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

	March 29, 2009	December 28, 2008
ASSETS		
Cash, cash equivalents and short-term investments (a)	$ 223,742	$ 237,792
Accounts receivable, net	72,102	91,943
Inventories, net (b)	100,217	121,889
Property, plant and equipment, net	285,676	296,789
Goodwill and other intangible assets	49,498	50,514
Other assets	131,931	136,718
Total assets	$ 863,166	$ 935,645
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 38,866	$ 42,570
Deferred income	64,125	82,465
Convertible debt	27,999	27,999
Income tax liabilities	28,177	26,799
Other accrued liabilities	98,835	111,447
Total liabilities	258,002	291,280
Stockholders' equity	605,164	644,365
Total liabilities and stockholders' equity	$ 863,166	$ 935,645

(a) Cash, cash equivalents and short-term investments do not include $34 million and $35 million of auction rate securities, which are classified as long-term investments in "Other assets" as of March 29, 2009 and December 28, 2008, respectively.

(b) Net inventories included aproximately $18 million and $20 million as of March 29, 2009 and December 28, 2008, repectively related to the last-time-build program for Cypress's Texas manufacturing facility, which ceased operations at the end of fiscal 2008.
In addition, inventories include $8 million and $11 million of capitalized inventories related to SFAS No. 123 (R) as of March 29, 2009 anc December 28, 2008, respectively.

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

	Three Months Ended		
	March 29, 2009	December 28, 2008	March 30, 2008
Revenues	$ 139,309	$ 165,073	$ 168,382
Cost of revenues	105,294	104,511	88,233
Gross margin (a)	34,015	60,562	80,149
Operating expenses (credits):			
Research and development (a)	50,146	49,585	44,150
Selling, general and administrative (a)	60,715	50,803	57,169
Amortization of acquisition-related intangibles	1,319	1,550	1,659
Impairment of goodwill	-	351,257	-
Restructuring charges	8,415	9,401	2,412
Total operating expenses, net	120,595	462,596	105,390
Operating income (loss)	(86,580)	(402,034)	(25,241)
Interest and other income (expense), net (b)	(1,706)	(14,729)	(2,558)
Income (loss) from continuing operations before income taxes and minority interest	(88,286)	(416,763)	(27,799)
Income tax benefit (provision)	(2,625)	2,416	(2,250)
Minority interest	207	125	-
Income (loss) from continuing operations	(90,704)	(414,222)	(30,049)
Income (loss) from discontinued operations, net of taxes and minority interest	-	(809)	6,451
Net income (loss)	$ (90,704)	$ (415,031)	$ (23,598)
Basic net income (loss) per share:			
Continuing operations	$ (0.67)	$ (2.87)	$ (0.19)
Discontinued operations	-	(0.01)	0.04
Basic net income (loss) per share	$ (0.67)	$ (2.88)	$ (0.15)
Diluted net income (loss) per share:			
Continuing operations	$ (0.67)	$ (2.87)	$ (0.19)
Discontinued operations	-	(0.01)	0.04
Diluted net income (loss) per share	$ (0.67)	$ (2.88)	$ (0.15)
Shares used in per-share calculation:			
Basic	134,757	144,212	154,960
Diluted	134,757	144,212	154,960

(a) Includes the following credit (expense) related to Cypress's deferred compensation plan:

Gross margin	$ 62	$ 562	$ 943
Research and development	$ 95	$ 1,753	$ 1,085
Selling, general and administrative	$ 492	$ 4,064	$ 829
Interest and other income (expense), net	$ (674)	$ (5,935)	$ (2,536)

(b) As adjusted due to the implementation of FSP APB 14-1*"Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)."*

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

	Three Months Ended March 29, 2009				
	CCD (b)	DCD (b)	MID (b)	Other	Consolidated
GAAP gross margin	$ 16,960	$ 8,626	$ 9,759	$ (1,330)	$ 34,015
Stock-based compensation expense	5,332	2,091	6,767	88	14,278
Changes in value of deferred compensation plan	-	-	-	5	5
Non-GAAP gross margin	$ 22,292	$ 10,717	$ 16,526	$ (1,237)	$ 48,298

	Three Months Ended December 28, 2008				
	CCD (b)	DCD (b)	MID (b)	Other	Consolidated
GAAP gross margin	$ 24,683	$ 18,388	$ 18,112	$ (621)	$ 60,562
Stock-based compensation expense	2,539	1,075	2,360	39	6,013
Write down of final build inventory	2,475	-	-	-	2,475
Other acquisition-related expense	12	-	1,385	1	1,398
Non-GAAP gross margin	$ 29,709	$ 19,463	$ 21,857	$ (581)	$ 70,448

