

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

	September 27, 2009	December 28, 2008
ASSETS		
Cash, cash equivalents and short-term investments (a)	\$ 246,368	\$ 237,792
Accounts receivable, net	103,101	91,942
Inventories, net (b) (d)	84,631	114,862
Property, plant and equipment, net	270,790	296,789
Goodwill and other intangible assets	48,093	50,513
Other assets	138,148	136,834
Total assets	<u>\$ 891,131</u>	<u>\$ 928,732</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 49,549	\$ 42,570
Deferred income	75,590	82,465
Convertible debt (c)	-	27,023
Income tax liabilities	44,335	26,800
Other accrued liabilities	101,254	111,447
Total liabilities	270,728	290,305
Stockholders' equity (d)	620,403	638,427
Total liabilities and stockholders' equity	<u>\$ 891,131</u>	<u>\$ 928,732</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 September 27, 2009 and December 28, 2008.

(b) Net inventories included approximately \$18 million and \$20 million as of September 27, 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 \$6 million and \$11 million of capitalized inventories related to SFAS No.123(R) now referred to as ASC 718, as of September 27, 2009 and December 28, 2008, respectively.

(c) As adjusted due to the implementation of FSB ASP 14-1 now referred to as ASC 470-20, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)."

(d) During the third quarter of 2009, we identified historically immaterial errors related to the value of our raw material inventory balances located in the Philippines. The Company has determined that these errors were not material to any of the individual prior periods presented and accordingly, the financial statements as of December 28, 2008 have been recast to correct for the immaterial errors in accordance with SAB 108.

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

	Three Months Ended		
	September 27, 2009	June 28, 2009	September 28, 2008
Revenues	\$ 178,719	\$ 155,784	\$ 222,681
Cost of revenues (c)	94,184	98,672	124,165
Gross margin (a)	84,535	57,112	98,516
Operating expenses (credits):			
Research and development (a)	43,162	48,196	54,395
Selling, general and administrative (a)	55,116	53,068	79,495
Amortization of acquisition-related intangibles	834	834	963
Gains on divestitures	-	-	(9,966)
Restructuring charges	4,838	1,089	7,872
Total operating expenses, net	103,950	103,187	132,759
Operating loss	(19,415)	(46,075)	(34,243)
Interest and other income (expense), net (b)	(5)	2,114	183,757
Loss from continuing operations before income taxes and minority interest	(19,420)	(43,961)	149,514
Income tax benefit (provision)	(236)	(1,324)	(22,364)
Loss from continuing operations	(19,656)	(45,285)	127,150
Income from discontinued operations, net of taxes and minority interest	-	-	10,831
Net income (loss)	<u>\$ (19,656)</u>	<u>\$ (45,285)</u>	<u>\$ 137,981</u>
Basic net income (loss) per share:			
Continuing operations	\$ (0.13)	\$ (0.32)	\$ 0.84
Discontinued operations	-	-	0.07
Basic net income (loss) per share	<u>\$ (0.13)</u>	<u>\$ (0.32)</u>	<u>\$ 0.91</u>
Diluted net income (loss) per share:			
Continuing operations	\$ (0.13)	\$ (0.32)	\$ 0.79
Discontinued operations	-	-	0.07
Diluted net income (loss) per share	<u>\$ (0.13)</u>	<u>\$ (0.32)</u>	<u>\$ 0.86</u>
Shares used in per-share calculation:			
Basic	151,784	141,107	151,939
Diluted	151,784	141,107	160,066
(a) Includes the following credit (expense) related to Cypress's deferred compensation plan:			
Gross margin	\$ (268)	\$ (252)	\$ 644
Research and development	\$ (737)	\$ (749)	\$ 742
Selling, general and administrative	\$ (1,670)	\$ (1,572)	\$ 566
Interest and other income (expense), net	\$ 2,514	\$ 2,310	\$ (2,232)

(b) As adjusted due to the implementation of FSB ASP 14-1 now referred to as ASC 470-20, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)."

(c) During the third quarter of 2009, we identified historically immaterial errors related to the value of our raw material inventory balances located in the Philippines. The Company has determined that these errors were not material to any of the individual prior periods presented and accordingly, the financial statements for three months ended September 28, 2008 have been recast to correct for the immaterial errors in accordance with SAB 108.

