

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

	June 28, 2009	December 28, 2008
<b>ASSETS</b>		
Cash, cash equivalents and short-term investments (a)	\$ 245,642	\$ 237,792
Accounts receivable, net	84,415	91,943
Inventories, net (b)	90,586	121,889
Property, plant and equipment, net	282,072	296,789
Goodwill and other intangible assets	48,459	50,514
Other assets	133,557	136,832
Total assets	<u>\$ 884,731</u>	<u>\$ 935,759</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Accounts payable	\$ 50,385	\$ 42,570
Deferred income	61,932	82,465
Convertible debt (c)	27,726	27,023
Income tax liabilities	28,178	26,800
Other accrued liabilities	94,880	111,447
Total liabilities	263,101	290,305
Stockholders' equity	621,630	645,454
Total liabilities and stockholders' equity	<u>\$ 884,731</u>	<u>\$ 935,759</u>

(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 June 28, 2009 and December 28, 2008.

(b) Net inventories included approximately \$16 million and \$20 million as of June 28, 2009 and December 28, 2008, respectively 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 \$7 million and \$11 million of capitalized inventories related to SFAS No. 123(R) as of June 28, 2009 and December 28, 2008, respectively.

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

	Three Months Ended		
	June 28, 2009	March 29, 2009	June 29, 2008
Revenues	\$ 155,784	\$ 139,309	\$ 209,580
Cost of revenues	98,672	105,294	107,852
Gross margin (a)	57,112	34,015	101,728
Operating expenses (credits):			
Research and development (a)	48,196	50,146	45,392
Selling, general and administrative (a)	53,068	60,715	61,111
Amortization of acquisition-related intangibles	1,089	1,319	1,658
Restructuring charges	834	6,046	1,958
Total operating expenses, net	103,187	118,226	110,119
Operating loss	(46,075)	(84,211)	(8,391)
Interest and other income (expense), net (b)	2,114	(1,499)	(6,596)
Loss from continuing operations before income taxes and minority interest	(43,961)	(85,710)	(14,987)
Income tax benefit (provision)	(1,324)	(2,625)	14,269
Loss from discontinued operations	(45,285)	(88,335)	(718)
Income from discontinued operations, net of taxes and minority interest	-	-	17,399
Net income (loss)	<u>\$ (45,285)</u>	<u>\$ (88,335)</u>	<u>\$ 16,681</u>
Basic net income (loss) per share:			
Continuing operations	\$ (0.32)	\$ (0.66)	\$ (0.01)
Discontinued operations	-	-	0.12
Basic net income (loss) per share	<u>\$ (0.32)</u>	<u>\$ (0.66)</u>	<u>\$ 0.11</u>
Diluted net income (loss) per share:			
Continuing operations	\$ (0.32)	\$ (0.66)	\$ (0.01)
Discontinued operations	-	-	0.11
Diluted net income (loss) per share	<u>\$ (0.32)</u>	<u>\$ (0.66)</u>	<u>\$ 0.10</u>
Shares used in per-share calculation:			
Basic	140,793	134,757	150,675
Diluted	140,793	134,757	161,732

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

Gross margin	\$ (252)	\$ 62	\$ (15)
Research and development	\$ (749)	\$ 95	\$ (17)
Selling, general and administrative	\$ (1,572)	\$ 492	\$ (18)
Interest and other income (expense), net	\$ 2,310	\$ (674)	\$ 60

(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 June 28, 2009				
	CCD (b)	DCD (b)	MID (b)	Other	Consolidated
<b>GAAP gross margin</b>	\$ 25,456	\$ 14,614	\$ 19,056	\$ (2,014)	\$ 57,112
Stock-based compensation expense	4,475	1,832	4,755	126	11,188
Other acquisition-related expense	-	-	559	-	559
<b>Non-GAAP gross margin</b>	<u>\$ 29,931</u>	<u>\$ 16,446</u>	<u>\$ 24,370</u>	<u>\$ (1,888)</u>	<u>\$ 68,859</u>

