12,300             | -                 |
| Restructuring costs (credits) <sup>(a)</sup>          | 602                | 22,709             | (982)             |
| Gain on sale of NSE assets                            | (5,998)            | -                  | -                 |
| Total operating costs                                 | 106,640            | 139,858            | 101,115           |
| Operating loss  | (3,228)            | (66,203)           | (3,421)           |
| Net interest income (expense) and other               | 12,009             | (2,282)            | 501               |
| Income (loss) before income tax and minority interest | 8,781              | (68,485)           | (2,920)           |
| Income tax (provision) benefit                        | (1,663)            | (311)              | 1,037             |
| Minority interest, net of tax                         | (37)               | -                  | (275)             |
| Net income (loss)                                     | <u>\$ 7,081</u>    | <u>\$ (68,796)</u> | <u>\$ (2,158)</u> |
| Basic net income (loss) per share                     | \$ 0.05            | \$ (0.53)          | \$ (0.02)         |
| Diluted net income (loss) per share                   | \$ 0.05            | \$ (0.53)          | \$ (0.02)         |
| Shares used in calculation:                           |                    |                    |                   |
| Basic   | 138,330            | 130,506            | 135,990           |
| Diluted   | 144,915            | 130,506            | 135,990           |

<sup>(a)</sup> includes the following stock-based compensation expense (credit):

|                                     |                  |                 |                   |
|-------------------------------------|------------------|-----------------|-------------------|
| Cost of revenues                    | \$ 917           | \$ -            | \$ 1              |
| Research and development            | 4,716            | (1,904)         | 100               |
| Selling, general and administrative | 5,072            | -               | (1,636)           |
| Restructuring                       | -                | 3,680           | -                 |
| Total                               | <u>\$ 10,705</u> | <u>\$ 1,776</u> | <u>\$ (1,535)</u> |

<sup>(a)</sup> Prior to January 2, 2006, Cypress accounted for stock-based compensation expense under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), and the related interpretation. In accordance with APB 25, Cypress historically used the intrinsic value method to account for stock-based compensation expense. As of January 2, 2006, Cypress accounts for stock-based compensation expense under Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment" ("SFAS 123(R)"). As Cypress adopted the modified prospective application method under SFAS 123(R), results for prior periods have not been restated.

**Reconciliation of GAAP net income (loss) to adjusted-GAAP net income (loss):**

|  |                  |                    |                 |
|--|------------------|--------------------|-----------------|
| <b>GAAP net income (loss)</b>                          | \$ 7,081         | \$ (68,796)        | \$ (2,158)      |
| Reconciling items:                                     |                  |                    |                 |
| Cost of revenues:                                      |                  |                    |                 |
| Acquisition-related and other expense (credit)         | (7)              | 119                | 300             |
| Stock-based compensation expense                       | 917              | -                  | 1               |
| Restructuring costs (credits)                          | 602              | 19,029             | (982)           |
| Amortization of intangibles                            | 4,450            | 8,400              | 5,692           |
| In-process research and development charge             | -                | 12,300             | -               |
| Gain on sale of NSE assets                             | (5,998)          | -                  | -               |
| Acquisition-related and other expense                  | 1,732            | 992                | 3,939           |
| Stock-based compensation expense (credit)              | 9,788            | 1,776              | (1,536)         |
| Synthetic lease - guarantee accrual                    | 500              | 304                | 305             |
| Gain on sale of investment and other                   | (10,028)         | -                  | -               |
| Investment impairment and other                        | 842              | 421                | 830             |
| Tax effects on adjusted-GAAP adjustments               | 514              | 311                | (480)           |
| Minority interest effects on adjusted-GAAP adjustments | (373)            | -                  | (142)           |
| <b>Adjusted-GAAP net income (loss)</b>                 | <u>\$ 10,020</u> | <u>\$ (25,144)</u> | <u>\$ 5,769</u> |
| Adjusted-GAAP basic net income (loss) per share        | \$ 0.07          | \$ (0.19)          | \$ 0.04         |
| Adjusted-GAAP diluted net income (loss) per share      | \$ 0.07          | \$ (0.19)          | \$ 0.04         |
| Shares used in calculation:                            |                  |                    |                 |
| Basic  | 138,330          | 130,506            | 135,990         |
| Diluted <sup>(b)</sup>                                 | 178,724          | 130,506            | 143,155         |

<sup>(b)</sup> Weighted average shares used to compute adjusted-GAAP diluted earnings per share for the quarter ended April 2, 2006 were computed exclusive of the incremental dilutive securities determined under SFAS 123(R).