RECONCILIATION OF GAAP FINANCIAL MEASURES TO NON-GAAP FINANCIAL MEASURES (a)

(In thousands)

(Unaudited)

	Three Months Ended September 27, 2009					
	CCD (b)	DCD (b)	MID (b)	Core Semi (c)	Emerging Technologies (d)	Consolidated
GAAP gross margin	\$ 39,000	\$ 16,107	\$ 31,088	\$ 86,195	\$ (1,660)	\$ 84,535
Stock-based compensation expense	3,657	1,165	3,328	8,150	145	8,295
Other acquisition-related expense	-	-	-	-	(1)	(1)
Non-GAAP gross margin	\$ 42,657	\$ 17,272	\$ 34,416	\$ 94,345	\$ (1,516)	\$ 92,829

	Three Months Ended June 28, 2009					
	CCD (b)	DCD (b)	MID (b)	Core Semi	Emerging Technologies	Consolidated
GAAP gross margin	\$ 25,456	\$ 14,614	\$ 19,056	\$ 59,126	\$ (2,014)	\$ 57,112
Stock-based compensation expense	4,475	1,832	4,755	11,062	126	11,188
Other acquisition-related expense	-	-	559	559	-	559
Non-GAAP gross margin	\$ 29,931	\$ 16,446	\$ 24,370	\$ 70,747	\$ (1,888)	\$ 68,859

	Three Months Ended September 28, 2008					
	CCD (b)	DCD (b)	MID (b)	Core Semi	Emerging Technologies	Consolidated
GAAP gross margin (e)	\$ 44,657	\$ 23,321	\$ 30,380	\$ 98,358	\$ 158	\$ 98,516
Stock-based compensation expense	6,196	2,325	5,411	13,932	40	13,972
Other acquisition-related expense	1	-	-	1	(1)	-
Changes in value of deferred compensation plan	-	-	-	-	5	5
Non-GAAP gross margin	\$ 50,854	\$ 25,646	\$ 35,791	\$ 112,291	\$ 202	\$ 112,493

(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) "Emerging Technologies" – Business outside our core semiconductor businesses outlined in footnote d. Includes wholly owned subsidiaries Cypress EnviroSystems and AGIGA Tech.

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

(e) During the third quarter of 2009, we identified historically immaterial errors related to the value of our raw material inventory balances located in the Philippines.

The Company has determined that these errors were not material to any of the individual prior periods presented and accordingly, the financial statements for three months ended September 28, 2008 have been recast to correct for the immaterial errors in accordance with SAB 108.

