

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

	April 4, 2010	January 3, 2010
ASSETS		
Cash, cash equivalents and short-term investments (a)	\$ 296,827	\$ 299,642
Accounts receivable, net	109,614	86,959
Inventories, net (b)	84,342	91,198
Property, plant and equipment, net	273,691	272,620
Goodwill and other intangible assets, net	47,442	46,968
Other assets	117,123	115,121
Total assets	\$ 929,039	\$ 912,508
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 54,128	\$ 61,712
Deferred income	86,053	75,881
Income tax liabilities	47,977	46,362
Other accrued liabilities	98,117	98,169
Total liabilities	286,275	282,124
Total Cypress stockholders' equity	644,130	631,587
Noncontrolling interest	(1,366)	(1,203)
Stockholders' equity	642,764	630,384
Total liabilities and stockholders' equity	\$ 929,039	\$ 912,508

- (a) Cash, cash equivalents and short-term investments do not include \$33 million of auction rate securities and commercial paper, which are classified as long-term investments in "Other assets" as of April 4, 2010 and January 3, 2010.
- (b) Net inventories included approximately \$10 million and \$12 million as of April 4, 2010 and January 3, 2010, 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 \$5 million and \$6 million of capitalized inventories related to stock compensation expense, as of April 4, 2010 and January 3, 2010, respectively.

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

	Three Months Ended		
	April 4, 2010	January 3, 2010	March 29, 2009
Revenues	\$ 202,271	\$ 193,974	\$ 139,309
Cost of revenues	95,784	99,054	105,294
Gross margin (a)	106,487	94,920	34,015
Operating expenses:			
Research and development (a)	40,049	39,685	50,146
Selling, general and administrative (a)	51,281	50,701	60,715
Amortization of acquisition-related intangibles	776	817	1,319
Restructuring charges	327	774	6,046
Total operating expenses, net	92,433	91,977	118,226
Operating income (loss)	14,054	2,943	(84,211)
Interest and other income (expense), net (a)	730	1,578	(1,499)
Income (loss) before income taxes	14,784	4,521	(85,710)
Income tax provision	(2,110)	(1,669)	(2,625)
Income (loss), net of taxes	12,674	2,852	(88,335)
Noncontrolling interest, net of taxes	(163)	(383)	(207)
Net income (loss)	12,511	2,469	(88,542)
Less net (income) loss attributable to noncontrolling interest	163	383	207
Net income (loss) attributable to Cypress	<u>\$ 12,674</u>	<u>\$ 2,852</u>	<u>\$ (88,335)</u>
Net income (loss) per share attributable to Cypress:			
Basic	\$ 0.08	\$ 0.02	\$ (0.66)
Diluted	\$ 0.07	\$ 0.02	\$ (0.66)
Shares used in net income (loss) per-share calculation:			
Basic	158,931	154,798	134,757
Diluted	190,892	184,297	134,757

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

Gross margin	\$ (141)	\$ (57)	\$ 62
Research and development	\$ (290)	\$ (63)	\$ 95
Selling, general and administrative	\$ (596)	\$ (417)	\$ 492
Interest and other income (expense), net	\$ 835	\$ 1,000	\$ (674)

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

Three Months Ended April 4, 2010						
	CCD (b)	DCD (b)	MID (b)	Core Semi (c)	Emerging Technologies (d)	Consolidated
GAAP gross margin	\$ 40,568	\$ 18,673	\$ 47,421	\$ 106,662	\$ (175)	\$ 106,487
Stock-based compensation expense	2,189	796	2,909	5,894	76	5,970
Non-GAAP gross margin	<u>\$ 42,757</u>	<u>\$ 19,469</u>	<u>\$ 50,330</u>	<u>\$ 112,556</u>	<u>\$ (99)</u>	<u>\$ 112,457</u>

