**CYPRESS SEMICONDUCTOR CORPORATION**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(In thousands)**
**(Unaudited)**

| | June 29, 2008 | December 30, 2007 |
|---|---|---|
| **ASSETS** | | |
| Cash, cash equivalents and short-term investments (a) | $ 1,020,765 | $ 1,426,405 |
| Accounts receivable, net | 354,954 | 236,275 |
| Inventories, net | 329,446 | 247,587 |
| Property, plant and equipment, net | 777,111 | 714,372 |
| Goodwill and other intangible assets | 598,581 | 593,331 |
| Other assets | 582,725 | 507,979 |
| Total assets | $ 3,663,582 | $ 3,725,949 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Accounts payable | $ 240,928 | $ 171,126 |
| Deferred income | 49,955 | 38,452 |
| Convertible debt (b) | 1,024,997 | 1,025,000 |
| Income tax liabilities | 67,706 | 74,157 |
| Other accrued liabilities | 322,691 | 318,382 |
| Total liabilities | 1,706,277 | 1,627,117 |
| Minority interest | 426,192 | 378,400 |
| Stockholders' equity | 1,531,113 | 1,720,432 |
| Total liabilities and stockholders' equity | $ 3,663,582 | $ 3,725,949 |

(a) Cash, cash equivalents and short-term investments do not include $63 million and $68 million of auction rate securities, which were classified as long-term investments in "Other assets" as of June 29, 2008 and December 30, 2007, respectively.

(b) Convertible debt consisted of $800 million classified as short-term and $225 million classified as long-term as of June 29, 2008. All outstanding convertible debt of $1 billion was classified as short-term as of December 30, 2007.

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

| | Three Months Ended | | |
|---|---|---|---|
| | June 29, 2008 | March 30, 2008 | July 1, 2007 |
| Revenues | $ 592,331 | $ 442,083 | $ 372,786 |
| Cost of revenues | 394,666 | 305,402 | 250,038 |
| Gross margin | 197,665 | 136,681 | 122,748 |
| Operating expenses: | | | |
| Research and development | 50,205 | 48,792 | 42,737 |
| Selling, general and administrative | 103,081 | 89,879 | 74,712 |
| Amortization of acquisition-related intangibles | 5,842 | 5,976 | 9,593 |
| Impairment of acquisition-related intangibles | - | - | 14,068 |
| Restructuring charges | 1,958 | 2,412 | - |
| Total operating expenses, net | 161,086 | 147,059 | 141,110 |
| Operating income (loss) | 36,579 | (10,378) | (18,362) |
| Interest and other income, net | 129 | 6,912 | 377,798 |
| Income (loss) before income tax and minority interest | 36,708 | (3,466) | 359,436 |
| Income tax benefit (provision) | (771) | (7,283) | 1,885 |
| Minority interest, net of tax | (12,531) | (5,560) | 2,039 |
| Net income (loss) | $ 23,406 | $ (16,309) | $ 363,360 |
| Basic net income (loss) per share | $ 0.16 | $ (0.11) | $ 2.39 |
| Diluted net income (loss) per share | $ 0.14 | $ (0.11) | $ 2.29 |
| Shares used in per-share calculation: | | | |
| Basic | 150,675 | 154,960 | 152,111 |
| Diluted | 161,732 | 154,960 | 158,857 |

**CYPRESS SEMICONDUCTOR CORPORATION**
**CYPRESS'S OWNERSHIP INTEREST IN SUNPOWER**
**(In thousands, except percentages)**
**(Unaudited)**

| | June 29, 2008 | March 30, 2008 | July 1, 2007 |
|---|---|---|---|
| Number of SunPower class B common shares held by Cypress | 44,533 | 44,533 | 44,533 |
| Basic ownership % | 56% | 56% | 59% |
| Diluted ownership % | 52% | 52% | 55% |
| Voting power % | 90% | 90% | 91% |
| Fair value of Cypress's ownership interest in SunPower (a) | $ 3,237,994 | $ 3,278,965 | $ 2,807,806 |

(a) Fair value was determined using SunPower's closing stock price as of the end of each applicable quarter, which was $72.71 for Q2-FY2008, $73.63 for Q1-2008, and $63.05 for Q2-FY2007.

