



Dear Shareholders,

2017 marked the start of an exciting chapter for Cypress. It was the first full year of driving our new Cypress 3.0 strategy focused on high-growth automotive, consumer and industrial markets, including all applications across the Internet of Things (IoT).

The great execution of our team helped us achieve 20% year-over-year revenue growth and significant progress in our long-term efforts to improve financial performance, exiting the year with gross margins above 45%, while doubling our cash flow compared to 2016.

OUR GROWTH IS STRONG

The drivers of our strong revenue growth in 2017 are the same ones that we expect to continue propelling Cypress forward in 2018 and beyond.

The first growth driver was our Wireless IoT business, made up of the leading Wi-Fi and Bluetooth capabilities we acquired from Broadcom in July of 2016. Our IoT business exceeded all expectations in 2017 with revenue more than doubling since we closed the acquisition. As Wi-Fi and Bluetooth emerge to be the main connectivity standards for the IoT, Cypress is in a sweet spot, winning with our Wi-Fi and Bluetooth combo solution the most innovative customers in the most attractive market segments including smart home, industrial automation, wireless audio and wearable applications.

Cypress' second growth driver was Automotive, up 16% year-over-year as we expanded our content per vehicle and leveraged our strong brand reputation in this increasingly important market. Cypress wins with automotive OEMs and their established tier-one partners because they trust our proven commitment to quality, problem-solving expertise and technology portfolio to help them create connected vehicles that are smarter, safer and more secure than ever.

Our third growth driver was USB-C, which more than quadrupled in 2017, boosted by the start of a broad multi-year eco-system adoption across computing, smartphones and consumer electronics. We exited the year with the #1 global market share in USB-C with our differentiated products that have the performance, programmability, integration and support customers need. The future for USB-C is bright as we see tremendous design-in activities across a myriad of consumer, automotive, industrial and enterprise applications. Over the coming years, this broad market adoption will underscore what we've said from the start: "USB-C is the one connector to rule them all."

OUR PEOPLE ARE STRONG

Since I became CEO in August 2016, our team has fully embraced our Cypress 3.0 journey to become the embedded solutions leader for fast-growing markets and home to the world's most valuable problem solvers. To make this happen, we all focused on great execution and key priorities. I couldn't be prouder of the Cypress team. We've also become stronger at all levels by developing and keeping our talent, while bringing in world-class expertise. Now, Cypress attracts people that love solving complex problems to make a positive impact in the world. There's never been a better time for the kind of company we're building.

A YEAR OF EXECUTION

We executed well in 2017, delivering revenue of \$2.33 billion and growing earnings per share four times faster than revenue. Our sharp focus on leading in high value-add markets and exiting commodity businesses lifted gross margins to 42.2% in 2017, up 320 basis points from 39% in 2016. With solid revenue growth, improved margins and disciplined working capital management, Cypress delivered free cash flow of \$349 million in 2017, up 118% from 2016. In addition to our unwavering commitment to innovation and strategic R&D investments, we continue to return value to shareholders through a dividend that was yielding 2.9% at year-end.

OUR TIME IS NOW

We're in an exciting place... at the dawn of a new connectivity megatrend that will dwarf anything our industry has ever experienced, including the incredible boom of the smartphone era. Cypress will keep investing and winning to capture this massive opportunity with the world's best portfolio of IoT, consumer, automotive and industrial solutions. Our problem solvers are ready. Our momentum is strong. Our time is now.

Thank you for believing in the new Cypress.



Hassane El-Khoury