	Three Months Ended March 30, 2008				
	CCD (b)	DCD (b)	MID (b)	Other	Consolidated
GAAP gross margin	$ 29,550	$ 19,452	$ 30,789	$ 358	$ 80,149
Stock-based compensation expense	1,352	609	1,603	53	3,617
Impairment of assets	648	292	769	25	1,734
Other acquisition-related expense	1	-	-	-	1
Changes in value of deferred compensation plan	-	-	-	(158)	(158)
Non-GAAP gross margin	$ 31,551	$ 20,353	$ 33,161	$ 278	$ 85,343

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

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

	Three Months Ended		
	March 29, 2009	December 28, 2008	March 30, 2008
GAAP research and development expenses	$ 50,146	$ 49,585	$ 44,150
Stock-based compensation expense	(12,612)	(13,018)	(4,911)
Other acquisition-related expense	(27)	(1,442)	(78)
Changes in value of deferred compensation plan	(7)	433	182
Non-GAAP research and development expenses	$ 37,500	$ 35,558	$ 39,343
GAAP selling, general and administrative expenses	$ 60,715	$ 50,803	$ 57,169
Stock-based compensation expense	(21,355)	(10,340)	(7,662)
Other acquisition-related expense	(34)	70	(48)
Changes in value of deferred compensation plan	(36)	31	141
Release of allowance for uncollectible employee loans	-	(413)	88
Non-GAAP selling, general and administrative expenses	$ 39,290	$ 40,151	$ 49,688
GAAP operating income (loss)	$ (86,580)	$ (402,034)	$ (25,241)
Stock-based compensation expense	48,245	29,371	16,190
Acquisition-related expense:			
Impairment of goodwill	-	351,257	-
Amortization of acquisition-related intangibles	1,319	1,550	1,659
Other acquisition-related expense	59	2,770	127
Write down of final build inventory	-	2,475	-
Impairment of assets	-	-	1,734
Changes in value of deferred compensation plan	48	(464)	(481)
Release of allowance for uncollectible employee loans	-	413	(88)
Restructuring charges	8,415	9,401	2,412
Non-GAAP operating income (loss)	$ (28,494)	$ (5,261)	$ (3,688)
GAAP net income (loss)	$ (90,704)	$ (415,031)	$ (23,598)
Stock-based compensation expense	48,245	29,371	16,190
Acquisition-related expense:			
Impairment of goodwill	-	351,257	-
Amortization of acquisition-related intangibles	1,319	1,550	1,659
Other acquisition-related expense	59	2,770	127
Write down of final build inventory	-	2,475	-
Impairment of assets	-	-	1,734
Changes in value of deferred compensation plan	48	(464)	(481)
Release of allowance for uncollectible employee loans	-	413	(88)
Restructuring charges	8,415	9,401	2,412
Debt extinguishment loss	-	-	-
Investment-related gains/losses	1,411	7,760	-
Impact of FSP APB 14-1	-	1,773	8,032
Tax effects	1,734	(3,201)	2,067
(Income) loss from discontinued operations	-	809	(6,451)
Non-GAAP net income (loss)	$ (29,473)	$ (11,117)	$ 1,603
GAAP net income (loss) per share - diluted	$ (0.67)	$ (2.88)	$ (0.15)
Stock-based compensation expense	0.36	0.20	0.10
Acquisition-related expense:			
Impairment of goodwill	-	2.44	-
Amortization of acquisition-related intangibles	0.01	0.01	0.01
Other acquisition-related expense	-	0.02	-
Write down of final build inventory	-	0.02	-
Impairment of assets	-	-	0.01
Restructuring charges	0.06	0.06	0.02
Investment-related gains/losses	0.01	0.05	-
Impact of FSP APB 14-1	-	0.01	0.05
Tax effects	0.01	(0.02)	0.01
Non-GAAP share count adjustment	-	-	-
(Income) loss from discontinued operations	-	0.01	(0.04)
Non-GAAP net income (loss) per share - diluted	$ (0.22)	$ (0.08)	$ 0.01

(a) 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 DILUTED EPS CALCULATION
(In thousands, except per-share data)
(Unaudited)