**CYPRESS SEMICONDUCTOR CORPORATION**
**RECONCILIATION OF GAAP FINANCIAL MEASURES TO NON-GAAP FINANCIAL MEASURES***
**(In thousands)**
**(Unaudited)**

| | Three Months Ended June 29, 2008 | | | | | | |
|---|---|---|---|---|---|---|---|
| | CCD (a) | DCD (a) | MID (a) | Other | Semiconductor (b) | SunPower | Consolidated |
| **GAAP gross margin** | $ 40,449 | $ 22,161 | $ 37,890 | $ 1,228 | $ 101,728 | $ 95,937 | $ 197,665 |
| Stock-based compensation expense | 1,802 | 750 | 1,935 | 76 | 4,563 | 5,129 | 9,692 |
| Other acquisition-related expense | 1 | - | - | - | 1 | - | 1 |
| Changes in value of deferred compensation plan | - | - | - | 21 | 21 | - | 21 |
| **Non-GAAP gross margin** | $ 42,252 | $ 22,911 | $ 39,825 | $ 1,325 | $ 106,313 | $ 101,066 | $ 207,379 |

| | Three Months Ended March 30, 2008 | | | | | | |
|---|---|---|---|---|---|---|---|
| | CCD | DCD | MID | Other | Semiconductor | SunPower | Consolidated |
| **GAAP gross margin** | $ 29,550 | $ 19,452 | $ 30,789 | $ 358 | $ 80,149 | $ 56,532 | $ 136,681 |
| Stock-based compensation expense | 1,352 | 609 | 1,603 | 53 | 3,617 | 3,714 | 7,331 |
| Impairment of assets | 648 | 292 | 769 | 25 | 1,734 | 5,489 | 7,223 |
| Other acquisition-related expense | 1 | - | - | - | 1 | - | 1 |
| Changes in value of deferred compensation plan | - | - | - | (158) | (158) | - | (158) |
| **Non-GAAP gross margin** | $ 31,551 | $ 20,353 | $ 33,161 | $ 278 | $ 85,343 | $ 65,735 | $ 151,078 |

| | Three Months Ended July 1, 2007 | | | | | | |
|---|---|---|---|---|---|---|---|
| | CCD | DCD | MID | Other | Semiconductor | SunPower | Consolidated |
| **GAAP gross margin** | $ 39,174 | $ 17,589 | $ 29,156 | $ 350 | $ 86,269 | $ 36,479 | $ 122,748 |
| Stock-based compensation expense | 1,307 | 277 | 1,531 | 69 | 3,184 | 3,198 | 6,382 |
| Fair value adjustment to deferred revenue | - | - | - | - | - | 309 | 309 |
| Other acquisition-related expense | 4 | - | - | - | 4 | - | 4 |
| Changes in value of deferred compensation plan | - | - | - | (9) | (9) | - | (9) |
| **Non-GAAP gross margin** | $ 40,485 | $ 17,866 | $ 30,687 | $ 410 | $ 89,448 | $ 39,986 | $ 129,434 |

*Please refer to the accompanying "Notes to Non-GAAP Financial Measures" for a detailed discussion of management's use of non-GAAP financial measures.
(a) CCD - Consumer and Computation Division; DCD - Data Communications Division; MID - Memory and Imaging Division.
(b) Semiconductor includes all Cypress's business segments except for SunPower.

