

CYPRESS Q498: \$124 MILLION SALES, \$0.04 LOSS

San Jose, California, January 26, 1999 . . . Cypress Semiconductor Corporation (NYSE: CY) today reported that revenue for the fourth quarter of 1998 ended January 3, 1999, was \$124.2 million, down 1.4% from the prior quarter's revenue of \$126.0 million and down 7.4% from the year-ago quarter's revenue of \$134.1 million. For the full year of 1998, revenue was \$486.8 million, down 10.6% from 1997's revenue of \$544.4 million.

Net loss for the fourth quarter was \$3.8 million, resulting in a basic and diluted loss per share of \$0.04, compared with the prior quarter's earnings per share (EPS) of \$0.01 and the year-ago quarter's breakeven EPS. For the full year 1998, Cypress recorded a net loss of \$111.2 million, including the restructuring and nonrecurring charges taken in Q198, which amounted to \$92.4 million.

On December 21, 1998, Cypress announced that it expected to report fourth quarter revenue of \$126 million and a loss per share of \$0.04, with ranges of approximately plus/minus \$2 million and \$0.01, respectively.

Cypress CEO, T.J. Rodgers said, "The problem that caused the company to pre-announce the fourth quarter was a back-end manufacturing problem in our Philippines assembly and test plant that impaired our ability to ship SRAM products but has since been corrected. The Philippine factory has been producing products at a rate required to support our Q199 revenue plans. Additionally, we have contracted outside services from certain subcontractors to help alleviate constraints, should any occur during the quarter. Our biggest challenge now is to regain business that we temporarily lost during that time period. For the first two weeks of the current quarter, bookings and turns were in line to support our projected revenue."

Cypress's new product development effort swung into high gear during the quarter with 18 new product introductions, including the following:

- Two new clock generators that utilize "spread spectrum" technology to reduce electromagnetic noise emissions in today's high-performance personal computers. Most computer clocks operate at a single frequency—and radiate energy at that frequency, which can interfere with other electronic instruments. Cypress's patented spread-spectrum technology enables users to vary the frequency of the clock by a small amount. This technique spreads out the interference created by the clock into several frequencies, reducing the disturbance at any given frequency to a lower level.

- A pair of 2-Mbit MoBL™ (More Battery Life™) SRAMs, the first in a family of micropower devices intended for portable equipment. For two years, Cypress has shipped micropower static RAMs with standby power consumption levels so low that battery-powered equipment can last for weeks on a single charge. MoBL is a new micropower technology that not only reduces the standby power consumption of the static RAM to practically zero, but also decreases active power consumption. For cellular telephones, MoBL RAMs equate to longer talk times, an important feature in the portable phone market. The 2-Mbit RAMs introduced by Cypress not only have the lowest active power consumption of any RAM ever introduced at that density, they also have the smallest die size of any 2-Mbit RAM in the marketplace.

- Two 4-Mbit versions added to our NoBL™ (No Bus Latency™) family of SRAMs, specifically designed to increase performance in networking applications. NoBL SRAMs are designed specifically for the data communications industry, to be used in routers and switches. Static RAMs used in the personal-computer industry are not optimized for data communications. In SRAMs made for PC applications, the RAM suffers a "wait state" between times when the microprocessor "reads" and "writes" the RAM. In data communications applications, when data is continuously put into and taken out of an SRAM storage buffer, this lost cycle of operation limits the rate at which data can be put through an SRAM. Our NoBL products are specifically designed to eliminate that wait state in order to increase speed in data-communications applications. Cypress currently offers a family of NoBL static RAMs with 2-Mbit and 4-Mbit densities and data widths of 18 and 36 bits—the industry's broadest offering of datacom RAMs.

- A pair of 4-Mbit synchronous static RAMs. Synchronous static RAMs are special RAMs intended for use in high-speed systems. The parts introduced during the quarter are the third and fourth of a family of 10 specialized synchronous RAMs. The rest of the family will be introduced by the middle of 1999.

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- Five 0.25-micron static RAM products. In the last quarter, Cypress successfully converted 69% of its SRAM products to technologies with line widths of 0.35 microns or less. In addition, we created samples of five new 0.25-micron SRAMs in our 8-inch wafer fabrication plant in Bloomington, Minnesota.

- *Warp2®* Software. Our *Warp™* software is the design tool used to program our programmable logic devices (PLDs) and complex programmable logic devices (CPLDs). The logic programmed into a CPLD is typically described by a high-level computer language. There are two industry-standard languages: VHDL and Verilog. The market is split between these two languages. Prior to this quarter, Cypress supported the VHDL language only. This quarter, we introduced *Warp* software that supports both VHDL and Verilog in English and Japanese versions. This new software was created to design with Cypress's new 14-member Ultra37000™ CPLD family. The combination of new products, new high-level language capability, and the Japanese version increased our CPLD design wins by 50%, compared with the 1998 third quarter.

- Cypress also announced a development agreement with Taiwan Semiconductor Manufacturing Corporation (TSMC) to develop a family of 0.18-micron CPLDs with unprecedented density (up to 150,000 gate-equivalent, including very-large memory blocks) to be sampled in the 1999 third quarter.