**CYPRESS SEMICONDUCTOR CORPORATION**  
**RECONCILIATION OF GAAP NET INCOME (LOSS) PER SHARE TO ADJUSTED-GAAP NET INCOME (LOSS) PER SHARE**  
(In thousands, except per share data)

(Unaudited)

|  | <b>THREE MONTHS ENDED</b> |                  |                |
|--|---------------------------|------------------|----------------|
|  | Apr 2,<br>2006            | Apr 3,<br>2005   | Jan 1,<br>2006 |
| <b>Basic:</b>  |                           |                  |                |
| <b>GAAP net income (loss) per share</b>                                  | \$ 0.05                   | \$ (0.53)        | \$ (0.02)      |
| Reconciling items:   |                           |                  |                |
| Cost of revenues:  |                           |                  |                |
| Stock-based compensation expense   | 0.01                      | -                | -              |
| Restructuring costs (credits)  | -                         | 0.15             | (0.01)         |
| Amortization of intangibles  | 0.03                      | 0.07             | 0.04           |
| In-process research and development charge                               | -                         | 0.10             | -              |
| Gain on sale of NSE assets   | (0.04)                    | -                | -              |
| Acquisition-related and other expense                                    | 0.01                      | 0.01             | 0.03           |
| Stock-based compensation expense (credit)                                | 0.07                      | 0.01             | (0.01)         |
| Gain on sale of investment and other                                     | (0.07)                    | -                | -              |
| Investment impairment and other  | 0.01                      | -                | 0.01           |
| <b>Adjusted-GAAP net income (loss) per share</b>                         | <b>\$ 0.07</b>            | <b>\$ (0.19)</b> | <b>\$ 0.04</b> |
| <b>Diluted:</b>  |                           |                  |                |
| <b>GAAP net income (loss) per share</b>                                  | \$ 0.05                   | \$ (0.53)        | \$ (0.02)      |
| Reconciling items:   |                           |                  |                |
| Cost of revenues:  |                           |                  |                |
| Stock-based compensation expense   | 0.01                      | -                | -              |
| Restructuring costs (credits)  | -                         | 0.15             | (0.01)         |
| Amortization of intangibles  | 0.03                      | 0.07             | 0.04           |
| In-process research and development charge                               | -                         | 0.10             | -              |
| Gain on sale of NSE assets   | (0.04)                    | -                | -              |
| Acquisition-related and other expense                                    | 0.01                      | 0.01             | 0.03           |
| Stock-based compensation expense (credit)                                | 0.07                      | 0.01             | (0.01)         |
| Gain on sale of investment and other                                     | (0.07)                    | -                | -              |
| Investment impairment and other  | 0.01                      | -                | 0.01           |
| Impact of assumed conversion of the convertible subordinated notes       | 0.01                      | -                | -              |
| Difference in share count between diluted GAAP and diluted adjusted-GAAP | (0.01)                    | -                | -              |
| <b>Adjusted-GAAP net income (loss) per share</b>                         | <b>\$ 0.07</b>            | <b>\$ (0.19)</b> | <b>\$ 0.04</b> |

**CYPRESS SEMICONDUCTOR CORPORATION**  
**SUPPLEMENTAL SEGMENT INFORMATION**  
(In thousands, except per share and percentage data)