	Three Months Ended March 29, 2009				
	CCD (b)	DCD (b)	MID (b)	Other	Consolidated
<b>GAAP gross margin</b>	\$ 16,960	\$ 8,626	\$ 9,759	\$ (1,330)	\$ 34,015
Stock-based compensation expense	5,332	2,091	6,767	87	14,277
Changes in value of deferred compensation plan	-	-	-	5	5
<b>Non-GAAP gross margin</b>	<u>\$ 22,292</u>	<u>\$ 10,717</u>	<u>\$ 16,526</u>	<u>\$ (1,238)</u>	<u>\$ 48,297</u>

	Three Months Ended June 29, 2008				
	CCD (b)	DCD (b)	MID (b)	Other	Consolidated
<b>GAAP gross margin</b>	\$ 40,449	\$ 22,161	\$ 37,890	\$ 1,228	\$ 101,728
Stock-based compensation expense	1,802	750	1,935	76	4,563
Other acquisition-related expense	1	-	-	-	1
Changes in value of deferred compensation plan	-	-	-	21	21
<b>Non-GAAP gross margin</b>	<u>\$ 42,252</u>	<u>\$ 22,911</u>	<u>\$ 39,825</u>	<u>\$ 1,325</u>	<u>\$ 106,313</u>

(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)

	<b>Three Months Ended</b>		
	<b>June 28, 2009</b>	<b>March 29, 2009</b>	<b>June 29, 2008</b>
<b>GAAP research and development expenses</b>	\$ 48,196	\$ 50,146	\$ 45,392
Stock-based compensation expense	(10,746)	(12,612)	(5,190)
Other acquisition-related expense	(23)	(27)	(46)
Changes in value of deferred compensation plan	(104)	(7)	(25)
<b>Non-GAAP research and development expenses</b>	<b>\$ 37,323</b>	<b>\$ 37,500</b>	<b>\$ 40,131</b>
<b>GAAP selling, general and administrative expenses</b>	\$ 53,068	\$ 60,715	\$ 61,111
Stock-based compensation expense	(15,745)	(21,355)	(9,421)
Other acquisition-related expense	15	(33)	(41)
Changes in value of deferred compensation plan	(8)	(37)	(19)
<b>Non-GAAP selling, general and administrative expenses</b>	<b>\$ 37,330</b>	<b>\$ 39,290</b>	<b>\$ 51,630</b>
<b>GAAP operating loss</b>	\$ (46,075)	\$ (84,211)	\$ (8,391)
Stock-based compensation expense	37,679	48,244	19,174
Acquisition-related expense:			
Amortization of acquisition-related intangibles	834	1,319	1,658
Other acquisition-related expense	567	58	88
Changes in value of deferred compensation plan	112	49	65
Restructuring charges	1,089	6,046	1,958
<b>Non-GAAP operating income (loss)</b>	<b>\$ (5,794)</b>	<b>\$ (28,495)</b>	<b>\$ 14,552</b>
<b>GAAP net income (loss)</b>	\$ (45,285)	\$ (88,335)	\$ 16,681
Stock-based compensation expense	37,679	48,244	19,174
Acquisition-related expense:			
Amortization of acquisition-related intangibles	834	1,319	1,658
Other acquisition-related expense	567	58	88
Changes in value of deferred compensation plan	112	49	65
Restructuring charges	1,089	6,046	1,958
Investment-related gains/losses	293	1,014	2,758
Impact of FSP APB 14-1	392	398	8,152
Tax effects	541	1,734	(14,057)
Income from discontinued operations	-	-	(17,399)
<b>Non-GAAP net income (loss)</b>	<b>\$ (3,778)</b>	<b>\$ (29,473)</b>	<b>\$ 19,078</b>
<b>GAAP net income (loss) per share - diluted</b>	\$ (0.32)	\$ (0.66)	\$ 0.10
Stock-based compensation expense	0.27	0.36	0.12
Acquisition-related expense:			
Amortization of acquisition-related intangibles	0.01	0.01	0.01
Other acquisition-related expense	-	-	-
Changes in value of deferred compensation plan	-	-	-
Restructuring charges	0.01	0.04	0.01
Investment-related gains/losses	-	0.01	0.02
Impact of FSP APB 14-1	-	-	0.05
Tax effects	-	0.01	(0.09)
Non-GAAP share count adjustment	-	0.01	0.01
(Income) loss from discontinued operations	-	-	(0.11)
<b>Non-GAAP net income (loss) per share - diluted</b>	<b>\$ (0.03)</b>	<b>\$ (0.22)</b>	<b>\$ 0.12</b>