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

| | Three Months Ended June 29, 2008 | | | Three Months Ended March 30, 2008 | | | Three Months Ended July 1, 2007 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Semiconductor** | **SunPower** | **Consolidated** | **Semiconductor** | **SunPower** | **Consolidated** | **Semiconductor** | **SunPower** | **Consolidated** |
| **GAAP research and development expenses** | $ 45,392 | $ 4,813 | $ 50,205 | $ 44,150 | $ 4,642 | $ 48,792 | $ 39,916 | $ 2,821 | $ 42,737 |
| Stock-based compensation expense | (5,190) | (972) | (6,162) | (4,911) | (811) | (5,722) | (3,915) | (348) | (4,263) |
| Other acquisition-related expense | (47) | - | (47) | (78) | - | (78) | (86) | - | (86) |
| Changes in value of deferred compensation plan | (25) | - | (25) | 182 | - | 182 | 10 | - | 10 |
| **Non-GAAP research and development expenses** | $ 40,130 | $ 3,841 | $ 43,971 | $ 39,343 | $ 3,831 | $ 43,174 | $ 35,925 | $ 2,473 | $ 38,398 |
| | | | | | | | | | |
| **GAAP selling, general and administrative expenses** | $ 61,000 | $ 42,081 | $ 103,081 | $ 57,125 | $ 32,754 | $ 89,879 | $ 49,554 | $ 25,158 | $ 74,712 |
| Stock-based compensation expense | (9,421) | (12,506) | (21,927) | (7,662) | (9,983) | (17,645) | (7,288) | (9,684) | (16,972) |
| Other acquisition-related expense | (40) | - | (40) | (48) | - | (48) | (225) | - | (225) |
| Changes in value of deferred compensation plan | (19) | - | (19) | 139 | - | 139 | 8 | - | 8 |
| Release of allowance for uncollectible employee loans | - | - | - | 88 | - | 88 | - | - | - |
| **Non-GAAP selling, general and administrative expenses** | $ 51,520 | $ 29,575 | $ 81,095 | $ 49,642 | $ 22,771 | $ 72,413 | $ 42,049 | $ 15,474 | $ 57,523 |
| | | | | | | | | | |
| **GAAP operating income (loss)** | $ (8,430) | $ 45,009 | $ 36,579 | $ (25,198) | $ 14,820 | $ (10,378) | $ (5,156) | $ (13,206) | $ (18,362) |
| Stock-based compensation expense | 19,174 | 18,607 | 37,781 | 16,190 | 14,508 | 30,698 | 14,387 | 13,230 | 27,617 |
| Impairment of assets | - | - | - | 1,734 | 5,489 | 7,223 | - | - | - |
| Acquisition-related expense: | | | | | | | | | |
| Fair value adjustment to deferred revenue | - | - | - | - | - | - | - | 309 | 309 |
| Amortization of acquisition-related intangibles | 1,808 | 4,034 | 5,842 | 1,659 | 4,317 | 5,976 | 1,953 | 7,640 | 9,593 |
| Impairment of acquisition-related intangibles | - | - | - | - | - | - | - | 14,068 | 14,068 |
| Other acquisition-related expense | 88 | - | 88 | 127 | - | 127 | 315 | - | 315 |
| Changes in value of deferred compensation plan | 65 | - | 65 | (479) | - | (479) | (27) | - | (27) |
| Release of allowance for uncollectible employee loans | - | - | - | (88) | - | (88) | - | - | - |
| Restructuring charges | 1,958 | - | 1,958 | 2,412 | - | 2,412 | - | - | - |
| **Non-GAAP operating income (loss)** | $ 14,663 | $ 67,650 | $ 82,313 | $ (3,643) | $ 39,134 | $ 35,491 | $ 11,472 | $ 22,041 | $ 33,513 |
| | | | | | | | | | |