Three Months Ended January 3, 2010						
	CCD (b)	DCD (b)	MID (b)	Core Semi (c)	Emerging Technologies (d)	Consolidated
GAAP gross margin	\$ 44,286	\$ 15,768	\$ 38,824	\$ 98,878	\$ (3,958)	\$ 94,920
Stock-based compensation expense	2,967	927	3,058	6,952	86	7,038
License royalty	-	-	-	-	2,615	2,615
Non-GAAP gross margin	<u>\$ 47,253</u>	<u>\$ 16,695</u>	<u>\$ 41,882</u>	<u>\$ 105,830</u>	<u>\$ (1,257)</u>	<u>\$ 104,573</u>

Three Months Ended March 29, 2009						
	CCD (b)	DCD (b)	MID (b)	Core Semi (c)	Emerging Technologies (d)	Consolidated
GAAP gross margin	\$ 16,960	\$ 8,626	\$ 9,759	\$ 35,345	\$ (1,330)	\$ 34,015
Stock-based compensation expense	5,332	2,091	6,767	14,190	87	14,277
Changes in value of deferred compensation plan	-	-	-	-	5	5
Non-GAAP gross margin	<u>\$ 22,292</u>	<u>\$ 10,717</u>	<u>\$ 16,526</u>	<u>\$ 49,535</u>	<u>\$ (1,238)</u>	<u>\$ 48,297</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.

(c) "Core Semi" – Includes CCD, DCD and MID divisions and excludes "Emerging Technologies."

(d) "Emerging Technologies" – Activities outside our core semiconductor businesses outlined in footnote (c). Includes wholly owned subsidiaries Cypress EnviroSystems, AgigA Tech and other.

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

	Three Months Ended		
	April 4, 2010	January 3, 2010	March 29, 2009
GAAP research and development expenses	\$ 40,049	\$ 39,685	\$ 50,146
Stock-based compensation expense	(4,357)	(6,498)	(12,612)
Other acquisition-related expense	(2)	(8)	(27)
Gain on sale of long-term asset	-	2,437	-
Changes in value of deferred compensation plan	(36)	27	(7)
Non-GAAP research and development expenses	<u>\$ 35,654</u>	<u>\$ 35,643</u>	<u>\$ 37,500</u>
GAAP selling, general and administrative expenses	\$ 51,281	\$ 50,701	\$ 60,715
Stock-based compensation expense	(11,247)	(11,677)	(21,355)
Other acquisition-related expense	(6)	(6)	(33)
Changes in value of deferred compensation plan	(7)	2	(37)
Non-GAAP selling, general and administrative expenses	<u>\$ 40,021</u>	<u>\$ 39,020</u>	<u>\$ 39,290</u>
GAAP operating income (loss)	\$ 14,054	\$ 2,943	\$ (84,211)
Stock-based compensation expense	21,574	25,213	48,244
License royalty	-	2,615	-
Other acquisition-related expense	784	833	1,379
Gain on sale of long-term asset	-	(2,437)	-
Changes in value of deferred compensation plan	43	(29)	48
Restructuring charges	327	774	6,046
Non-GAAP operating income (loss)	<u>\$ 36,782</u>	<u>\$ 29,912</u>	<u>\$ (28,494)</u>
GAAP net income (loss) attributable to Cypress	\$ 12,674	\$ 2,852	\$ (88,335)
Stock-based compensation expense	21,574	25,213	48,244
License royalty	-	2,615	-
Other acquisition-related expense	784	833	1,379
Gain on sale of long-term asset	-	(2,437)	-
Changes in value of deferred compensation plan	43	(29)	48
Restructuring charges	327	774	6,046
Investment-related gains/losses	336	486	1,014
Adjustment for convertible debt	-	-	398
Tax effects	(1,631)	1,438	1,735
Non-GAAP net income (loss) attributable to Cypress	<u>\$ 34,107</u>	<u>\$ 31,745</u>	<u>\$ (29,471)</u>
GAAP net income (loss) per share attributable to Cypress - basic	\$ 0.08	\$ 0.02	\$ (0.66)
Stock-based compensation expense	0.14	0.16	0.36
License royalty	-	0.02	-
Amortization of acquisition-related intangibles	-	0.01	0.01
Gain on sale of long-term asset	-	(0.02)	-
Restructuring charges	-	0.01	0.04
Investment-related gains/losses	-	-	0.01
Tax effects	(0.01)	0.01	0.01
Non-GAAP share count adjustment	-	-	0.01
Non-GAAP net income (loss) per share attributable to Cypress - basic	<u>\$ 0.21</u>	<u>\$ 0.21</u>	<u>\$ (0.22)</u>
GAAP net income (loss) per share attributable to Cypress - diluted	\$ 0.07	\$ 0.02	\$ (0.66)
Stock-based compensation expense	0.11	0.14	0.36
License royalty	-	0.01	-
Amortization of acquisition-related intangibles	-	-	0.01
Gain on sale of long-term asset	-	(0.01)	-
Restructuring charges	-	-	0.04
Investment-related gains/losses	-	-	0.01
Tax effects	(0.01)	0.01	0.01
Non-GAAP share count adjustment	-	(0.01)	0.01
Non-GAAP net income (loss) per share attributable to Cypress - diluted	<u>\$ 0.17</u>	<u>\$ 0.16</u>	<u>\$ (0.22)</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.