(Unaudited)

|   | THREE MONTHS ENDED |           |            |           |            |            |
|---|--------------------|-----------|------------|-----------|------------|------------|
|   | April 2, 2006      |           |            |           |            |            |
|   | CCD                | DCD       | MID        | SunPower  | Other      | Total      |
| Revenues  | \$ 89,208          | \$ 32,023 | \$ 76,200  | \$ 41,958 | \$ 9,748   | \$ 249,137 |
| Adjusted-GAAP gross margin %                                      | 51.0%              | 63.0%     | 34.2%      | 16.8%     | 57.4%      | 41.9%      |
| Adjusted-GAAP net income (loss) - BASIC                           | \$ 8,480           | \$ 3,694  | \$ (1,864) | \$ 2,431  | \$ (2,721) | \$ 10,020  |
| Adjusted-GAAP net income (loss) - DILUTED                         | \$ 9,325           | \$ 3,998  | \$ (1,142) | \$ 2,234  | \$ (2,628) | \$ 11,787  |
| Adjusted-GAAP basic net income (loss) per share contribution(1)   | \$ 0.06            | \$ 0.02   | \$ (0.01)  | \$ 0.02   | \$ (0.02)  | \$ 0.07    |
| Adjusted-GAAP diluted net income (loss) per share contribution(1) | \$ 0.05            | \$ 0.02   | \$ (0.01)  | \$ 0.02   | \$ (0.01)  | \$ 0.07    |

**Reconciliation of adjusted-GAAP gross margin to GAAP gross margin:**

|                                       |                   |              |
|---------------------------------------|-------------------|--------------|
| <b>Adjusted-GAAP gross margin</b>     | \$ 104,322        | 41.9%        |
| Reconciling items: (2)                |                   |              |
| Acquisition-related and other expense | 7                 | -            |
| Stock-based compensation expense      | (917)             | (0.4)        |
| <b>GAAP gross margin</b>              | <u>\$ 103,412</u> | <u>41.5%</u> |

**Reconciliation of adjusted-GAAP EPS to GAAP EPS:**

|   |                |
|---|----------------|
| <b>Basic:</b>                             |                |
| <b>Adjusted-GAAP net income per share</b> | \$ 0.07        |
| Reconciling items: (2)                    |                |
| Cost of revenues:                         |                |
| Stock-based compensation expense          | (0.01)         |
| Amortization of intangibles               | (0.03)         |
| Gain on sale of NSE assets                | 0.04           |
| Acquisition-related and other expense     | (0.01)         |
| Stock-based compensation expense          | (0.07)         |
| Gain on sale of investment and other      | 0.07           |
| Investment impairment and other           | (0.01)         |
| <b>GAAP net income per share</b>          | <u>\$ 0.05</u> |

**Diluted:**

|  |                |
|--|----------------|
| <b>Adjusted-GAAP net income per share</b>                                | \$ 0.07        |
| Reconciling items: (2)   |                |
| Cost of revenues:  |                |
| Stock-based compensation expense   | (0.01)         |
| Amortization of intangibles  | (0.03)         |
| Gain on sale of NSE assets   | 0.04           |
| Acquisition-related and other expense                                    | (0.01)         |
| Stock-based compensation expense   | (0.07)         |
| Gain on sale of investment and other                                     | 0.07           |
| Investment impairment and other  | (0.01)         |
| Impact of assumed conversion of the convertible subordinated notes       | (0.01)         |
| Difference in share count between diluted GAAP and diluted adjusted-GAAP | 0.01           |
| <b>GAAP net income per share</b>   | <u>\$ 0.05</u> |

(1) Adjusted-GAAP net income (loss) per share by segment is calculated using the diluted weighted average share count utilized for the consolidated reported results. Management evaluates the company utilizing the same weighted average share count as utilized for consolidated reporting purposes.

(2) The Company does not allocate GAAP reconciling items to the segments. Management uses the adjusted-GAAP measures internally for strategic decision making, forecasting future results and evaluating the Company's current performance. These adjusted-GAAP measures exclude the GAAP items listed within the reconciling section and are not allocated to the segments as management does not evaluate the company including these GAAP measures. In addition, the adjusted-GAAP net income (loss) per share by segment is calculated utilizing the consolidated weighted average share count used for consolidated adjusted-GAAP net income (loss) per share - see (1) above. As such there is not a directly comparable GAAP measure for the segment adjusted-GAAP net income (loss) per share and one is not presented. The most directly comparable GAAP measure is at the consolidated results level which is presented above.