| **GAAP net income (loss)** | $ 7,394 | $ 16,012 | $ 23,406 | $ (23,507) | $ 7,198 | $ (16,309) | $ 366,668 | $ (3,308) | $ 363,360 |
| Stock-based compensation expense | 19,174 | 18,607 | 37,781 | 16,190 | 14,508 | 30,698 | 14,387 | 13,230 | 27,617 |
| Impairment of assets | - | - | - | 1,734 | 5,489 | 7,223 | - | - | - |
| Acquisition-related expense: | | | | | | | | | |
| Fair value adjustment to deferred revenue | - | - | - | - | - | - | - | 309 | 309 |
| Amortization of acquisition-related intangibles | 1,808 | 4,034 | 5,842 | 1,659 | 4,317 | 5,976 | 1,953 | 7,640 | 9,593 |
| Impairment of acquisition-related intangibles | - | - | - | - | - | - | - | 14,068 | 14,068 |
| Other acquisition-related expense | 88 | - | 88 | 127 | - | 127 | 315 | - | 315 |
| Changes in value of deferred compensation plan | 65 | - | 65 | (479) | - | (479) | (27) | - | (27) |
| Release of allowance for uncollectible employee loans | - | - | - | (88) | - | (88) | - | - | - |
| Restructuring charges | 1,958 | - | 1,958 | 2,412 | - | 2,412 | - | - | - |
| Investment-related gains/losses | 2,758 | - | 2,758 | (26) | - | (26) | (372,422) | - | (372,422) |
| Write-off of unamortized bond issuance costs | - | - | - | 1,557 | 972 | 2,529 | - | - | - |
| Tax effects | (14,057) | (118) | (14,175) | 2,067 | (5,483) | (3,416) | 4,022 | (10,091) | (6,069) |
| Related minority interest adjustment | - | (9,902) | (9,902) | - | (8,699) | (8,699) | - | (9,942) | (9,942) |
| **Non-GAAP net income** | $ 19,188 | $ 28,633 | $ 47,821 | $ 1,646 | $ 18,302 | $ 19,948 | $ 14,896 | $ 11,906 | $ 26,802 |
| | | | | | | | | | |
| **GAAP net income (loss) per share - diluted** | $ 0.05 | $ 0.09 | $ 0.14 | $ (0.15) | $ 0.04 | $ (0.11) | $ 2.31 | $ (0.02) | $ 2.29 |
| Stock-based compensation expense | 0.12 | 0.11 | 0.23 | 0.11 | 0.08 | 0.19 | 0.08 | 0.08 | 0.16 |
| Impairment of assets | - | - | - | 0.01 | 0.03 | 0.04 | - | - | - |
| Acquisition-related expense: | | | - | | | | | | |
| Fair value adjustment to deferred revenue | - | - | - | - | - | - | - | - | - |
| Amortization of acquisition-related intangibles | 0.01 | 0.02 | 0.03 | 0.01 | 0.03 | 0.04 | 0.01 | 0.05 | 0.06 |
| Impairment of acquisition-related intangibles | - | - | - | - | - | - | - | 0.09 | 0.09 |
| Other acquisition-related expense | - | - | - | - | - | - | - | - | - |
| Changes in value of deferred compensation plan | - | - | - | - | - | - | - | - | - |
| Release of allowance for uncollectible employee loans | - | - | - | - | - | - | - | - | - |
| Restructuring charges | 0.01 | - | 0.01 | 0.01 | - | 0.01 | - | - | - |
| Investment-related gains/losses | 0.02 | - | 0.02 | - | - | - | (2.34) | - | (2.34) |
| Write-off of unamortized bond issuance costs | - | - | - | 0.01 | 0.01 | 0.02 | - | - | - |
| Tax effects | (0.09) | - | (0.09) | 0.01 | (0.03) | (0.02) | 0.03 | (0.07) | (0.04) |
| Related minority interest adjustment | - | (0.06) | (0.06) | - | (0.05) | (0.05) | - | (0.06) | (0.06) |
| **Non-GAAP net income per share - diluted** | $ 0.12 | $ 0.16 | $ 0.28 | $ 0.01 | $ 0.11 | $ 0.12 | $ 0.09 | $ 0.07 | $ 0.16 |