In addition, several other significant events occurred during the quarter:

- On November 16, 1998, Cypress filed a universal shelf registration statement with the Securities and Exchange Commission (SEC). The registration, when effective, allows the company to market and sell from time to time, up to \$300 million worth of its securities. The filing allows the company flexibility regarding the type of securities it can sell, including common stock, preferred stock, and various forms of debt securities. The SEC is currently reviewing the shelf registration, including restructuring and other nonrecurring charges taken by the company in prior reporting periods.

- On January 21, 1999, Cypress announced the signing of a definitive agreement to acquire privately held IC WORKS, Inc. (ICW). The agreement provides for Cypress to issue 13.7 million shares in exchange for all outstanding stock and options of ICW. The merger is intended to be accounted for as a pooling of interests. The closing is subject to regulatory approvals, ICW shareholder approval, and other conditions to closing.

IC WORKS is a leading manufacturer of frequency timing generators, including clock driver ICs and RF frequency synthesizers. The company's chips provide the frequency reference for personal computers, printers, disk drives, set-top boxes, and many types of electronic devices. The company had average quarterly revenues of approximately \$17.6 million and net income of approximately \$2.7 million during the last three quarters of their current fiscal year 1999.

Rodgers concluded, "We're glad to have put the fourth quarter manufacturing problem behind us. We are working vigorously to recover lost business caused by last quarter's manufacturing problem and are looking forward to a much improved performance in 1999. The merger with ICW should be highly complementary to Cypress and should help reduce Cypress's dependence on the highly cyclical memory business. Assuming all approvals are secured, the addition of ICW should improve Cypress's financial performance in 1999."

Cypress Semiconductor Corporation is an international supplier of high-performance integrated circuits with worldwide headquarters in San Jose, California. The company provides a broad range of products for leading computer, networking, and telecommunications companies worldwide. The company's product line includes static RAMs, high-speed PROMs, and specialty memories; programmable logic devices (PLDs); data communications products; and timing devices and USB microcontrollers. Cypress shares are listed on the New York Stock Exchange under the symbol CY. The company has a site on the worldwide web at <http://www.cypress.com>.

CYPRESS SEMICONDUCTOR CORPORATION
CONSOLIDATED BALANCE SHEET
(In thousands, except per share data and share amounts)

	(Unaudited) Jan 3, 1999	Dec 29, 1997
ASSETS		
Current assets:		
Cash, cash equivalents and short-term investments	\$ 191,219	\$ 201,561
Accounts receivable, net	58,692	67,854
Inventories	58,823	76,925
Other current assets	13,943	51,740
	<u>322,677</u>	<u>398,080</u>
Total current assets	322,677	398,080
Property and equipment, net	356,567	442,661
Other assets	83,855	115,529
	<u>763,099</u>	<u>956,270</u>
Total assets	<u>\$ 763,099</u>	<u>\$ 956,270</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 50,172	\$ 60,857
Accrued liabilities	31,324	21,472
Deferred income on sales to distributors	12,081	9,636
Income taxes payable	13,162	1,088
	<u>106,739</u>	<u>93,053</u>
Total current liabilities	106,739	93,053
Convertible subordinated notes	160,000	175,000
Other long-term liabilities	7,589	8,671
Deferred income taxes	--	36,070
	<u>274,328</u>	<u>312,794</u>
Total liabilities	274,328	312,794
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value, 5,000 shares authorized; none issued and outstanding	--	--
Common stock, \$.01 par value, 250,000 share authorized; 98,147 issued; 84,859 and 90,684 outstanding, net of treasury stock repurchases	273,679	309,566
Retained earnings	215,092	333,910
	<u>488,771</u>	<u>643,476</u>
Total stockholders' equity	488,771	643,476
Total liabilities and stockholders' equity	<u>\$ 763,099</u>	<u>\$ 956,270</u>

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CYPRESS SEMICONDUCTOR CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands, except per share data)

	THREE MONTHS ENDED (Unaudited)			YEAR ENDED	
	Jan 3, 1999	Dec 29, 1997	Sep 28, 1998	Jan 3, 1999	Dec 29, 1997
Revenues	\$ 124,165	\$ 134,134	\$ 126,048	\$ 486,841	\$ 544,356
Costs and expenses:					
Costs of revenues	83,171	94,538	86,406	367,352	356,919
Research and development	26,368	23,833	24,168	99,487	93,842
Selling, general and administrative	20,742	19,606	20,152	82,970	75,282
Restructuring costs	--	--	--	65,099	--
Total operating costs	130,281	137,977	130,726	614,908	526,043
Operating income (loss)	(6,116)	(3,843)	(4,678)	(128,067)	18,313
Interest expense	(2,646)	(3,154)	(2,688)	(10,853)	(7,197)
Interest and other income	5,004	3,095	4,924	13,305	12,916
Income (loss) before income taxes	(3,758)	(3,902)	(2,442)	(125,615)	24,032
(Provision) benefit for income taxes	--	4,010	2,955	14,435	(5,613)
Net income (loss)	\$ (3,758)	\$ 108	\$ 513	\$ (111,180)	\$ 18,419
Net income (loss) per share:					
Basic	\$ (0.04)	\$ 0.00	\$ 0.01	\$ (1.24)	\$ 0.21
Diluted	\$ (0.04)	\$ 0.00	\$ 0.01	\$ (1.24)	\$ 0.21
Shares used in per share calculation:					
Basic	85,089	90,890	90,161	89,338	87,888
Diluted	85,089	93,923	92,183	89,338	94,648

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