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

	Three Months Ended		
	September 27, 2009	June 28, 2009	September 28, 2008
GAAP research and development expenses	\$ 43,162	\$ 48,196	\$ 54,395
Stock-based compensation expense	(7,680)	(10,746)	(15,969)
Other acquisition-related expense	(16)	(23)	(36)
Changes in value of deferred compensation plan	(51)	(104)	(6)
Non-GAAP research and development expenses	<u>\$ 35,415</u>	<u>\$ 37,323</u>	<u>\$ 38,384</u>
GAAP selling, general and administrative expenses	\$ 55,116	\$ 53,068	\$ 79,495
Stock-based compensation expense	(14,701)	(15,746)	(27,884)
Other acquisition-related expense	(22)	16	(1,346)
Changes in value of deferred compensation plan	(4)	(8)	(4)
Non-GAAP selling, general and administrative expenses	<u>\$ 40,389</u>	<u>\$ 37,330</u>	<u>\$ 50,261</u>
GAAP operating loss	\$ (19,415)	\$ (46,075)	\$ (34,243)
Stock-based compensation expense	30,676	37,680	57,825
Acquisition-related expense:			
Amortization of acquisition-related intangibles	834	834	963
Other acquisition-related expense	37	566	1,382
Changes in value of deferred compensation plan	55	112	15
Gains on divestitures	-	-	(9,966)
Restructuring charges	4,838	1,089	7,872
Non-GAAP operating income (loss)	<u>\$ 17,025</u>	<u>\$ (5,794)</u>	<u>\$ 23,848</u>
GAAP net income (loss)	\$ (19,656)	\$ (45,285)	\$ 137,981
Stock-based compensation expense	30,676	37,680	57,825
Acquisition-related expense:			
Amortization of acquisition-related intangibles	834	834	963
Other acquisition-related expense	37	566	1,382
Changes in value of deferred compensation plan	55	112	15
Gains on divestitures	-	-	(9,966)
Restructuring charges	4,838	1,089	7,872
Investment-related gains/losses	3,172	292	222
Gain on sale of Sunpower shares	-	-	(192,048)
Impact of FSP APB 14-1	-	392	9,939
Tax effects	(707)	542	21,476
Income from discontinued operations	-	-	(10,831)
Non-GAAP net income (loss)	<u>\$ 19,249</u>	<u>\$ (3,778)</u>	<u>\$ 24,830</u>
GAAP net income (loss) per share - diluted	\$ (0.13)	\$ (0.32)	\$ 0.86
Stock-based compensation expense	0.20	0.27	0.36
Acquisition-related expense:	-	-	-
Amortization of acquisition-related intangibles	0.01	0.01	0.01
Other acquisition-related expense	-	-	0.01
Changes in value of deferred compensation plan	-	-	-
Gains on divestitures	-	-	(0.06)
Restructuring charges	0.03	0.01	0.05
Investment-related gains/losses	0.02	-	-
Gain on sale of Sunpower shares	-	-	(1.20)
Impact of FSP APB 14-1	-	-	0.06
Tax effects	-	-	0.13
Non-GAAP share count adjustment	(0.03)	-	-
(Income) loss from discontinued operations	-	-	(0.07)
Non-GAAP net income (loss) per share - diluted	<u>\$ 0.10</u>	<u>\$ (0.03)</u>	<u>\$ 0.15</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					
	September 27, 2009		June 28, 2009		September 28, 2008	
	GAAP	Non-GAAP	GAAP	Non-GAAP	GAAP	Non-GAAP
Net income (loss) from continuing operations	\$ (19,656)	\$ 19,249	\$ (45,285)	\$ (3,778)	\$ 127,150	\$ 24,830
Income (loss) from continuing operations for diluted computation	(19,656)	19,249	(45,285)	(3,778)	127,150	24,830
Income from discontinued operations	-	-	-	-	10,831	-
Net income (loss) for diluted computation	<u>\$ (19,656)</u>	<u>\$ 19,249</u>	<u>\$ (45,285)</u>	<u>\$ (3,778)</u>	<u>\$ 137,981</u>	<u>\$ 24,830</u>
Weighted-average common shares outstanding	151,784	151,784	141,107	141,107	151,939	151,939
Effect of dilutive securities:						
Convertible debt	-	1,922	-	-	2,529	2,529
Warrants	-	1,674	-	-	153	153
Stock options, unvested restricted stock and other	-	42,585	-	-	5,445	10,023
Weighted-average common shares outstanding for diluted computation	<u>151,784</u>	<u>197,965</u>	<u>141,107</u>	<u>141,107</u>	<u>160,066</u>	<u>164,644</u>
Net income (loss) per share - diluted:						
Continuing operations	\$ (0.13)	\$ 0.10	\$ (0.32)	\$ (0.03)	\$ 0.79	\$ 0.15
Discontinued operations	-	-	-	-	0.07	-
Net income (loss) per share - diluted	<u>\$ (0.13)</u>	<u>\$ 0.10</u>	<u>\$ (0.32)</u>	<u>\$ (0.03)</u>	<u>\$ 0.86</u>	<u>\$ 0.15</u>

	September 27, 2009	June 28, 2009	September 28, 2008
Average Stock Price for the three months ended	\$10.20	\$7.95	\$4.29
Common Stock Outstanding at quarter end (in thousands)	155,376	144,460	153,257

Excluding unvested restricted stock awards of approximately 2.5 million and 3.0 million shares at September 27, 2009 and June 28, 2009, respectively. None at September 28, 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			Nine Months Ended	
	September 27, 2009	June 28, 2009	September 28, 2008	September 27, 2009	September 28, 2008
Net cash provided by (used in) operating activities	\$ 24,301	\$ 5,531	\$ 12,102	\$ 14,028	\$ 61,261
Net cash provided by (used in) investing activities	\$ (29,333)	\$ (23,590)	\$ 257,250	\$ (37,702)	\$ 294,737
Net cash provided by (used in) financing activities	\$ (16,696)	\$ 20,510	\$ (647,497)	\$ 10,039	\$ (913,675)
Capital expenditures	\$ 6,823	\$ 4,907	\$ 12,888	\$ 18,278	\$ 34,050
Depreciation	\$ 11,969	\$ 12,951	\$ 16,795	\$ 38,500	\$ 51,687