*Please refer to the accompanying "Notes to Non-GAAP Financial Measures" for a detailed discussion of management's use of non-GAAP financial measures.

**CYPRESS SEMICONDUCTOR CORPORATION**
**CONSOLIDATED EPS CALCULATION**
**(In thousands, except share price and per-share data)**
**(Unaudited)**

| | Three Months Ended June 29, 2008 | | Three Months Ended March 30, 2008 | | Three Months Ended July 1, 2007 | |
|---|---|---|---|---|---|---|
| | GAAP | Non-GAAP | GAAP | Non-GAAP | GAAP | Non-GAAP |
| Quarterly average stock price | $ 27.38 | $ 27.38 | $ 23.74 | $ 23.74 | $ 21.50 | $ 21.50 |
| Actual common shares outstanding | 150,935 | 150,935 | 150,234 | 150,234 | 152,816 | 152,816 |
| **Net income (loss) per share - BASIC:** | | | | | | |
| Net income (loss) | $ 23,406 | $ 47,821 | $ (16,309) | $ 19,948 | $ 363,360 | $ 26,802 |
| Weighted-average common shares outstanding | 150,675 | 150,675 | 154,960 | 154,960 | 152,111 | 152,111 |
| **Net income (loss) per share - BASIC** | $ 0.16 | $ 0.32 | $ (0.11) | $ 0.13 | $ 2.39 | $ 0.18 |
| **Net income (loss) per share - DILUTED:** | | | | | | |
| Net income (loss) | $ 23,406 | $ 47,821 | $ (16,309) | $ 19,948 | $ 363,360 | $ 26,802 |
| SunPower adjustment and other (a) | (838) | (1,513) | - | (969) | (27) | (856) |
| Net income (loss) for diluted computation | $ 22,568 | $ 46,308 | $ (16,309) | $ 18,979 | $ 363,333 | $ 25,946 |
| Weighted-average common shares outstanding | 150,675 | 150,675 | 154,960 | 154,960 | 152,111 | 152,111 |
| Effect of dilutive securities: | | | | | | |
| Convertible debt | 3,191 | 3,191 | - | - | - | - |
| Warrants | 348 | 348 | - | - | - | - |
| Stock options, unvested restricted stock and other | 7,518 | 10,446 | - | 9,608 | 6,746 | 9,462 |
| Weighted-average common shares outstanding for diluted computation | 161,732 | 164,660 | 154,960 | 164,568 | 158,857 | 161,573 |
| **Net income (loss) per share - DILUTED** | $ 0.14 | $ 0.28 | $ (0.11) | $ 0.12 | $ 2.29 | $ 0.16 |

(a) Includes primarily an adjustment to reflect Cypress's ownership interest in SunPower on a diluted basis in accordance with SFAS No. 128.

**CYPRESS SEMICONDUCTOR CORPORATION**
**SUPPLEMENTAL FINANCIAL DATA**
**(In thousands)**
**(Unaudited)**

| | June 29, 2008 | | | December 30, 2007 | | |
|---|---|---|---|---|---|---|
| | Semiconductor | SunPower | Consolidated | Semiconductor | SunPower | Consolidated |
| **Selected Balance Sheet Data:** | | | | | | |
| Cash, cash equivalents and short-term investments (a) | $ 793,990 | $ 226,775 | $ 1,020,765 | $ 1,035,738 | $ 390,667 | $ 1,426,405 |
| Accounts receivable, net | $ 105,495 | $ 249,459 | $ 354,954 | $ 98,025 | $ 138,250 | $ 236,275 |
| Inventories, net | $ 129,178 | $ 200,268 | $ 329,446 | $ 107,083 | $ 140,504 | $ 247,587 |
| Property, plant and equipment, net | $ 325,142 | $ 451,969 | $ 777,111 | $ 336,378 | $ 377,994 | $ 714,372 |
| Goodwill and other intangible assets | $ 357,028 | $ 241,553 | $ 598,581 | $ 357,701 | $ 235,630 | $ 593,331 |
| Accounts payable | $ 53,081 | $ 187,847 | $ 240,928 | $ 51,257 | $ 119,869 | $ 171,126 |
| Deferred income | $ 49,955 | $ - | $ 49,955 | $ 38,452 | $ - | $ 38,452 |
| Convertible debt (b) | $ 599,997 | $ 425,000 | $ 1,024,997 | $ 600,000 | $ 425,000 | $ 1,025,000 |
| Income tax liabilities | $ 37,364 | $ 30,342 | $ 67,706 | $ 52,666 | $ 21,491 | $ 74,157 |