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

	Three Months Ended					
	April 4, 2010		January 3, 2010		March 29, 2009	
	GAAP	Non-GAAP	GAAP	Non-GAAP	GAAP	Non-GAAP
Net income (loss) attributable to Cypress	\$ 12,674	\$ 34,107	\$ 2,852	\$ 31,745	\$ (88,335)	\$ (29,471)
Weighted-average common shares outstanding (basic)	158,931	158,931	154,798	154,798	134,757	134,757
Effect of dilutive securities:						
Stock options, unvested restricted stock and other	31,961	39,966	29,499	38,854	-	-
Weighted-average common shares outstanding for diluted computation	190,892	198,897	184,297	193,652	134,757	134,757
Net income (loss) per share attributable to Cypress - basic	\$ 0.08	\$ 0.21	\$ 0.02	\$ 0.21	\$ (0.66)	\$ (0.22)
Net income (loss) per share attributable to Cypress - diluted	\$ 0.07	\$ 0.17	\$ 0.02	\$ 0.16	\$ (0.66)	\$ (0.22)

	April 4, 2010	January 3, 2010	March 29, 2009
Average stock price for the period ended	\$11.52	\$9.80	\$5.21
Common stock outstanding at period end (in thousands)	161,764	159,382	138,113

Includes unvested restricted stock awards of approximately 1.9 million as of April 4, 2010, 2.4 million shares at January 3, 2010 and 3.0 million shares at March 29, 2009.

CYPRESS SEMICONDUCTOR CORPORATION
SUPPLEMENTAL FINANCIAL DATA
(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		
	April 4, 2010	January 3, 2010	March 29, 2009
\$	38,123	\$ 75,275	\$ (15,804)
\$	(43,757)	\$ (5,424)	\$ 15,221
\$	(20,883)	\$ (17,407)	\$ 6,225
\$	17,872	\$ 7,545	\$ 6,548
\$	11,461	\$ 12,370	\$ 13,580

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.
- 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) impairment loss related to Cypress's investment when it determines the decline in fair value is other-than-temporary in nature and (2) 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.
- License royalty.

License royalty represents the historical impact of a license agreement signed in the fourth quarter of 2009. These historical costs are excluded from Cypress's non-GAAP financial measures primarily because it is not reflective of the ongoing operating performance of Cypress's business and can distort the period-over-period comparison.
- Gains on sales of long-term assets.

Cypress recognizes gains resulting from the sale of certain long-term assets that no longer align with Cypress's long-term operating plan. Cypress excludes these items from its non-GAAP financial measures primarily because it is not reflective of the ongoing operating performance of Cypress's business and can distort the period-over-period comparison.

- Adoption of new accounting guidance on convertible debt.

During the first quarter of fiscal 2009 we adopted new accounting guidance on convertible debt which specified that Cypress should separately account for the liability and equity components of the instruments. The adoption required the retrospective application of the guidance 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.
- 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.
- 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.
- Related tax effect.

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