	Three Months Ended					
	March 29, 2009		December 28, 2008		March 30, 2008	
	GAAP	Non-GAAP	GAAP	Non-GAAP	GAAP	Non-GAAP
Net income (loss) from continuing operations	$ (90,704)	$ (29,473)	$ (414,222)	$ (11,117)	$ (30,049)	$ 1,603
Adjustments:						
Interest and other costs related to convertible debt	-	-	-	-	-	-
Income (loss) from continuing operations for diluted computation	(90,704)	(29,473)	(414,222)	(11,117)	(30,049)	1,603
Income (loss) from discontinued operations	-	-	(809)	-	6,451	-
Net income (loss) for diluted computation	$ (90,704)	$ (29,473)	$ (415,031)	$ (11,117)	$ (23,598)	$ 1,603
Weighted-average common shares outstanding	134,757	134,757	144,212	144,212	154,960	154,960
Effect of dilutive securities:						
Convertible debt	-	-	-	-	-	-
Warrants	-	-	-	-	-	-
Stock options, unvested restricted stock and other	-	-	-	-	-	9,608
Weighted-average common shares outstanding for diluted computation	134,757	134,757	144,212	144,212	154,960	164,568
Net income (loss) per share - diluted:						
Continuing operations	$ (0.67)	$ (0.22)	$ (2.87)	$ (0.08)	$ (0.19)	$ 0.01
Discontinued operations	-	-	(0.01)	-	0.04	-
Net income (loss) per share - diluted	$ (0.67)	$ (0.22)	$ (2.88)	$ (0.08)	$ (0.15)	$ 0.01

CYPRESS SEMICONDUCTOR CORPORATION
SUPPLEMENTAL FINANCIAL DATA FOR CONTINUING OPERATIONS
(In thousands)
(Unaudited)

	Three Months Ended		
	March 29, 2009	**December 28, 2008**	**March 30, 2008**
Selected Cash Flow Data (Preliminary):			
Net cash provided by (used in) operating activities	$ (15,804)	$ 49,456	$ 10,174
Net cash provided by (used in) investing activities	$ 15,220	$ 42,639	$ 61,673
Net cash provided by (used in) financing activities	$ 6,225	$ (138,112)	$ (275,293)
Other Supplemental Data (Preliminary):			
Capital expenditures	$ 6,548	$ 8,082	$ 9,807
Depreciation	$ 13,580	$ 14,728	$ 17,984

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.

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.

- Acquisition-related expense.

  Acquisition-related expense primarily includes: (1) impairment of goodwill, (2) amortization of intangibles, which include acquired intangibles such as purchased technology, patents and trademarks, (3) a settlement loss resulted from the cancellation of a licensing agreement with Simtek following the acquisition, 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. 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.

- Impairment of assets.

  Cypress wrote off the net book values of certain manufacturing equipment in the first quarter of fiscal 2008. Cypress excluded this item because the non-cash expense was not reflective of its ongoing operating results. Excluding this data allows investors to better compare Cypress's period-over-period performance without such non-cash expense.

- 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 releases 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.

- Inventory reserve for last time build inventory.

  In connection with the exit of the Texas facility, Cypress completed a last time build of a substantial volume of inventory for certain products that were manufactured at this facility. During the fourth quarter of 2008, Cypress determined a demand reserve against this inventory was needed due to the continuing deteriorating economic conditions. This item is excluded from non-GAAP financial measures because such expense has 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.

- Restructuring charges.

  Restructuring charges primarily relate to activities engaged by management to make changes related to its infrastructure in an effort to reduce costs. Restructuring charges 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. 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.

  Investment-related gains/losses primarily include: (1) gain on sale of SunPower common stock, (2) impairment loss related to Cypress's investment when it determines the decline in fair value is other-than-temporary in nature, and (3) gains/losses related to the sales of its debt and equity investments. These items are excluded from non-GAAP financial measures because they are not related to the core operating activities and operating performance of Cypress, and in most cases, such transactions have not historically occurred in every quarter. 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.

- Impact of FSP APB 14-1

  During the first quarter of fiscal 2009we adopted FSP APB 14-1, "Accounting for Convertible Debt Instruments that May Be Settled in Cash upon Conversion," which specified that Cypress that Cypress should separately account for the liability and equity components of the instruments. The adoption required the retrospective application of the FSP and we recorded additional non-cash interest expense. 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 tax effect.

  Cypress adjusts for the income tax effect that resulted from the non-GAAP adjustments as described above.

- Income (loss) from discontinued operations.

  Cypress completed the spin-off of SunPower in the fourth quarter of fiscal 2008 and restated the financial statements to present SunPower as discontinued operations for all periods. Management no longer evaluates SunPower's results and therefore believes that it is appropriate to exclude SunPower from Cypress's non-GAAP financial measures, as it enhances the ability of investors to compare Cypress's period-over period operating results on a stand-alone basis.