| | Three Months Ended June 29, 2008 | | | Three Months Ended July 1, 2007 | | |
|---|---|---|---|---|---|---|
| | Semiconductor | SunPower | Consolidated | Semiconductor | SunPower | Consolidated |
| **Other Supplemental Data (Preliminary):** | | | | | | |
| Capital expenditures | $ 11,355 | $ 44,407 | $ 55,762 | $ 8,682 | $ 47,636 | $ 56,318 |
| Depreciation | $ 17,054 | $ 11,753 | $ 28,807 | $ 19,228 | $ 5,762 | $ 24,990 |
| | **Six Months Ended June 29, 2008** | | | **Six Months Ended July 1, 2007** | | |
| | **Semiconductor** | **SunPower** | **Consolidated** | **Semiconductor** | **SunPower** | **Consolidated** |
| Capital expenditures | $ 21,162 | $ 95,197 | $ 116,359 | $ 19,823 | $ 103,844 | $ 123,667 |
| Depreciation | $ 35,038 | $ 21,838 | $ 56,876 | $ 40,494 | $ 11,486 | $ 51,980 |

| | Six Months Ended June 29, 2008 | | | Six Months Ended July 1, 2007 | | |
|---|---|---|---|---|---|---|
| | Semiconductor | SunPower | Consolidated | Semiconductor | SunPower | Consolidated |
| **Selected Cash Flow Data (Preliminary):** | | | | | | |
| Net cash provided by (used in) operating activities | $ 51,613 | $ (41,432) | $ 10,181 | $ 22,454 | $ (4,644) | $ 17,810 |
| Net cash provided by (used in) investing activities | $ 35,028 | $ (75,185) | $ (40,157) | $ 515,912 | $ (206,837) | $ 309,075 |
| Net cash provided by (used in) financing activities | $ (266,172) | $ 13,838 | $ (252,334) | $ (116,888) | $ 197,376 | $ 80,488 |

(a) Consolidated balances do not include $63 million and $68 million of auction rate securities, which were classified as long-term investments in "Other assets" as of June 29, 2008 and December 30, 2007, respectively.
(b) Convertible debt consisted of $800 million classified as short-term and $225 million classified as long-term as of June 29, 2008. All outstanding convertible debt of $1 billion was classified as short-term as of December 30, 2007.

## Notes to Non-GAAP Financial Measures

To supplement its consolidated financial results presented in accordance with GAAP, Cypress uses non-GAAP financial measures which are adjusted from the most directly comparable GAAP financial measures to exclude certain items, as described in details below. Management believes that these non-GAAP financial measures reflect an additional and useful way of viewing aspects of Cypress's operations that, when viewed in conjunction with Cypress's GAAP results, provide a more comprehensive understanding of the various factors and trends affecting Cypress's business and operations. Non-GAAP financial measures used by Cypress include:

- Gross margin;
- Research and development expenses;
- Selling, general and administrative expenses;
- Operating income (loss);
- Net income (loss); and
- Diluted net income (loss) per share.