(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					
	June 28, 2009		March 29, 2009		June 29, 2008	
	GAAP	Non-GAAP	GAAP	Non-GAAP	GAAP	Non-GAAP
Net income (loss) from continuing operations	\$ (45,285)	\$ (3,778)	\$ (88,335)	\$ (29,473)	\$ (718)	\$ 19,078
Income (loss) from continuing operations for diluted computation	(45,285)	(3,778)	(88,335)	(29,473)	(718)	19,078
Income from discontinued operations	-	-	-	-	17,399	-
Net income (loss) for diluted computation	<u>\$ (45,285)</u>	<u>\$ (3,778)</u>	<u>\$ (88,335)</u>	<u>\$ (29,473)</u>	<u>\$ 16,681</u>	<u>\$ 19,078</u>
Weighted-average common shares outstanding	140,793	140,793	134,757	134,757	150,675	150,675
Effect of dilutive securities:						
Convertible debt	-	-	-	-	3,191	3,191
Warrants	-	-	-	-	348	348
Stock options, unvested restricted stock and other	-	-	-	-	7,518	10,446
Weighted-average common shares outstanding for diluted computation	<u>140,793</u>	<u>140,793</u>	<u>134,757</u>	<u>134,757</u>	<u>161,732</u>	<u>164,660</u>
Net income (loss) per share - diluted:						
Continuing operations	\$ (0.32)	\$ (0.03)	\$ (0.66)	\$ (0.22)	\$ (0.01)	\$ 0.12
Discontinued operations	-	-	-	-	0.11	-
<b>Net income (loss) per share - diluted</b>	<u>\$ (0.32)</u>	<u>\$ (0.03)</u>	<u>\$ (0.66)</u>	<u>\$ (0.22)</u>	<u>\$ 0.10</u>	<u>\$ 0.12</u>

	June 28, 2009	March 29, 2009	June 29, 2008
Average Stock Price for the three months ended	\$7.95	\$5.21	\$4.35
Common Stock Outstanding at quarter end (in thousands)	144,460	138,113	150,935
Excluding unvested restricted stock awards of approximately 3.0 million shares at June 28, 2009 and March 29, 2009. None at June 29, 2008.			

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

**Selected Cash Flow Data (Preliminary):**

Net cash provided by (used in) operating activities  
Net cash provided by (used in) investing activities  
Net cash provided by (used in) financing activities

**Other Supplemental Data (Preliminary):**

Capital expenditures  
Depreciation

	Three Months Ended			Six Months Ended	
	June 28, 2009	March 29, 2009	June 29, 2008	June 28, 2009	June 29, 2008
Net cash provided by (used in) operating activities	\$ 5,531	\$ (15,804)	\$ 38,985	\$ (10,273)	\$ 49,159
Net cash provided by (used in) investing activities	\$ (23,590)	\$ 15,221	\$ (24,186)	\$ (8,369)	\$ 37,487
Net cash provided by (used in) financing activities	\$ 20,510	\$ 6,225	\$ 9,115	\$ 26,735	\$ (266,178)
Capital expenditures	\$ 4,907	\$ 6,548	\$ 11,355	\$ 11,455	\$ 21,162
Depreciation	\$ 12,951	\$ 13,580	\$ 16,908	\$ 26,531	\$ 34,892

## 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.
- 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.
- 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 2009 we adopted FSP APB 14-1, "Accounting for Convertible Debt Instruments that May Be Settled in Cash upon Conversion," which specified 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.