Cypress uses each of these non-GAAP financial measures for internal managerial purposes, when providing its financial results and business outlook to the public, and to facilitate period-to-period comparisons. Management believes that these non-GAAP measures provide meaningful supplemental information regarding Cypress's operational and financial performance of current and historical results. Management uses these non-GAAP measures for strategic and business decision making, internal budgeting, forecasting and resource allocation processes. In addition, these non-GAAP financial measures facilitate management's internal comparisons to Cypress's historical operating results and comparisons to competitors' operating results.

Cypress believes that providing these non-GAAP financial measures, in addition to the GAAP financial results, are useful to investors because they allow investors to see Cypress's results "through the eyes" of management as these non-GAAP financial measures reflect Cypress's internal measurement processes. Management believes that these non-GAAP financial measures enable investors to better assess changes in each key element of Cypress's operating results across different reporting periods on a consistent basis. Thus, management believes that each of these non-GAAP financial measures provides investors with another method for assessing Cypress's operating results in a manner that is focused on the performance of its ongoing operations.

Cypress presents each non-GAAP financial measure, including the diluted net income (loss) per share, for the following categories: "Semiconductor," "SunPower," and "Consolidated." SunPower is a majority-owned subsidiary of Cypress and for accounting purposes, Cypress is required to consolidate SunPower's results. Cypress includes two distinct businesses: Semiconductor and SunPower. Semiconductor is Cypress's traditional core semiconductor business. On the other hand, SunPower is a stand-alone, publicly-traded company specializing in solar power products.

Cypress's investment community often views Cypress as two separate entities: Cypress and SunPower, and many Cypress investors have focused on the possibility of a future separation of SunPower and Cypress in evaluating an investment in Cypress. Based on feedback provided by Cypress's investment community to management, these non-GAAP financial measures divided into "Semiconductor" and "SunPower" are beneficial as they allow Cypress's investment community to better understand Cypress's financial performance for the two businesses separately, assess the various methodologies and information used by management to evaluate and measure such performance, and construct their valuation models to better align Cypress's and SunPower's results and projections with their applicable competitors and industries.

There are limitations in using non-GAAP financial measures because they are not prepared in accordance with GAAP and may be different from non-GAAP financial measures used by other companies. In addition, non-GAAP financial measures may be limited in value because they exclude certain items that may have a material impact upon Cypress's reported financial results. Management compensates for these limitations by providing investors with reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures. The presentation of non-GAAP financial information is not meant to be considered in isolation or as a substitute for the most directly comparable GAAP financial measures. The non-GAAP financial measures supplement, and should be viewed in conjunction with, GAAP financial measures. Investors should review the reconciliations of the non-GAAP financial measures to their most directly comparable GAAP financial measures as provided in the accompanying press release.

As presented in the "Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures" tables in the accompanying press release, each of the non-GAAP financial measures excludes one or more of the following items:

- Stock-based compensation expense.

  Stock-based compensation expense relates primarily to the equity awards such as stock options and restricted stock. Stock-based compensation is a non-cash expense that varies in amount from period to period and is dependent on market forces that are often beyond Cypress's control. As a result, management excludes this item from Cypress's internal operating forecasts and models. Management believes that non-GAAP measures adjusted for stock-based compensation provide investors with a basis to measure Cypress's core performance against the performance of other companies without the variability created by stock-based compensation as a result of the variety of equity awards used by companies and the varying methodologies and subjective assumptions used in determining such non-cash expense.

- Impairment of assets.

  Cypress wrote off the net book values of certain manufacturing equipment in the first quarter of fiscal 2008, which resulted from the discontinuation of certain SunPower's product line or was replaced due to obsolescence / underperformance. Cypress excluded this item because the non-cash expense is not reflective of its ongoing operating results. Excluding this impairment charge allows investors to better compare Cypress's period-over-period performance without such non-cash expense.

- Acquisition-related expense.

  Acquisition-related expense includes: (1) fair value adjustment to deferred revenue, which is an adjustment that results in certain revenues never being recognized under GAAP by either the acquiring company or the company being acquired, (2) amortization of intangibles, which include acquired intangibles such as purchased technology, patents and trademarks, (3) impairment of intangibles, which relates to the net book value of the PowerLight tradename being written off in its entirety as a result of the change in branding strategy, and (4) earn-out compensation expense, which include compensation resulting from the achievement of milestones established in accordance with the terms of the acquisitions. In most cases, these acquisition-related charges are not factored into management's evaluation of potential acquisitions or Cypress's performance after completion of acquisitions, because they are not related to Cypress's core operating performance. In addition, in all cases, the frequency and amount of such charges can vary significantly based on the size and timing of acquisitions and the maturities of the businesses being acquired. Adjustments of these items provide investors with a basis to compare Cypress against the performance of other companies without the variability caused by purchase accounting.

- Changes in value of Cypress's key employee deferred compensation plan.

  Cypress sponsors a voluntary deferred compensation plan which provides certain key employees with the option to defer the receipt of compensation in order to accumulate funds for retirement. The amounts are held in a trust and Cypress does not make contributions to the deferred compensation plan or guarantee returns on the investment. Changes in the value of the investment in Cypress's common stock under the plan are excluded from the non-GAAP measures. Management believes that such non-cash item is not related to the ongoing core business and operating performance of Cypress, as the investment contributions are made by the employees themselves.

- Release of allowance for uncollectible employee loans.
  The allowance for uncollectible employee loans is related to outstanding employee loans under Cypress's stock purchase assistance plan. Management released a portion of the allowance based on a review of the status of the outstanding loans. Management excludes this non-cash benefit from the non-GAAP measures because it does not relate to Cypress's core business or impact its operating performance. Adjustment of this item allows investors to better compare Cypress's period-over-period operating results.

- Restructuring charges.
  Restructuring costs primarily relate to activities engaged by management to make changes related to its infrastructure in an effort to reduce costs. Restructuring costs are excluded from non-GAAP financial measures because they are not considered core operating activities and such costs have not historically occurred in each year. Although Cypress has engaged in various restructuring activities in the past, each has been a discrete event based on a unique set of business objectives. Cypress does not engage in restructuring activities on a regular basis. As such, management believes that it is appropriate to exclude restructuring charges from Cypress's non-GAAP financial measures, as it enhances the ability of investors to compare Cypress's period-over-period operating results from continuing operations.

- Investment-related gains/losses.
  Cypress recognizes an impairment loss related to its investment when it determines the decline in fair value is other-than-temporary in nature. This item is excluded from non-GAAP financial measures because it is a non-cash expense that is not considered a core operating activity, and such losses have not historically occurred in every quarter. In addition, investment-related gains/losses include gains/losses related to the sales of its debt and equity investments and gains/losses related to certain derivative instruments. Management believes that such gains/losses are not related to the ongoing business and operating performance of Cypress. As such, management believes that it is appropriate to exclude investment-related gains/losses from Cypress's non-GAAP financial measures, as it enhances the ability of investors to compare Cypress's period-over-period operating results.

- Write-off of unamortized bond issuance costs.
  During the fourth quarter of fiscal 2007, the market price trigger test was met for our convertible debt, giving the holders of the convertible debt the rights to convert. As a result, we accelerated the amortization of our remaining bond issuance costs in the fourth quarter of fiscal 2007 and in the first quarter of fiscal 2008. These costs are excluded from the non-GAAP financial measures because such non-cash expenses have not historically occurred in every quarter, which would affect the ability of investors to compare Cypress's period-over-period operating results. In addition, management does not believe that this item is indicative of the ongoing operating performance of Cypress's business.

- Related minority interest adjustment and tax effect.
  Cypress adjusts for the minority interest impact and the income tax effect that resulted from the non-GAAP adjustments as described above.